
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your stockbroker, a licensed dealer in securities or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded or transmitted to, into or from any jurisdiction where to do so might constitute a violation of the relevant local securities laws or regulations. Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC and you should consult your stockbroker, a licensed dealer 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. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, together with the other document(s) specified in the paragraph headed "11. Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of the Prospectus Documents or any other document(s) referred to above. The securities described in this prospectus have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the Rights Shares or any securities described in this Prospectus in the United States or to conduct a public offering of securities in the United States.

Distribution of this prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession this prospectus comes should inform themselves of and observe any such restrictions. This prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States. The provision of this prospectus to Shareholders in the United States and any other jurisdiction where distribution is restricted is for information purposes only and shall not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Rights Shares or to take up any entitlements to the Rights Shares in the United States or any other jurisdiction in which such an offer or solicitation is unlawful. You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the section headed "Letter from the Board – Warning of the Risks of Dealings in the Shares" in this prospectus.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this prospectus, 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 prospectus.



中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Capitalised terms used on this cover shall have the same meanings as those defined in this prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents, the Company Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment and/or waiver (where applicable) of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – Rights Issue – Conditions of the Rights Issue" in this prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 5:00 p.m. on Friday, 4 December 2020). The conditions include non-occurrence of force majeure events.

If the conditions of the Rights Issue are not fulfilled and/or waived (where applicable) on or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Shares have been on an ex-rights basis from Monday, 2 November 2020. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 20 November 2020 to Friday, 27 November 2020 (both dates inclusive).

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the latest time when the conditions of the Rights Issue are fulfilled or (where applicable) waived (which is expected to be 5:00 p.m. on Friday, 4 December 2020) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is 4:00 p.m. on Wednesday, 2 December 2020.

The procedures for acceptance and transfer of the Rights Shares are set out in the section headed "Letter from the Board – Rights Issue – Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares" in this prospectus.

18 November 2020

* For identification purpose only

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is indicative only and may be subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

All time and date references contained in this prospectus shall refer to Hong Kong local time and dates.

Events	Time and Date 2020
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 20 November
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 24 November
Last day of dealings in nil-paid Rights Shares	Friday, 27 November
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 2 December
Latest time and date for the Rights Issue to become unconditional	5:00 p.m. on Friday, 4 December
Announcement of results of the Rights Issue	Wednesday, 9 December
Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 10 December
Despatch of share certificates for fully-paid Rights Shares	Thursday, 10 December
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 11 December
Designated broker starts to stand in the market to provide matching service for odd lots of Shares	Friday, 11 December
Designated broker ceases to stand in the market to provide matching service for odd lots of Shares	Monday, 28 December

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take effect if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 2 December 2020. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 2 December 2020. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take effect on Wednesday, 2 December 2020, the dates of the events subsequent to the Latest Time for Acceptance mentioned in the expected timetable may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Announcement”	the announcement dated 19 October 2020 issued by the Company in relation to, among other things, the Rights Issue
“Board”	the board of Directors
“Business Day(s)”	a day (other than public holiday, a Saturday or Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks in Hong Kong are generally open for business
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	CHK Oil Limited, a company incorporated in Bermuda with limited liability and the Shares are listed and traded on the Main Board of the Stock Exchange (stock code: 632)
“Company Act”	Bermuda Companies Act 1981
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares

DEFINITIONS

“Final Acceptance Date”	the last date for acceptance and payment in respect of provisional allotments under the Rights Issue and for application and payment for excess Rights Shares, which is currently scheduled to be on Wednesday, 2 December 2020 or such later date as determined by the Company
“Group”	the Company and its subsidiaries, from time to time
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Irrevocable Undertaking”	a letter of irrevocable undertaking dated 19 October 2020 executed by Xin Hua in favour of the Company
“Last Trading Day”	Monday, 19 October 2020, being the last full trading day for the Shares before the release of the Announcement
“Latest Practicable Date”	12 November 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	a time which is currently expected to be 4:00 p.m. on the Final Acceptance Date
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Overseas Letter”	the letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders (if any) are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Wednesday, 18 November 2020 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders
“PRC”	the People’s Republic of China which for the purpose of this prospectus shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus Documents”	this prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Wednesday, 11 November 2020, being the record date to determine the provisional entitlements to the Rights Issue
“Rights Issue”	the proposed issue by way of rights on the basis of three (3) Rights Shares for every eight (8) Shares in issue
“Rights Share(s)”	up to 229,603,495 new Shares proposed to be allotted and issued under the Rights Issue
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Share Registrar” or “Registrar”	Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.20 per Rights Share under the Rights Issue

DEFINITIONS

“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“United States”	the United States of America
“US Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“Xin Hua”	Xin Hua Petroleum (Hong Kong) Limited, the holder of 365,625,096 Shares, representing approximately 59.72% of the entire issued share capital of the Company and is a controlling shareholder
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



中港石油有限公司*

CHK OIL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

Executive Directors:

Ms. Liu Gui Feng (*Chairlady*)
Mr. Yu Jiyuan (*Vice Chairman & Chief Executive Officer*)
Mr. Lin Qing Yu
Ms. Chen Junyan
Mr. Li Songtao

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Yu Zhibo

*Head office and principal place of
business in Hong Kong:*

Units 2617-18, 26th Floor
Mira Place Tower A
132 Nathan Road, Kowloon
Hong Kong

Independent non-executive Directors:

Ms. Zhong Bifeng
Ms. Yang Yuyan
Mr. Pang Jun

18 November 2020

To the Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE
ON THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue. On 19 October 2020, the Board announced the Company proposed to implement the Rights Issue on the basis of three (3) Rights Shares for every eight (8) Shares held on the Record Date at the Subscription Price of HK\$0.20 per Rights Share, to raise gross proceeds of approximately HK\$45.9 million before expenses by way of issuing 229,603,495 Rights Shares. The Rights Issue will not be extended to the Non-Qualifying Shareholder(s).

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this prospectus is to provide you with, among other things, further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you, together with the financial and other general information of the Group.

RIGHTS ISSUE

The terms of the Rights Issue are set out below:

Basis of the Rights Issue	: Three (3) Rights Shares for every eight (8) Shares held on the Record Date
Subscription Price	: HK\$0.20 per Rights Share
Number of Shares in issue as at the Record Date and the Latest Practicable Date	: 612,275,987 Shares
Number of Rights Shares	: 229,603,495 Rights Shares
Aggregate nominal value of the Rights Shares	: Up to approximately HK\$45,920,699
Amount to be raised before expenses (assuming all Rights Shares will be taken up)	: approximately HK\$45.9 million
Number of Rights Shares undertaken to be taken up	: Xin Hua has undertaken to take up an aggregate of 137,109,411 Rights Shares under its assured entitlement (representing approximately 59.72% of the total Rights Shares proposed to be provisionally allotted by the Company) and to apply, by way of excess application, for an additional 92,494,084 Rights Shares pursuant to the Irrevocable Undertaking
Total number of Shares in Issue as enlarged by the Rights Shares upon completion of the Rights Issue	: 841,879,482 Shares

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the maximum number of 229,603,495 Rights Shares to be issued represents:

- (a) approximately 37.5% of the number of issued Shares (based on the Company's issued share capital as at the Record Date); and

LETTER FROM THE BOARD

- (b) approximately 27.27% of enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the Record Date and the Latest Practicable Date, the Company did not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares.

Save as disclosed in the section headed “Irrevocable Undertaking” below, the Board has not received any information or irrevocable undertakings from any substantial shareholder of their intention to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price is HK\$0.20 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 26.58% to the equivalent closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 26.26% to the average closing price of approximately HK\$0.1584 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days ending and including the Last Trading Day;
- (iii) a premium of approximately 23.30% to the average closing price of approximately HK\$0.1622 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days ending on and including the Last Trading Day;
- (iv) a premium of approximately 17.99% to the theoretical ex-right price of approximately HK\$0.1695 based on the Last Trading Day;
- (v) a discount of approximately 9.9% to the closing price of HK\$0.222 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 50.54% to the unaudited consolidated net asset value per Share of approximately HK\$0.4044 (based on the latest published consolidated net asset value of the Group of approximately HK\$247,630,000 as at 30 June 2020 as disclosed in the interim report of the Company for the six months ended 30 June 2020 and 612,275,987 Shares in issue as at the Latest Practicable Date; and

LETTER FROM THE BOARD

- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented a premium of approximately 6.96% of the theoretical diluted price of approximately HK\$0.1705 per Share to the benchmarked price of approximately HK\$0.1594 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day).

The Subscription Price and the subscription ratio were determined by the Directors with reference to (i) the market price of the Shares prior to and including the Last Trading Day; (ii) the net asset value per Share as at 30 June 2020 of the Company; (iii) the prevailing market conditions; (iv) the share price of the Company has been trading below its par value for some time; and (v) the fund-raising size intended by the Company after taking into consideration of the par value per Share of the Company. According to the relevant Bermuda laws, the Company shall not issue shares at a price below its par value.

In regards to the subscription ratio, the Directors considered (i) although the ratio may create odd lots for some Shareholders, the Directors have reviewed recent rights issues conducted in the market and noted that it is not uncommon for subscription ratios to create odd lots; and (ii) as the subscription ratio may create odd lots, the Company has appointed Forwin Securities Group Limited to stand in the market and provide matching services on a best effort basis for holders of odd lots of Shares. For details, please refer to the paragraph headed “Odd lot arrangement” below.

In regards to the Subscription Price, the Directors considered (i) the relevant Bermuda laws where the Company shall not issue shares at a price below its par value, which is HK\$0.20 per share, and the Subscription Price is already set at the lowest point that is legally allowed; (ii) the average share price of the Company for the period of three months and six months ended on the Last Trading Day was of HK\$0.24 and HK\$0.31, respectively, where the share prices of the Company traded above the Subscription Price for 42 out of a total of 63 trading days for the period of three months ended on the Last Trading Day, and for 103 out of a total of 124 trading days for the period of six months ended on the Last Trading Day; (iii) the rights issue exercises performed by other companies listed on the Stock Exchange recently in which the Directors noted that it is not uncommon to have the subscription prices of a rights issue exercise set at a discount to their net assets value per share; (iv) it is noted that the closing price was HK\$0.222 per Share as at the Latest Practicable Date, the Subscription Price would therefore represent a discount of approximately 9.9%, which means the Subscription Price is lower than the Company’s recent share price; and (v) although the Subscription Price is set at a premium to the Last Closing Price, the Rights Issue gives all Qualifying Shareholders an equal opportunity to subscribe and participate in this fund raising exercise.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue (including the Subscription Price and the basis of the Rights Issue) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Dilution effect

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

The Rights Issue will result in a theoretical dilution effect (within the meaning ascribed to it in Rule 7.27B of the Listing Rules) at a premium of approximately 6.96%, being the theoretical diluted price of approximately HK\$0.1705 per Share to the benchmarked price of approximately HK\$0.1594 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the average closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day). Therefore, the Directors consider that the Rights Issue is in the interests of the Qualifying Shareholders. In addition, the Directors would like to draw the attention of the Shareholders that:

- (a) the Rights Issue which is to raise funds for the Group's financing needs provides the Qualifying Shareholders the opportunity to subscribe for their pro-rata Rights Shares which will enable them to maintain their shareholding interests in the Company (save for fractional entitlements) at a discount to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date; and
- (b) the Qualifying Shareholders who do not take up their entitlements in the Rights Issue are able to sell the nil-paid Rights Shares in the market, while the Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue are able to make excess applications for additional Rights Shares and/or acquire additional nil-paid Rights Shares in the market.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every eight (8) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Share Registrar by 4:00 p.m. on Wednesday, 2 December 2020.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and sold by the Company in the open market if a premium (net of expenses) can be obtained, and the Company will keep the net proceeds for its own benefit. Any unsold fractions of the Rights Shares will be aggregated and made available for excess application by the Qualifying Shareholders.

LETTER FROM THE BOARD

Odd lot arrangement

In order to facilitate the trading of odd lots of Shares which will arise upon the Rights Issue, the Company has appointed Forwin Securities Group Limited to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period between Friday, 11 December 2020 to Monday, 28 December 2020 (both days inclusive). Holders of odd lots Shares who wish to take advantage of this facility either to dispose of their odd lots of Shares or to top up to board lots of 2,000 Shares may contact Mr. Simson Kwok of Forwin Securities Group Limited at Unit 2201, 22/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (telephone number: (852) 2895 9977) as soon as possible during the period. Holders of Shares in odd lots should note that the matching services mentioned above are on a “best effort” basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements.

Status of the Rights Shares

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

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

Distribution of the Prospectus Documents

The Rights Issue will only be available to the Qualifying Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders.

Distribution of this prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of the Prospectus Documents (including, without limitation, Shareholders and beneficial owners of the Shares, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder or beneficial owner of the Shares who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay.

LETTER FROM THE BOARD

Receipt of this prospectus and/or a PAL and/or an EAF or the crediting of nil-paid Rights Shares to a stock account in CCASS does not and will not constitute an offer in any jurisdiction in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer the nil-paid Rights Shares to any person in, into or from, any such jurisdiction. If a PAL or an EAF or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the PAL or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer the nil-paid Rights Shares in CCASS unless the Company determines that such action would not violate any applicable legal or regulatory requirements.

Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this prospectus or a PAL or an EAF in, into or from any such jurisdiction (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

No part of the Prospectus Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company.

Beneficial owners of the Shares who reside outside Hong Kong should note that the Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

It is the responsibility of the relevant beneficial owners and/or their respective agents, custodians, nominees or trustees wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Closure of register of members

The register of members of the Company has been closed from Wednesday, 4 November 2020 to Wednesday, 11 November 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares was being registered during this period.

LETTER FROM THE BOARD

Rights of the Overseas Shareholders

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

Based on the register of members of the Company as at the Record Date, there were a total of four (4) Overseas Shareholders located in the PRC and Singapore with the following shareholding structure:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregate number of Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate percentage of shareholdings
PRC	3	60,000,000	9.79950%
Singapore	1	36	0.00001%

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, sought legal advice regarding any legal restrictions under the laws of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange.

Singapore

Based on the advice of the Company's legal adviser in Singapore, the Prospectus Documents are not required to be registered with the Monetary Authority of Singapore or conform or comply with any specific requirements of the Securities and Futures Act (Cap 289) of Singapore in relation to its format and content before the Rights Issue may be extended to such Overseas Shareholder in Singapore. In addition, there are no other Singapore laws, regulations or requirements which the Company will need to comply with before extending the Rights Issue to such Overseas Shareholder in Singapore.

Accordingly, the Board is of the view that it is expedient to extend the Rights Issue to such Overseas Shareholder having registered addresses in Singapore and such Overseas Shareholder is considered as Qualifying Shareholder.

PRC

Based on the advice of the Company's PRC legal advisers and having considered the circumstances, the Directors have formed the view that it is necessary or expedient not to extend the Rights Issue to the Overseas Shareholders in the PRC due to the uncertainty on the regulation of the issuance of securities within the PRC by overseas companies. Furthermore, shareholders who are PRC residents shall go through registration procedures as required by the Regulation of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) for making direct investment or issuing or trading securities overseas.

LETTER FROM THE BOARD

Accordingly, the Overseas Shareholders having registered addresses in the PRC are considered as Non-Qualifying Shareholders. Non-Qualifying Shareholders are Overseas Shareholders whom the Directors, based on advice provided by legal advisers in the relevant jurisdiction(s), consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, subject to certain limited exceptions. The Rights Issue has not been, and will not be, extended to the Non-Qualifying Shareholders.

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

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Arrangements for Rights Shares which would otherwise have been available to the Non-Qualifying Shareholders

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before dealings in the nil-paid Rights Shares end, if a premium in excess of all expenses of sale can be obtained. The aggregate net proceeds of such sale will be distributed by the Company to the Non-Qualifying Shareholders (pro-rata to their respective entitlements on the Record Date and round down to the nearest cent) in Hong Kong dollars, provided that if any of such Non-Qualifying Shareholders would be entitled to a sum not less than HK\$100. In view of administrative costs, the Company will retain individual amount of less than HK\$100 for its own benefit. Any unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders (if any) would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs.

Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Wednesday, 2 December 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED - A/C NO. 044" and crossed "Account Payee Only".

LETTER FROM THE BOARD

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Share Registrar by no later than 4:00 p.m. on Wednesday, 2 December 2020, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Tuesday, 24 November 2020 to the Share Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's 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 return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled, and/or not waived (where applicable) at or before 5:00 p.m. on Friday, 4 December 2020 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Share Registrar on or before Thursday, 10 December 2020.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholder(s) (if any); (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares. (i) to (iii) are collectively referred to as “**Untaken Rights**”.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) subject to availability, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of Shares held by the Qualifying Shareholders on the Record Date;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs; and
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole-lot holdings.

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company shall take steps to identify the applications for excess Rights Shares made by any controlling shareholders or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Shareholders with their Shares held by a nominee (or which are held in CCASS) should note that the Board will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by a registered nominee and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. on Tuesday, 3 November 2020.

LETTER FROM THE BOARD

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

On 19 October 2020, the Company received from Xin Hua the Irrevocable Undertaking, pursuant to which Xin Hua has irrevocably undertaken to the Company, among other things, to apply, by way of excess application, for an additional 92,494,084 Rights Shares.

In the event that the Directors note unusual patterns of excess Rights Shares applications, the Directors will review those applications and if the Directors have reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Directors.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 2 December 2020. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**TRICOR INVESTOR SERVICES LIMITED - A/C NO. 045**" and crossed "Account Payee Only".

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post at his/her/its own risk by the Share Registrar on or before Thursday, 10 December 2020. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to his/her/its registered address at his own risk by the Share Registrar on or before Thursday, 10 December 2020.

All cheques or cashier's orders accompanying completed EAFs 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 return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation.

LETTER FROM THE BOARD

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be sent by ordinary post at the risk of the person(s) entitled thereto to their registered addresses as at the Record Date by the Share Registrar on the respective despatch dates. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the EAF together with a cheque or cashier's order in payment for the excess Rights Shares applied for will constitute a warranty and representation from such Qualifying Shareholder(s) to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any application thereunder, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled, and/or not waived (where applicable) at or before 5:00 p.m. on Friday, 4 December 2020 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed. Under such circumstances, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Share Registrar on or before Thursday, 10 December 2020.

Irrevocable Undertaking

On 19 October 2020, the Company received from Xin Hua the Irrevocable Undertaking, pursuant to which Xin Hua has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 137,109,411 Rights Shares which will be provisionally allotted to it nil-paid in respect of the 365,625,096 Shares legally and beneficially owned by it, pursuant to the terms of the Prospectus Documents;
- (ii) ensure that the 365,625,096 Shares currently legally and beneficially owned by it will remain legally and beneficially owned by it on the Record Date; and
- (iii) to apply, by way of excess application, for an additional 92,494,084 Rights Shares.

Save for the Irrevocable Undertaking, the Board has not received any information or irrevocable undertakings from any substantial shareholder of their intention to take up the securities of the Company to be offered to them under the Rights Issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue” below, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 10 December 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Thursday, 10 December 2020 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for listing

The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange. Both nil paid Rights Shares and fully-paid Rights Shares will be traded in board lot of 2,000 shares.

Right Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second 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. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) for the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue as a result of Untaken Rights and such are not taken up by the Qualifying Shareholders (excluding Xiu Hua), Xin Hua has, pursuant to the Irrevocable Undertaking, irrevocably undertaken to the Company to apply, by way of excess application, for an additional 92,494,084 Rights Shares. For further details, please refer to the paragraph headed “Irrevocable Undertaking” above. No general offer obligation will be triggered by the Irrevocable Undertaking and the issue of Rights Shares to Xin Hua pursuant to the Irrevocable Undertaking in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. There is no minimum amount to be raised under the Rights Issue.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

Any other Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for his entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, not later than the Posting Date, each of the Prospectus Documents is duly certified in compliance with section 342C of the Companies (WUMP) Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (b) the posting of this prospectus with the Overseas Letter to the Non-Qualifying Shareholder(s), if any, to the extent legally permitted and for information purposes only, on or before the Posting Date;
- (c) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and such listings and permission to deal not having been withdrawn or revoked;

LETTER FROM THE BOARD

- (d) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (e) compliance with and performance of all undertakings and obligations of Xin Hua under the Irrevocable Undertaking in all material respects; and
- (f) there shall not have occurred and be continuing any of the following:
 - (i) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or
 - (ii) any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole or the Rights Issue; or
 - (iii) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company and its subsidiaries considered as a whole occurs, whether or not of the same kind with any of the foregoing; or
 - (iv) any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

Save for condition (e) and (f) which can be waived (conditionally or unconditionally) by the Company, none of the above conditions can be waived. If any of the conditions referred to above are not fulfilled, and/or not waived (where applicable) at or before 5:00 p.m. on Friday, 4 December 2020 (or such later time and/or date as the Company may determine), the Rights Issue will not proceed.

LETTER FROM THE BOARD

Reasons for the Rights Issue and use of proceeds

Use of proceeds

The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.4 million) are estimated to be approximately HK\$44.5 million.

The Directors currently intend to use the net proceeds of approximately HK\$44.5 million as follows:

- Approximately 63.4% of the net proceeds (approximately HK\$28.2 million) will be used for the repayment of unsecured loans by the Group.
- Approximately 13.5% of the net proceeds (approximately HK\$6.0 million) will be used for the working capital of the Group's subsidiary, namely Pearl Oriental (Daqing) Oil Limited, for its business operations.
- The remaining 23.1% of the net proceeds (approximately HK\$10.3 million) will be used as general working capital.

Reasons for the Rights Issue

As disclosed in the Company's announcement dated 20 August 2020, the Company had the intention to arrange for repayment of an unsecured loan to NPCC (Hong Kong) Limited (the "Lender") and the Company was given to understand that the Lender's parent company was undergoing certain internal restructuring and was not able to confirm repayment details.

However, during recent communications between the Company and the Lender, the Company indicated to the Lender that upon completion of this Rights Issue, the Company shall arrange for repayment of the unsecured loan. In order to lessen financial burden in terms of interest expenses from the unsecured loan being borne by the Group, based on the recent communications with the Lender, the Company and the Lender agreed that the Company shall repay the outstanding amount to the Lender on or before (i) the fifth business day immediately after completion of the Rights Issues; or (ii) 31 December 2020, whichever is earlier.

Approximately HK\$6.0 million will be applied to the Group's subsidiary, namely Pearl Oriental (Daqing) Oil Limited, for its daily business operations of the trading of oil. The Board is of the view the Rights Issue and the allocation of a portion of the net proceeds to the Group's subsidiary will help to maintain or potentially further expand the oil trading business.

LETTER FROM THE BOARD

Fund raising alternatives

The Directors have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Directors are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

Equity fund raising activities of the Company during the past 12-month

Save for the Rights Issue, the Company has not engaged in any equity fund raising activities or any rights issue exercise during the past 12 months immediately before the Latest Practicable Date.

LETTER FROM THE BOARD

Changes in the shareholding structure of the Company arising from the Rights Issue

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than Xin Hua which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking, assuming there is no change in the number of Shares in issue since the Record Date:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than Xin Hua which will take up the Rights Shares in accordance with the Irrevocable Undertaking) (Note 1)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Controlling Shareholder						
Xin Hua (Note 2)	365,625,096	59.72	502,734,507	59.72	595,228,591	70.70
Non-public Shareholder						
Pearl Oriental Logistics Sino Limited (Note 3)	243,600	0.04	334,950	0.04	243,600	0.03
Independent non-executive Director						
Ms. Zhong Bifeng	5,000,000	0.82%	6,875,000	0.82%	5,000,000	0.59%
Public Shareholders	241,407,291	39.42%	331,935,025	39.42%	241,407,291	28.68%
Total	612,275,987	100.00	841,879,482	100.00	841,879,482	100.00

Notes:

- Assuming no excess applications are made by Qualifying Shareholders other than Xin Hua.
- As at the Latest Practicable Date, Xin Hua is owned as to 46.28% by Ms. Chen Junyan, 34.92% by Mr. Yu Zhibo and 18.80% by Mr. Chen Yaxin.
- On 4 April 2007, the Company issued consideration Shares in relation to its acquisition of 60% of the issued share capital of Pearl Oriental Logistics Sino Limited (which is a subsidiary of the Company). Please refer to the Company's announcement dated 26 September 2006 and the Company's circular dated 18 October 2006 in relation to the acquisition of Pearl Oriental Logistics Sino Limited for more details. The 243,600 Shares held by Pearl Oriental Logistics Sino Limited consist of part of these consideration Shares and 40,600 bonus Shares which were issued to Pearl Oriental Logistics Sino Limited in May 2011.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

Shareholders and investors should also note that the Rights Issue may not proceed upon the occurrence of certain events (as specifically set out in the paragraph headed “Conditions of the Rights Issue” of this prospectus) at or prior to the latest time for the Rights Issue to become unconditional, which is currently expected to be 5:00 p.m. on Friday, 4 December 2020. These include force majeure events, and/or any change in the market conditions or combination of circumstances in Hong Kong which in the absolute opinion of the Company will in any material respect affect the success of the Rights Issue or will otherwise make it inadvisable or inappropriate for the Company to proceed with the Rights Issue.

If any of the conditions of the Rights Issue is not fulfilled or (where applicable) waived at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 5:00 p.m. on Friday, 4 December 2020), the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Monday, 2 November 2020. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 20 November 2020 to Friday, 27 November 2020. Any persons contemplating dealings in the Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Friday, 20 November 2020 to Friday, 27 November 2020 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Share or nil-paid Rights Shares are recommended to consult their own professional advisers.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

ADDITIONAL INFORMATION

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

By Order of the Board
CHK OIL LIMITED
Liu Gui Feng
Chairlady and Executive Director

1. FINANCIAL INFORMATION

Details of the financial information of the Group for the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, including the notes thereto, are disclosed in the annual reports of the Company for the three years ended 31 December 2017, 2018 and 2019 and the interim report for the six months ended 30 June 2020, which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chkoilltd.com). Set out below are links to the relevant annual reports and interim report of the Company:

- Interim report of the Company for the six months ended 30 June 2020 (pages 2 to 17)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0921/2020092101081.pdf>
- Annual report of the Company for the year ended 31 December 2019 (pages 51 to 121)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042001069.pdf>
- Annual report of the Company for the year ended 31 December 2018 (pages 30 to 85)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292531.pdf>
- Annual report of the Company for the year ended 31 December 2017 (pages 29 to 77)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0406/ltn20180406631.pdf>

2. INDEBTEDNESS

At the close of business on 30 September 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the indebtedness of the Group was as follows:

	<i>HK\$'000</i>
Unsecured and unguaranteed	
Unsecured loan	25,000
Interest payables	9,517
Lease liabilities	729
	<hr/>
	35,246
	<hr/> <hr/>

Contingent liabilities

As at the close of business on 30 September 2020, the Group did not have any significant contingent liabilities.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Group and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 September 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Company has sufficient working capital for at least twelve months from the date of this prospectus in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

For the six months ended 30 June 2020 (the “**Period**”), the Group focused on its principal business of (i) trading of oil-related products (the “**Trading Business**”) and (ii) exploring, exploiting, maintenance and sales of oil and natural gas (the “**Oil and Gas Business**”).

For the Period, the Group recorded a consolidated revenue of approximately HK\$87,447,000 (2019: HK\$78,697,000), and the loss attributable to the owners of the Company amounted to approximately HK\$13,375,000 (2019: HK\$25,009,000). Basic loss per share for the Period was HK2.18 cents (2019: HK15.41 cents).

The consolidated revenue was mainly contributed from the Trading Business. Gross profit for the Period amounted approximately HK\$1,825,000 (2019: Gross loss HK\$397,000), which was mainly contributed by trading of oil-related product in the Mainland China.

Loss for the Period was approximately HK\$13,375,000 (2019:HK\$24,966,000). The decreases was mainly due to the decrease in finance costs of unsecured loans and strengthening measures in administrative cost control of the Group as compared to that of the corresponding period last year.

It remains extremely challenging for the Company for the rest of the year as there are grave uncertainties relating international oil and gas industry and the business trading segment in light of potentially further waves of outbreak of COVID-19.

Trading Business

With the possible slow economic recovery from COVID-19, the Group intends to commence trading of diluted bitumen. These products will be primarily sold to market in China. Meanwhile, the Group also carefully considers the option of renting floating vessels or tankers in order to further promote the trading business.

Furthermore, the Group will also continue to expand the business to other industries, such as electronic products.

With China cautiously resuming business activities during the COVID-19 epidemic, the Group will continue to increase in trading volumes of oil-related products domestically. It is expected that the sales of trading oil-related products by the Group will be improving.

Oil and Gas Business

Although oil price and gas price have recovered to some extent recently, the markets are still confronted with ongoing uncertainties and challenges due to the ongoing pandemic in the world. In the meantime, COVID-19 outbreak raised the cost of drilling new wells while made it extremely difficult for the Group to locate labor for oil and gas field development. Therefore, the Group will focus on regular maintenance of its current oil and gas wells for the time being. The management of the Group will continue to keep a close eye on and make assessment of the market situation from time to time. To reduce investment risk, the management may also consider seeking new co-operators and/or investors with solid financial strength to expand the Group's gas and oil business as and when opportunities arise.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

The following is the text of a report received from the reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of inclusion in this prospectus.



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18 November 2020

The Directors
CHK Oil Limited
Units 2617-18
26th Floor, Mira Place Tower A
No. 132 Nathan Road
Kowloon, Hong Kong

Dear Sirs,

CHK OIL LIMITED**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CHK Oil Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2020 and related notes (the “**Pro Forma Financial Information**”) as set out in Appendix II to the prospectus dated 18 November 2020 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue of 229,603,495 rights shares at subscription price of HK\$0.2 per rights share (the “**Rights Share**”) on the basis of three Rights Share for every eight shares of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group's unaudited consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2020 as if the Rights Issue had taken place on 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated financial statements for the period ended 30 June 2020, on which no audit, review or accountant's report has been issued.

DIRECTORS' RESPONSIBILITY 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 (the “**HKICPA**”).

REPORTING ACCOUNTANTS' 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 behaviour.

We apply Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintain 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 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2020 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' judgment, having regard to the reporting accountants' understanding of the nature of the entity, 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.

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.

Mazars CPA Limited

Certified Public Accountants

Hong Kong

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as if the Rights Issue had been completed on 30 June 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2020 is 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 the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2020 is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, as extracted from the published interim report of the Company for the period ended 30 June 2020, with adjustments described below.

	Unaudited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2020 <i>HK\$'000</i> <i>(Note i)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note ii)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited adjusted consolidated net tangible assets of the Group per share attributable to the equity holders of the Company as at 30 June 2020 <i>HK\$</i> <i>(Note iii)</i>	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note iv)</i>
Rights Issue of 229,603,495 Rights Shares at subscription price of HK\$0.2 per Rights Share	16,547	44,500	61,047	0.027	0.073

Notes:

- (i) The unaudited adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020 of approximately HK\$16,547,000 is based on the unaudited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2020 of HK\$246,615,000, adjusted by intangible assets of HK\$230,068,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as extracted from the published interim report of the Company for the period ended 30 June 2020.
- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$44,500,000 is calculated based on 229,603,495 Rights Shares to be issued (in the proportion of three Rights Share for every eight shares held as at the rights issue record date) at the subscription price of HK\$0.2 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,400,000, including among others, legal and professional fees, which are directly attributable to the Rights Issue.
- (iii) The unaudited adjusted consolidated net tangible assets of the Group per share attributable to the equity holders of the Company as at 30 June 2020 is HK\$0.027, which is calculated based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2020 of HK\$16,547,000 as set out in Note (i) above divided by 612,275,987 shares in issue as at 30 June 2020.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the equity holders of the Company immediately after completion of the Rights Issue of HK\$0.073 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue of HK\$61,047,000 divided by 841,879,482 shares, which comprising 612,275,987 shares in issue as at 30 June 2020 and 229,603,495 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of three Rights Share for every eight shares held as at the Rights Issue record date), that are in issue assuming that the Rights Issue had been completed on 30 June 2020.
- (v) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) As at the Latest Practicable Date

HK\$

Authorised share capital:		
<u>100,000,000,000</u>	Shares of HK\$0.20 each	<u>20,000,000,000.00</u>
Issued and fully paid:		
<u>612,275,987</u>	Shares of HK\$0.20 each	<u>122,455,197.40</u>

(b) Immediately following the completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)

HK\$

Authorised share capital:		
<u>100,000,000,000</u>	Shares of HK\$0.20 each	<u>20,000,000,000.00</u>
Issued and fully paid:		
612,275,987	Shares of HK\$0.20 each	122,455,197.40
<u>229,603,495</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>45,920,699.00</u>
<u>841,879,482</u>	Shares in issue immediately upon completion of the Rights Issue	<u>168,375,896.40</u>

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

Since 31 December 2019 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no Shares had been issued.

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

The Company has applied to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants or derivatives in issue which conferred any right to subscribe for, convert, or exchange into the Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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 of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company ¹
Yu Zhibo	Interest in controlled corporation	365,625,096 ²	59.72%
Chen Junyan	Interest in controlled corporation	365,625,096 ²	59.72%
Zhong Bifeng	Beneficial Owner	5,000,000 ³	0.82%

Notes:

1. The Company had 612,275,987 Shares in issue as at the Latest Practicable Date.
2. These 365,625,096 Shares are held by Xin Hua, which, in turn, is owned by Ms. Chen Junyan as to 46.28%, Mr. Yu Zhibo as to 34.92% and Mr. Chen Yaxin as to 18.80%.
3. These 5,000,000 Shares were beneficially owned by Ms. Zhong Bifeng.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders 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, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

Name	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company ¹
Xin Hua	Beneficial Owner	365,625,096 ²	59.72%

Note:

1. The Company had 612,275,987 Shares in issue as at the Latest Practicable Date.
2. These 365,625,096 Shares are held by Xin Hua which, in turn, is owned by Ms. Chen Junyan as to 46.28%, Mr. Yu Zhibo as to 34.92% and Mr. Chen Yaxin as to 18.80%.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had any service contracts with the Group other than those which were expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 December 2019 (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 were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from within two years immediately preceding the Latest Practicable Date:

- (a) a deed of settlement entered into among the Company, Mr. Cheung Wai Keung (“**Mr. Cheung**”) and Mr. So Kuen Kwok (“**Mr. So**”) on 21 December 2018 in respect of the settlement over the outstanding debts owed by the Company to Mr. Cheung (the “**Deed of Settlement**”);
- (b) a supplemental deed to the Deed of Settlement entered into among the Company, Mr. Cheung and Mr. So on 3 January 2019 in respect of amendments to the Deed of Settlement;
- (c) a loan agreement entered into between the Company as the borrower and Xin Hua as the lender on 29 November 2018 in respect of the loan of HK\$50 million (the “**HK\$50M Loan**”);
- (d) a loan agreement entered into between the Company as the borrower and Xin Hua as the lender on 6 December 2018 in respect of the loan of HK\$20 million (the “**HK\$20M Loan**”);
- (e) a loan agreement entered into between the Company as the borrower and Xin Hua as the lender on 10 January 2019 in respect of the loan of HK\$5 million (the “**First HK\$5M Loan**”);
- (f) a loan agreement entered into between the Company as the borrower and Xin Hua as the lender on 16 January 2019 in respect of the loan of HK\$5 million (the “**Second HK\$5M Loan**”);
- (g) a loan extension agreement entered into between the Company and Xin Hua on 28 January 2019 in respect of the extension of the term of the HK\$50M Loan to 28 February 2019;
- (h) a loan extension agreement entered into between the Company and Xin Hua on 1 February 2019 in respect of the extension of the term of each of the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 28 February 2019;
- (i) a loan extension agreement entered into between the Company and Xin Hua on 28 February 2019 in respect of the extension of the term of each of the HK\$50M Loan, HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 31 March 2019;
- (j) a loan extension agreement entered into between the Company and Xin Hua on 28 March 2019 in respect of the extension of the term of each of the HK\$50M Loan, HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 31 March 2020;
- (k) a subscription agreement entered into among the Company, Xin Hua and Noble Pioneer Limited on 13 February 2019 in respect of the subscription of new shares of the Company by each of Xin Hua and Noble Pioneer Limited (the “**First Subscription Agreement**”);
- (l) a supplemental agreement to the First Subscription Agreement entered into among the Company, Xin Hua and Noble Pioneer Limited on 29 March 2019 in respect of amendments to the First Subscription Agreement; and
- (m) a subscription agreement entered into between the Company and Noble Pioneer Limited on 3 April 2019 in respect of the subscription of new shares of the Company by Noble Pioneer Limited.

9. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$1.4 million and are payable by the Company.

10. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given its opinion, letter or advice contained in this prospectus:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert had no shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert had neither direct nor indirect interest in any assets which had been, since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

Copies of the Prospectus Documents and the written consent referred to in the paragraph headed “10. Expert and Consent” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

12. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office of the Company	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong of the Company	Units 2617-18, 26th Floor Mira Place Tower A 132 Nathan Road, Kowloon Hong Kong

Authorised Representatives of the Company	Mr. Yu Jiyuan Units 2617-18, 26th Floor Mira Place Tower A 132 Nathan Road, Kowloon Hong Kong
	Ms. Liu Xiaoting Units 2617-18, 26th Floor Mira Place Tower A 132 Nathan Road, Kowloon Hong Kong
Company Secretary of the Company	Ms. Liu Xiaoting Certified Public Accountant
Auditor/Reporting Accountants of the Company	Mazars CPA Limited 42nd Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
Principal Banker of the Company	Bank of Communications Co., Ltd. Hong Kong Branch 16/F, Lee Garden Five 18 Hysan Avenue, Causeway Bay Hong Kong
Principal Share Registrar and Transfer Office of the Company	Conyers Corporate Services (Bermuda) Limited 2 Church Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrar and Transfer Office of the Company	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Company	YC Solicitors Room 802, 8/F OfficePlus@Sheung Wan Nos. 93-103 Wing Lok Street Sheung Wan Hong Kong

13. PROFILES OF THE DIRECTORS**Executive Directors****Ms. Liu Gui Feng (“Ms. Liu”)**

Ms. Liu was appointed as an executive Director and the Chairlady of the Board on 28 November 2018. She graduated from the Corporate CEO Modern Project Management Advanced Course (企業CEO現代項目管理高級研修班) organized by Tsinghua University in July 2005. She has served as the chairlady of Changchun Xinda Petroleum Group Co., Ltd. (長春新大石油集團有限公司) since 1996.

Mr. Yu Jiyuan

Mr. Yu Jiyuan, the son of Mr. Yu Zhibo who is a substantial shareholder of the Company, was appointed as an executive Director on 15 July 2019 and appointed as the vice chairman of the Board and the chief executive officer of the Company on 21 September 2020. Mr. Yu Jiyuan obtained Bachelor of Science (Applied Mathematics & Statistics, Economics) from State University of New York (Stony Brook) in December 2012 and a Master in Public Administration in International Development from Harvard University in May 2017. From October 2013 to August 2015, Mr. Yu Jiyuan was a consultant to the International Department (國際部) of 黑龍江龍油集團有限公司 (Heilongjiang province Longyou Group Company Limited*) (“**Heilongjiang Longyou**”) where he assisted the development of the international sales and marketing strategies and liaison with overseas business partners. From June 2017 to October 2018, Mr. Yu Jiyuan became the Head of International Department (國際部部長) of Heilongjiang Longyou and he was responsible for the overseas business development. Since November 2018, Mr. Yu Jiyuan has been working as the general manager of Heilongjiang Longyou. Since January 2018, Mr. Yu Jiyuan has been the chairman of 天津瀛德冷鏈技術有限公司 (Tianjin Yingde Coldchain Technology Co., Ltd*). Since November 2018, Mr. Yu Jiyuan has been working as the chairman of 天津冰利蓄冷科技有限公司 (Tianjin Binglixuleng Technology Co., Ltd.*).

Mr. Lin Qing Yu (“Mr. Lin”)

Mr. Lin was appointed as an executive Director on 3 October 2018. He served as the General Manager of Jilin Xinda Petroleum and Chemical Co., Ltd.* (吉林省新大石油化工有限公司) from 2008 to 2011, and has been the Chairman and legal representative of Jilin Shengde Industrial Group Co., Ltd. (吉林聖德實業集團有限公司) since December 2011. He graduated from Economics and Management Professional Studies (大專班經濟管理專業) in the Open College of the Central Communist Party School (中共中央黨校函授學院) in 1996.

Ms. Chen Junyan (“Ms. Chen”)

Ms. Chen (formerly known as Ms. Chen Jingjing) was appointed as an executive Director on 15 July 2019. She was a business manager and promoted to business director (業務總監) and the general manager assistant at Shanghai Dahua Nationalization Business Management Co. Ltd.* (上海大華國化企業管理有限公司), from September 2011 to September 2018 and Ms. Chen was responsible for the sales and marketing of the fuel oil business.

Mr. Li Songtao (“Mr. Li”)

Mr. Li was appointed as an independent non-executive Director on 24 September 2019 and was redesignated as an executive Director on 21 September 2020. Mr. Li has served as financial controller of Daqing Jinsanyuan Co., Ltd* (大慶金三元有限公司) since September 2012. He has also worked in Daqing Branch of Heilongjiang Anlian Accounting Firm Co., Ltd* (黑龍江安聯會計師事務所有限公司大慶分公司) since December 2007, and is currently taking the position of vice director of the Branch. He was working for the accounting department in Heilongjiang Dairy Machinery Factory* (黑龍江省乳品機械總廠) for the period from August 1991 to June 2004. Mr. Li currently holds the qualification of certified public accountant in the PRC and he also has been a Registered Tax Agent since 2010 in the PRC.

Non-executive Directors**Mr. Yu Zhibo (“Mr. Yu”)**

Mr. Yu was appointed as an executive Director on 29 June 2020 and was re-designated as a non-executive Director on 21 September 2020. Mr. Yu is the father of Mr. Yu Jiyuan, an executive Director. Mr. Yu finished his legal professional studies (法律專科) in July 1989 and law studies (法律本科) in January 1998 at 黑龍江省政法管理幹部學院 (Heilongjiang Administrative Cadre Institute of Politics and Law*). Mr. Yu obtained his master in Executive MBA (高級管理人員工商管理碩士) at Tsinghua University (清華大學) in January 2019. Mr. Yu has more than 10 years of experience in the petrochemical industry. From January 2007 to January 2009, Mr. Yu was the chairman and the general manager of 大慶錦聯石油化工有限公司 (Daqing Jinlian Petrochemical Co., Ltd*). From October 2009 to March 2019, Mr. Yu was the director of Daqing Lianyi Petrochemical Co., Ltd* (大慶聯誼石化股份有限公司) (“**Daqing Lianyi**”) and from August 2012 to October 2016, Mr. Yu was also acting as the chairman of Daqing Lianyi. From October 2016 to March 2019, Mr. Yu was the vice general manager of Daqing Lianyi. Daqing Lianyi is a petrochemical company engaging in, among others, sale of crude oil, petroleum processing and distribution of oil-related products business. Mr. Yu joined the Group in August 2019 and has been the vice president in the business trading department of the Company since then.

Independent Non-executive Directors**Ms. Zhong Bifeng (“Ms. Zhong”)**

Ms. Zhong was appointed as an independent non-executive Director on 14 August 2019. She obtained a bachelor’s degree in law from Shijiazhuang Army Command College* (石家莊陸軍指揮學院) in Hebei Province, China in June 2007. Ms. Zhong worked in Meizhou Culture, Radio, Television and Tourism Bureau of Guangdong Province* (廣東省梅州市文化廣電旅遊局) from November 2007 to October 2013; she served as manager of sales department of Jilin Province Li’an Petrochemical Co., Limited* (吉林省利安石油化工有限公司) from April 2013 to March 2014; she was working as the supervisor of trade department and then promoted as deputy director of operation department in Liaoning Dingyuan New Energy Trading Co., Ltd* (遼寧鼎元新能源貿易有限公司) during 2014 to 2018.

Ms. Yang Yuyan (“Ms. Yang”)

Ms. Yang was appointed as an independent non-executive Director on 21 September 2020. Ms. Yang finished her bachelor of accounting at Jilin University of Finance and Economics* (吉林財經大學) through passing self-taught higher education examinations in 2013. Ms. Yang has been qualified as a mid-level accountant in the PRC since 2009. Ms. Yang served as a financial manager of Heilongjiang Longyou from January 2017 to June 2018. Ms. Yang has served as financial controller of Daqing Direction Software Technology Co., Ltd* (大慶正方軟件科技股份有限公司), a company quoted on National Equities Exchange and Quotations (Code: 832911), since August 2018.

Mr. Pang Jun (“Mr. Pang”)

Mr. Pang was appointed as an independent non-executive Director on 21 September 2020. Mr. Pang graduated from Heilongjiang People’s Police School* (黑龍江省人民警察學校) in 1983; served as a policeman at section staff level in Qiqihar Railway Reeducation Center* (齊齊哈爾鐵路勞教所) from 1983 to 1992. Mr. Pang is currently a qualified lawyer in the PRC. Mr. Pang was a senior partner at Heilongjiang Benhe Law Firm* (黑龍江奔河律師事務所) from 2000 to 2002, a senior partner and the chief lawyer (主任律師) at Heilongjiang Baixing Law Firm* (黑龍江佰行律師事務所) from 2005 to 2008. He has been served as a senior partner and practicing lawyer at Heilongjiang Zeyan Law Firm* (黑龍江澤言律師事務所) since 2008.

Company Secretary**Ms. Liu Xiaoting (“Ms. Liu”)**

Ms. Liu was appointed as the Company Secretary on 1 October 2019. Ms. Liu graduated with Bachelor of Commerce (Accounting) from The University of Sydney in October 2007 and a Master of Financial Analysis from University of New South Wales, Australia in August 2010. Ms. Liu is a member of both Hong Kong Institute of Certified Public Accountants and the CPA Australia. From July 2015 to May 2017, Ms. Liu was the company secretary of e-Kong Group Limited (stock code: 524), a company listed on the Stock Exchange. From September 2017 to May 2019, Ms. Liu was the company secretary, the financial controller and the chief assistant to the chairman of Man Wah Holdings Limited (stock code: 1999), a company listed on the Stock Exchange. From October 2010 to February 2015, Ms. Liu was working at PricewaterhouseCoopers.

Business address of the Directors

The business address of the Directors and chief executive officer is the same as the Company’s head office and principal place of business in Hong Kong at Units 2617-18, 26th Floor Mira Place Tower A, 132 Nathan Road, Kowloon, Hong Kong.

14. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. at the head office and principal place of business of the Company in Hong Kong at Units 2617-18, 26th Floor, Mira Place Tower A, 132 Nathan Road, Kowloon, Hong Kong from the date of this prospectus up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2018 and 31 December 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the report from Mazars CPA Limited on the unaudited pro forma financial information of the Group as set out in Appendix II to this prospectus;

- (e) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (f) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (g) the Prospectus Documents.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this prospectus shall prevail over the respective Chinese text in case of inconsistency.