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**XIN HUA PETROLEUM
(HONG KONG) LIMITED**

(Incorporated in Hong Kong with limited liability)



東方明珠石油有限公司*
Pearl Oriental Oil Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

JOINT ANNOUNCEMENT

- (1) PROPOSED SUBSCRIPTION OF NEW SHARES BY
XIN HUA PETROLEUM (HONG KONG) LIMITED;**
- (2) CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF
NEW SHARES BY
NOBLE PIONEER LIMITED;**
- (3) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS MADE BY**



ON BEHALF OF

**XIN HUA PETROLEUM (HONG KONG) LIMITED
TO ACQUIRE ALL THE ISSUED
NEW SHARES (OTHER THAN THE EXCLUDED SHARES)
AND CANCEL ALL OUTSTANDING SHARE OPTIONS
OF THE COMPANY;**

(4) PROPOSED CAPITAL REORGANISATION;

AND

(5) RESUMPTION OF TRADING

**Financial adviser to
Xin Hua Petroleum (Hong Kong) Limited**



**Financial adviser to
Pearl Oriental Oil Limited**



YU MING INVESTMENT MANAGEMENT LIMITED
禹銘投資管理有限公司

SUBSCRIPTIONS

(A) First Subscription Agreement and Supplemental Agreement

On 13 February 2019 (after trading hours), the Company, Xin Hua and Noble entered into the First Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and each of Xin Hua and Noble conditionally agreed to subscribe for 7,300,000,000 Subscription Shares and 1,700,000,000 Subscription Shares respectively, constituting an aggregate of 9,000,000,000 Subscription Shares, in each case at an issue price of HK\$0.02 per Subscription Share.

On 29 March 2019, the Company, Xin Hua and Noble entered into the Supplemental Agreement, pursuant to which the parties thereto agreed to cancel Noble's subscription of New Shares under the First Subscription Agreement, while the subscription by Xin Hua of 7,300,000,000 Subscription Shares remained unchanged.

The aggregate consideration for the Xin Hua Subscription Shares amounts to HK\$146 million. The Xin Hua Subscription Shares will be allotted and issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the SGM.

(B) Second Subscription Agreement

On 3 April 2019 (after trading hours), the Company and Noble entered into the Second Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and Noble conditionally agreed to subscribe for 1,700,000,000 Subscription Shares at an issue price of HK\$0.02 per Subscription Share. The aggregate consideration for the Noble Subscription Shares amounts to HK\$34 million. The Noble Subscription Shares will be allotted and issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the SGM.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

Subject to fulfillment (or waiver, if applicable) of the conditions precedent and assuming there is no change in the issued share capital of the Company:

- (a) following completion of the Xin Hua Subscription only, Xin Hua and parties acting in concert with it will in aggregate be interested in 7,300,000,000 New Shares, representing approximately 69.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Xin Hua Subscription Shares; and
- (b) following completion of the Xin Hua Subscription and the Noble Subscription, the Concert Group will in aggregate be interested in 9,000,000,000 New Shares, representing approximately 73.49% of the issued share capital of the Company as enlarged by the

allotment and issue of the Subscription Shares, and Xin Hua and parties acting in concert with it (other than Noble) will in aggregate be interested in 7,300,000,000 New Shares, representing approximately 59.61% of the enlarged issued share capital of the Company.

As such, Xin Hua is required to make a mandatory unconditional cash offer to the Shareholders for all the issued New Shares and other securities of the Company (other than the Excluded Shares) under Rule 26.1 of the Takeovers Code. Xin Hua would also be obliged to make an appropriate offer to all Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options. As at the date of this joint announcement, Xin Hua and parties acting in concert with it do not own any Shares or relevant securities in the Company. The Offers will be made to all Shareholders (excluding holders of the Excluded Shares) and Optionholders.

Forwin will, on behalf of Xin Hua, make the Offers on the following basis:

The Share Offer

For each Offer Share HK\$0.0422 in cash

The Option Offer

For cancellation of each of the outstanding Share Options with an exercise price of

HK\$0.52 HK\$0.0001 in cash

HK\$0.9416 HK\$0.0001 in cash

As at the date of this joint announcement, there are 74,890,000 outstanding Share Options granted under the Share Option Scheme, carrying rights to subscribe for 74,890,000 new Shares. 49,290,000 of the outstanding Share Options have an exercise price of HK\$0.9416 per Share Option, and the remaining 25,600,000 outstanding Share Options have an exercise price of HK\$0.52 per Share Option.

As the Offer Price, which is HK\$0.0422 per Offer Share, is lower than the exercise prices of the outstanding Share Options as set out above, the Share Options are currently out-of-money. As such, the Option Offer is made with HK\$0.0001 in cash for the cancellation of each outstanding Share Option.

Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Offers, if and when made, will be unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

SPECIAL BENEFIT CONFERRED ON SHAREHOLDERS

The Company entered into the Deed of Settlement with Mr. Cheung and Mr. So on 21 December 2018 to settle all claims arising out of or in connection with, inter alia, debts owed by the Company to certain creditors (which were assigned to Mr. Cheung), the Requisition and the Petition.

As a result of the Deed of Settlement, the special benefit conferred on Mr. Cheung and Mr. So (both being Shareholders who are interested in an aggregate of 394,070,000 Shares) amounts to HK\$8,753,591, which is calculated as follows:

- (a) the Company agreed to pay to Mr. Cheung an aggregate amount of HK\$58,345,187 in full discharge of the Debt Assignment upon execution of the Deed of Settlement pursuant to the terms thereof. The purchase price of the Debt Assignment paid by Mr. Cheung was HK\$56,501,596; and
- (b) the Company agreed to pay an agreed aggregate amount of HK\$8,100,000 (which was subsequently amended to HK\$6,910,000 pursuant to the Supplemental Deed) to Mr. Cheung and Mr. So as full and final settlement of all charges, costs, fees and expenses (including legal fees) incurred (and to be incurred) by Mr. Cheung and Mr. So in respect of, inter alia, the Requisition, the Petition, the Debt Assignment, and the preparation, execution and completion of a deed of undertaking pursuant to the terms thereof.

As part of the Deed of Settlement, Xin Hua and Mr. Wu Benzhi (吳本志), each being a creditor of the Company, provided an undertaking to Mr. Cheung that they acknowledged the repayment of debts to Mr. Cheung under the Deed of Settlement would not be considered as an 'unfair preference' in the event of winding-up of the Company, and that each of Xin Hua and Mr. Wu Benzhi (吳本志) would not pursue repayment of debts from Mr. Cheung if the Company was to be wound up.

Pursuant to General Principle 1 of the Takeovers Code, all shareholders are to be treated even-handedly and shareholders of the same class are to be treated similarly. Accordingly, the special benefit received by Mr. Cheung and Mr. So under the Deed of Settlement and the Supplemental Deed will be extended to all Shareholders, and the value of the special benefit of HK\$0.0222 per Share has been appropriately reflected in the Offer Price.

CAPITAL REORGANISATION

The existing authorised share capital of the Company as of the date of this joint announcement is HK\$20,000,000,000, divided into 200,000,000,000 shares of nominal value of HK\$0.10 each. Under the laws of Bermuda and the bye-laws of the Company, in which bye-law 12 states that no Shares shall be issued at a discount, shares of a Bermuda-incorporated company cannot be subscribed for at a price lower than the nominal value of the shares. As such, to facilitate the

Subscriptions, the Company proposes to implement the Capital Reorganisation which will involve the Capital Reduction, the Share Subdivision and the Share Consolidation, details of which are as follows:

(a) Capital Reduction

The Company proposes to implement the Capital Reduction, pursuant to which the issued share capital of the Company will be reduced by a reduction in the nominal value of each issued Share from HK\$0.10 to HK\$0.01 which will comprise a cancellation of such amount of the paid-up capital on each issued Share so that each issued Share will be treated as one fully paid-up share of nominal value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction, and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Bermuda Companies Act.

(b) Share Subdivision

Immediately following the Capital Reduction, each of the authorised but unissued Shares of nominal value of HK\$0.10 each will be subdivided into 10 New Shares of nominal value of HK\$0.01 each.

(c) Share Consolidation

Subject to and with effect following completion of the Xin Hua Subscription (or both Subscriptions, as the case may be), the Company proposes to implement a Share Consolidation on the basis that every 20 issued and unissued New Shares of nominal value of HK\$0.01 each will be consolidated into one Consolidated Share of nominal value of HK\$0.2 each in the share capital of the Company.

The implementation of the Capital Reorganisation is conditional upon (i) the passing of the necessary resolutions by the Shareholders by way of poll at the SGM to approve the Capital Reorganisation; and (ii) completion of the Xin Hua Subscription.

IMPLICATIONS UNDER THE LISTING RULES

Ms. Fan is an executive Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Noble, which is beneficially wholly owned by Ms. Fan, is an associate of Ms. Fan and a connected person of the Company. As a result, the Noble Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The issue of the Subscription Shares will also be subject to, among other things, the approval of the Independent Shareholders for the granting of the Specific Mandates at the SGM in accordance with the requirements of Rule 13.36 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee will be formed to advise (i) the Independent Shareholders on the terms of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. None of the members of the Independent Board Committee will have any interest or involvement in the transactions contemplated under the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Second Subscription Agreement.

An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Independent Board Committee in respect of the Offers, in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. The Company will make further announcement(s) upon the establishment of the Independent Board Committee and/or the appointment of the Independent Financial Adviser.

SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscriptions, the granting of the Specific Mandates and the Capital Reorganisation. Only the Independent Shareholders are entitled to vote at the SGM in respect of the resolutions to approve the Subscriptions and the granting of the Specific Mandates. The Subscribers and their respective associates and concert parties shall abstain from voting on the resolutions to approve the Subscriptions and the granting of the Specific Mandates to be proposed at the SGM.

Other than Mr. Cheung and Mr. So, no existing Shareholder has a material interest in the Subscriptions and the granting of the Specific Mandates and therefore no Shareholder, other than Mr. Cheung and Mr. So, is required to abstain from voting in relation to the resolutions to approve the Subscriptions and the granting of the Specific Mandates to be proposed at the SGM.

No existing Shareholder has a material interest in the Capital Reorganisation and therefore no Shareholder is required to abstain from voting in relation to the resolutions to approve the Capital Reorganisation to be proposed at the SGM.

A circular containing, among other things, (i) details of the Subscriptions, the granting of the Specific Mandates and the Capital Reorganisation; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions; and (iv) a notice convening the SGM, will be despatched to the Shareholders in compliance with the requirements of the Listing Rules, and is expected to be despatched on or before 10 May 2019.

DESPATCH OF THE COMPOSITE DOCUMENT

Xin Hua and the Company intend to combine the offer document and the offeree board circular into the Composite Document which contains, amongst others, details of the Offers, accompanied by the relevant forms of acceptance, and incorporating the recommendation from the Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Offers. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched within 21 days of the date of this joint announcement. As the making of the Offers is conditional upon completion of the Xin Hua Subscription or the Subscriptions (as the case may be), which in turn is conditional on, among others, the Independent Shareholders' approval, an application will be made to seek the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to be within seven days after completion of the Xin Hua Subscription.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Thursday, 14 February 2019 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 17 April 2019.

The Offers will only be made if completion of the Xin Hua Subscription takes place. Completion of the Xin Hua Subscription is subject to, as applicable, satisfaction and/or waiver of the conditions contained in the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement). Accordingly, the Offers may or may not be made. The issue of this joint announcement does not in any way imply that the Offers will be made.

Shareholders, Optionholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

SUBSCRIPTIONS

(A) First Subscription Agreement and Supplemental Agreement

On 13 February 2019 (after trading hours), the Company, Xin Hua and Noble entered into the First Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and each of Xin Hua and Noble conditionally agreed to subscribe for 7,300,000,000 Subscription Shares and 1,700,000,000 Subscription Shares respectively, constituting an aggregate of 9,000,000,000 Subscription Shares, in each case at an issue price of HK\$0.02 per Subscription Share.

On 29 March 2019, the Company, Xin Hua and Noble entered into the Supplemental Agreement, pursuant to which the parties thereto agreed to cancel Noble's subscription of New Shares under the First Subscription Agreement, while the subscription by Xin Hua of 7,300,000,000 Subscription Shares remained unchanged.

Xin Hua and its ultimate beneficial owners are (i) third parties independent of the Company and its connected persons; and (ii) not related to or acting in concert with any Shareholder of the Company, save that Xin Hua is acting in concert with Noble which is beneficially wholly owned by Ms. Fan, a connected person of the Company. Please refer to the section headed "Information on the Subscribers – Xin Hua" in this joint announcement for more information on Xin Hua.

Subscription Shares

The Xin Hua Subscription Shares represent approximately 69.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Xin Hua Subscription Shares (assuming that the Noble Subscription does not complete, no Share Options are converted and no further Shares or New Shares (as the case may be) are issued).

Subscription Price

The Subscription Price for the Xin Hua Subscription Shares of HK\$0.02 per Subscription Share represents:

- (a) a discount of approximately 83.61% to the closing price of HK\$0.122 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 83.05% to the average closing price of approximately HK\$0.118 per Share for the last five consecutive trading days up to and including the Last Trading Day;

- (c) a discount of approximately 81.13% to the average closing price of approximately HK\$0.106 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 53.49% to the audited consolidated net asset value of the Company of approximately HK\$0.043 per Share as at 31 December 2018 (based on the audited consolidated equity attributable to owners of the Company as at 31 December 2018 and the number of issued Shares as at the date of this joint announcement).

The Subscription Price was arrived at after arm's length negotiations between the Company and Xin Hua after taking into account the trading and financial position of the Group, in particular the exceptional financial and operating difficulties encountered by the Group as detailed in the section headed "Reasons for and benefits of the Subscriptions" in this joint announcement and the significant financial needs of the Group.

As mentioned in the announcement of the Company dated 2 May 2018, on 4 April 2018, the Company entered into a subscription agreement with NPCC and Noble in respect of a conditional subscription of a total of 9,693,439,000 Shares at the NPCC Price, being HK\$0.02 per Share. Notwithstanding that the subscription agreement was subsequently terminated on 28 April 2018, such terms were the best available terms that the Company was able to obtain at the time given its serious financial difficulties and since then, the financial difficulties and position of the Group have only deteriorated.

The Group reported a net loss attributable to the owners of the Company of approximately HK\$58.4 million for the year ended 31 December 2018 and net current liabilities of approximately HK\$121.5 million as at 31 December 2018. Moreover, the negative publicity surrounding the Company has hindered the business prospects of the Company and any ability of the Company to secure external financing.

With regard to the NPCC Price as mentioned in the announcement of the Company dated 2 May 2018, when the Company approached Xin Hua for financing and in respect of a possible subscription of Shares of the Company, Xin Hua considered the NPCC Price should be the only starting point for discussing any proposed equity financing given the financial status of the Company had deteriorated since then.

As such, the Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser, and excluding Ms. Fan, who is the vice chairlady of the Company and an executive Director, and is interested in the Noble Subscription) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon the Independent Shareholders approving the Xin Hua Subscription and the granting of the Specific Mandate to allot and issue the Xin Hua Subscription Shares to Xin Hua, the aggregate consideration for the Xin Hua Subscription Shares amounts to HK\$146 million which shall be payable in cash by Xin Hua in the following manner:

- (a) each of the Loan Agreements and the Loan Extension Agreements shall automatically terminate and immediately cease to take effect, and the consideration for the Xin Hua Subscription Shares will be offset by the HK\$80 million from the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan; and
- (b) the remaining balance of the consideration, being HK\$66 million, shall be payable by Xin Hua at completion of the Xin Hua Subscription.

Upon completion of the Xin Hua Subscription, the Xin Hua Subscription Shares shall be issued and credited as fully paid.

Conditions of the Xin Hua Subscription

The Xin Hua Subscription is conditional upon the fulfillment (or waiver, if applicable) of the following conditions:

- (a) as required by the Listing Rules, the approval by a majority of the Independent Shareholders by way of poll at the SGM of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the granting of the Specific Mandate to allot and issue the Xin Hua Subscription Shares to Xin Hua;
- (b) the passing of special resolutions by the Shareholders at the SGM approving:
 - (i) the Capital Reduction with immediate effect;
 - (ii) (immediately following the Capital Reduction) the Share Subdivision with immediate effect; and
 - (iii) the Share Consolidation subject to and with effect following completion of the Xin Hua Subscription;
- (c) the Listing Committee of the Stock Exchange granting approval for the allotment, issue, listing and trading of the New Shares arising from the Share Subdivision and the Xin Hua Subscription Shares on the Stock Exchange (which shall not be revoked prior to completion of the Xin Hua Subscription);

- (d) compliance by the Company with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Capital Reorganisation, and Xin Hua having received a legal opinion issued by the Company's Bermuda legal advisers in respect of compliance with the laws of Bermuda by the Company (including the legality of the Capital Reorganisation) to the satisfaction of Xin Hua;
- (e) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation;
- (f) all actions by or in respect of or filings with, consents or approvals from any governmental or regulatory authority (including but not limited to the Stock Exchange) or other third parties required to permit the consummation of the transactions contemplated by the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) having been taken, made or obtained and all applicable requirements under the Listing Rules and all other relevant regulatory requirements having been complied with by the Company;
- (g) all the representations, warranties and undertakings given by the Company and Xin Hua in the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) remaining true, accurate and not misleading in all material respects;
- (h) the Shares or New Shares (as the case may be) remaining listed and traded on the Main Board of the Stock Exchange, and no notification or indication being received from the Stock Exchange or the SFC prior to completion of the Xin Hua Subscription that the listing of the Shares or New Shares (as the case may be) on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended for more than seven consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Stock Exchange for any notices, announcements or circulars relating to the transactions contemplated under the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement));
- (i) Xin Hua being satisfied with the results of its due diligence on the Company in Hong Kong and the United States; and
- (j) no event with any Material Adverse Effect occurring from the date of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

Xin Hua has the right to waive conditions (i) and (j) in part or in full. Each of the Company and Xin Hua has the right to waive paragraph (g) in respect of the other party. However, in order for completion of the Xin Hua Subscription to take place, the conditions precedent relating to (1) the obtaining of consents or approvals from the Stock Exchange; and (2) compliance by the Company with all relevant requirements under the Listing Rules (including but not limited to paragraph (f)) cannot be waived by any party to the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

If any of the conditions precedent set out above have not been fulfilled (or waived, if applicable) on or before 5:00 p.m. on the Long Stop Date, the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) shall cease and determine (save for certain provisions such as the confidentiality provision which shall survive termination) and none of the parties thereto shall have any obligations and liabilities towards one another, save for any antecedent breaches of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement).

As at the date of this joint announcement, none of the conditions precedent has been fulfilled. In relation to condition (i), the Company is given to understand from Xin Hua that Xin Hua may conduct further due diligence on the Company based on the development of the financial conditions of the Company.

No consents, approvals, authorisations, waivers or grant required from the Executive in respect of the Xin Hua Subscription were contemplated as at the date of this joint announcement.

Completion

Completion of the Xin Hua Subscription shall take place on the Xin Hua Completion Date after all the conditions precedent set out above have been fulfilled (or waived, if applicable) on or before 5:00 p.m. on the Long Stop Date. Completion of the Xin Hua Subscription is independent of and not conditional upon completion of the Noble Subscription.

At completion of the Xin Hua Subscription, Xin Hua shall subscribe for, and the Company shall allot and issue to Xin Hua, the Xin Hua Subscription Shares. On the Xin Hua Completion Date, among other things, Xin Hua shall effect payment of the balance of the consideration for the Xin Hua Subscription Shares payable in full and the Company shall allot and issue the Xin Hua Subscription Shares to Xin Hua.

Ranking

The Xin Hua Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Xin Hua Subscription Shares.

Mandates for the issue of the Xin Hua Subscription Shares

The Xin Hua Subscription Shares will be allotted and issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the SGM.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Xin Hua Subscription Shares.

(B) Second Subscription Agreement

On 3 April 2019 (after trading hours), the Company and Noble entered into the Second Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue and Noble conditionally agreed to subscribe for 1,700,000,000 Subscription Shares at an issue price of HK\$0.02 per Subscription Share.

Noble, a company beneficially wholly owned by Ms. Fan (the vice chairlady of the Company and an executive Director), is (i) an associate of Ms. Fan and a connected person of the Company; and (ii) not related to or acting in concert with any Shareholder of the Company, save that Noble is acting in concert with Xin Hua. Please refer to the section headed “Information on the Subscribers – Noble” in this joint announcement for more information on Noble.

Subscription Shares

The Noble Subscription Shares represent approximately 13.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Xin Hua Subscription Shares and the Noble Subscription Shares (assuming that no Share Options are converted and no further Shares or New Shares (as the case may be) are issued).

Subscription Price

The Subscription Price for the Noble Subscription Shares is HK\$0.02 per Subscription Share.

The Subscription Price was arrived at after arm’s length negotiations between the Company and Noble after taking into account the Subscription Price for the Xin Hua Subscription Shares and the trading and financial position of the Group, in particular the exceptional financial and operating difficulties encountered by the Group as detailed in the section headed “Reasons for and benefits of the Subscriptions” in this joint announcement and the significant financial needs of the Group. The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser, and excluding Ms. Fan, who is the vice chairlady of the Company and an executive Director, and is interested in the Noble Subscription) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate consideration for the Noble Subscription Shares amounts to HK\$34 million, which shall be payable in cash by Noble at completion of the Noble Subscription.

Upon completion of the Noble Subscription, the Noble Subscription Shares shall be issued and credited as fully paid.

Conditions of the Noble Subscription

The Noble Subscription is conditional upon the fulfillment (or waiver, if applicable) of the following conditions:

- (a) as required by the Listing Rules, the approval by a majority of the Independent Shareholders by way of poll at the SGM of the Second Subscription Agreement and the granting of the Specific Mandate to allot and issue the Noble Subscription Shares to Noble;
- (b) the passing of special resolutions by the Shareholders at the SGM approving:
 - (i) the Capital Reduction with immediate effect;
 - (ii) (immediately following the Capital Reduction) the Share Subdivision with immediate effect; and
 - (iii) the Share Consolidation subject to and with effect following completion of the Noble Subscription;
- (c) the Listing Committee of the Stock Exchange granting approval for the allotment, issue, listing and trading of the New Shares arising from the Share Subdivision and the Noble Subscription Shares on the Stock Exchange (which shall not be revoked prior to completion of the Noble Subscription);
- (d) compliance by the Company with the relevant procedures and requirements under the laws of Bermuda and the Listing Rules to effect the Capital Reorganisation, and Noble having received a legal opinion issued by the Company's Bermuda legal advisers in respect of compliance with the laws of Bermuda by the Company (including the legality of the Capital Reorganisation) to the satisfaction of Noble;
- (e) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation;
- (f) all actions by or in respect of or filings with, consents or approvals from any governmental or regulatory authority (including but not limited to the Stock Exchange) or other third parties required to permit the consummation of the transactions contemplated by the Second Subscription Agreement having been taken, made or obtained and all applicable requirements under the Listing Rules and all other relevant regulatory requirements having been complied with by the Company;
- (g) all the representations, warranties and undertakings given by the Company and Noble in the Second Subscription Agreement remaining true, accurate and not misleading in all material respects;

- (h) the Shares or New Shares (as the case may be) remaining listed and traded on the Main Board of the Stock Exchange, and no notification or indication being received from the Stock Exchange or the SFC prior to completion of the Noble Subscription that the listing of the Shares or New Shares (as the case may be) on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended for more than seven consecutive Business Days (excluding any suspension for the purpose of obtaining clearance from the SFC or the Stock Exchange for any notices, announcements or circulars relating to the transactions contemplated under the Second Subscription Agreement;
- (i) no event with any Material Adverse Effect occurring from the date of the Second Subscription Agreement; and
- (j) completion of the Xin Hua Subscription.

Noble has the right to waive condition (i). Each of the Company and Noble has the right to waive condition (g) in respect of the other party. However, in order for completion of the Noble Subscription to take place, the conditions precedent relating to (1) the obtaining of consents or approvals from the Stock Exchange; and (2) compliance by the Company with all relevant requirements under the Listing Rules (including but not limited to paragraph (f)) cannot be waived by any party to the Second Subscription Agreement.

If any of the conditions precedent set out above have not been fulfilled (or waived, if applicable) on or before 5:00 p.m. on the Long Stop Date, the Second Subscription Agreement shall cease and determine (save for certain provisions such as the confidentiality provision which shall survive termination) and none of the parties thereto shall have any obligations and liabilities towards one another, save for any antecedent breaches of the Second Subscription Agreement.

As at the date of this joint announcement, none of the conditions precedent has been fulfilled.

No consents, approvals, authorisations, waivers or grant required from the Executive in respect of the Noble Subscription were contemplated as at the date of this joint announcement.

Completion

Noble intends to finance the consideration payable under the Noble Subscription with financing obtained from Mr. Gao Wanjun (高萬軍), who is not a Shareholder and is a third party individual independent from the Company and its Shareholders.

Completion of the Noble Subscription shall take place on the Noble Completion Date after all the conditions precedent set out above have been fulfilled (or waived, if applicable) on or before 5:00 pm on the Long Stop Date.

At completion of the Noble Subscription, Noble shall subscribe for, and the Company shall allot and issue to Noble, the Noble Subscription Shares. On the Noble Completion Date, among other things, Noble shall effect payment of the aggregate consideration for the Noble Subscription Shares payable in full and the Company shall allot and issue to the Noble Subscription Shares to Noble.

Ranking

The Noble Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Noble Subscription Shares.

Mandates for the issue of the Noble Subscription Shares

The Noble Subscription Shares will be allotted and issued pursuant to the Specific Mandates to be sought from the Independent Shareholders at the SGM.

Listing application

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Noble Subscription Shares.

LOAN AGREEMENTS AND LOAN EXTENSION AGREEMENTS

HK\$50M Loan Agreement

On 29 November 2018, the Company (as borrower) and Xin Hua (as lender) entered into the HK\$50M Loan Agreement, pursuant to which Xin Hua agreed to make available to the Company the HK\$50M Loan at an interest rate of 12% per annum for a term of two months from the date of draw down, which was 29 November 2018.

HK\$20M Loan Agreement

On 6 December 2018, the Company (as borrower) and Xin Hua (as lender) entered into the HK\$20M Loan Agreement, pursuant to which Xin Hua agreed to make available to the Company the HK\$20M Loan at an interest rate of 12% per annum for a term of two months from the date of draw down, which was 7 December 2018.

Both the HK\$50M Loan and the HK\$20M Loan have been used up by the Company, mainly for settling, among other things, the outstanding amount owed by the Company to Burberlon (which was assigned to Mr. Cheung) pursuant to the Deed of Settlement and as general working capital of the Company. Please refer to the sections headed “Special benefit conferred on Shareholders” and “Reasons for and benefits of the Subscriptions – Winding-up Petition” in this joint announcement for details of the Deed of Settlement.

First HK\$5M Loan Agreement

On 10 January 2019, the Company (as borrower) and Xin Hua (as lender) entered into the First HK\$5M Loan Agreement, pursuant to which Xin Hua agreed to make available to the Company the First HK\$5M Loan at an interest rate of 12% per annum for a term of less than one month from the date of drawdown, which was 11 January 2019. The entire amount of the First HK\$5M Loan has been used to settle amounts payable by the Company to Mr. Cheung and Mr. So pursuant to the Deed of Settlement and general working capital of the Company.

Second HK\$5M Loan Agreement

On 16 January 2019, the Company (as borrower) and Xin Hua (as lender) entered into the Second HK\$5M Loan Agreement, pursuant to which Xin Hua agreed to make available to the Company the Second HK\$5M Loan at an interest rate of 12% per annum for a term of less than one month from the date of drawdown, which was 16 January 2019. Part of the Second HK\$5M Loan has been used for general working capital of the Company and the remaining balance has been used for the trading business of the Group. As at the date of this joint announcement, the remaining balance available from the Second HK\$5M Loan for the trading business of the Group is approximately HK\$1,000,000.

Loan Extension Agreements

On 28 January 2019, Xin Hua and the Company entered into the First Loan Extension Agreement pursuant to which the maturity date of the HK\$50M Loan was extended to 28 February 2019.

On 1 February 2019, Xin Hua and the Company entered into the Second Loan Extension Agreement pursuant to which the maturity date of each of the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan was extended to 28 February 2019.

On 28 February 2019, Xin Hua and the Company entered into the Third Loan Extension Agreement, pursuant to which the maturity date of each of the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan was extended to 31 March 2019.

On 28 March 2019, Xin Hua and the Company entered into the Fourth Loan Extension Agreement, pursuant to which the maturity date of each of the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan was extended to 31 March 2020. Pursuant to the Fourth Loan Extension Agreement, in the event that the Xin Hua Subscription proceeds, each of the Loan Agreements and the Loan Extension Agreements shall automatically terminate and immediately cease to take effect, and in such case, the aggregate outstanding principal amount of HK\$80 million will be applied to offset the consideration for the Xin Hua Subscription and the accrued but unpaid interest under the Loan Agreements and the Loan Extension Agreements shall be waived. In the event that the Xin Hua Subscription does not proceed, Xin Hua as the lender is entitled to the accrued interest and default interest (as the case may be) as stipulated in the Loan Agreements.

As at the date of this joint announcement, the accrued interest under the Loan Agreements is approximately HK\$3.5 million.

Pursuant to the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), Xin Hua may apply the outstanding principal amounts under the Loan Agreements for the Xin Hua Subscription. Please refer to the section headed “Subscriptions – (A) First Subscription Agreement and Supplemental Agreement – Subscription Price” in this joint announcement for details.

INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTIONS

Following completion of the Xin Hua Subscription only, the gross proceeds from the Xin Hua Subscription will amount to HK\$146 million. Having taken into account (i) the offsetting of the HK\$80 million from the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan; and (ii) the professional fees and other related expenses of approximately HK\$5 million, the net proceeds will be approximately HK\$61 million. The Company intends to apply the net proceeds from the Xin Hua Subscription as follows:

- (a) as to approximately HK\$28 million for the repayment of the loan owed by the Company to NPCC, comprising a principal amount of HK\$25 million plus interest;
- (b) as to approximately HK\$26 million for the reactivation and expansion of the Group’s oil and gas business from the Utah Oil and Gas Field and expansion of the trading business of the Group; and
- (c) as to approximately HK\$7 million for general working capital of the Group.

Following completion of the Xin Hua Subscription and the Noble Subscription, the gross proceeds from the Subscriptions will amount to HK\$180 million. Having taken into account (i) the offsetting of the HK\$80 million from the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan; and (ii) the professional fees and other related expenses of approximately HK\$5 million, the net proceeds will be approximately HK\$95 million. The Company intends to use the net proceeds to be raised from the Subscriptions as follows:

- (a) as to approximately HK\$28 million for the repayment of the loan owed by the Company to NPCC, comprising a principal amount of HK\$25 million plus interest;
- (b) as to approximately HK\$57 million for the reactivation and expansion of the Group’s oil and gas business from the Utah Oil and Gas Field and expansion of the trading business of the Group; and
- (c) as to approximately HK\$10 million for general working capital of the Group.

The proposed use of proceeds from the Subscriptions was arrived at after discussions among the Group and the Subscribers as to the existing and proposed business strategy of the Group after completion of the Subscriptions.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

Subject to fulfillment (or waiver, if applicable) of the conditions precedent and assuming there is no change in the issued share capital of the Company:

- (a) following completion of the Xin Hua Subscription only, Xin Hua and parties acting in concert with it will in aggregate be interested in 7,300,000,000 New Shares, representing approximately 69.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Xin Hua Subscription Shares; and
- (b) following completion of the Xin Hua Subscription and the Noble Subscription, the Concert Group will in aggregate be interested in 9,000,000,000 New Shares, representing approximately 73.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, and Xin Hua and parties acting in concert with it (other than Noble) will in aggregate be interested in 7,300,000,000 New Shares, representing approximately 59.61% of the enlarged issued share capital of the Company.

As such, Xin Hua is required to make a mandatory unconditional cash offer to the Shareholders for all the issued New Shares and other securities of the Company (other than the Excluded Shares) under Rule 26.1 of the Takeovers Code. Xin Hua would also be obliged to make an appropriate offer to all Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options. As at the date of this joint announcement, Xin Hua and parties acting in concert with it do not own any Shares or relevant securities in the Company. The Offers will be made to all Shareholders (excluding holders of the Excluded Shares) and Optionholders.

Forwin will, on behalf of Xin Hua, make the Offers on the following basis:

The Share Offer

For each Offer Share HK\$0.0422 in cash

The Offer Price of HK\$0.0422 per Offer Share was determined by reference to (i) the Subscription Price; (ii) the special benefit conferred on Mr. Cheung and Mr. So under the Deed of Settlement and the Supplemental Deed; and (iii) the aggregate number of Shares held by Mr. Cheung and Mr. So.

The Offer Shares acquired under the Share Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Share Offer is made.

The Option Offer

For cancellation of each of the outstanding Share Options with an exercise price of

HK\$0.52 HK\$0.0001 in cash

HK\$0.9416 HK\$0.0001 in cash

As the Offer Price, which is HK\$0.0422 per Offer Share, is lower than the exercise prices of the outstanding Share Options as set out above, the Share Options are currently out-of-money. As such, the Option Offer is made at HK\$0.0001 in cash for the cancellation of each outstanding Share Option.

Following acceptance of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the date of this joint announcement, the Company has 3,245,519,752 Shares in issue (which will be the subject of the Share Offer) and 74,890,000 outstanding Share Options (which will be the subject of the Option Offer) carrying rights to subscribe for 74,890,000 new Shares. 49,290,000 of the outstanding Share Options have an exercise price of HK\$0.9416 per Share Option, and the remaining 25,600,000 outstanding Share Options have an exercise price of HK\$0.52 per Share Option. Save as disclosed above, the Company has no other class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the date of this joint announcement.

The Offers, if and when made, will be unconditional in all respects. Acceptance of the Offers will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Comparisons of value

The Offer Price of HK\$0.0422 per Offer Share represents:

- (a) a discount of approximately 65.41% to the closing price of HK\$0.122 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 64.24% to the average closing price of approximately HK\$0.118 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 60.19% to the average closing price of approximately HK\$0.106 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

- (d) a discount of approximately 1.86% to the audited consolidated net asset value of the Company of approximately HK\$0.043 per Share as at 31 December 2018 (based on the audited consolidated equity attributable to owners of the Company as at 31 December 2018 and the number of issued Shares as at the date of this joint announcement).

Highest and lowest Share prices

During the period commencing six months prior to the Offer Period and ending on the Last Trading Day, the highest closing price of the Shares was HK\$0.142 per Share as quoted on the Stock Exchange on 11 February 2019 and the lowest closing price of the Shares was HK\$0.078 per Share as quoted on the Stock Exchange on 29 October 2018, 30 October 2018 and 5 November 2018.

Total consideration for the Offers

Assuming completion of the Subscriptions, there will be 12,245,519,752 Shares in issue. As (i) Xin Hua and parties acting in concert with it (other than Noble) will in aggregate be interested in 7,300,000,000 New Shares; and (ii) the Offer would not be extended to any holder(s) of Excluded Shares, only 3,245,519,752 Shares will be subject to the Share Offer. On the basis of the Offer Price of HK\$0.0422 per Offer Share and assuming that no outstanding Options are exercised prior to the closing date, the Share Offer is valued at approximately HK\$136,960,934 and the value of the Option Offer at approximately HK\$7,489.

Assuming all outstanding Share Options have been exercised, the total Shares subject to Share Offer would increase to 3,320,409,752 Shares, the value of the Share Offer will be approximately HK\$140,121,292.

Confirmation of financial resources

Xin Hua intends to finance the consideration payable by it under the Xin Hua Subscription with financing arranged by Mr. Yu and Ms. Chen. Mr. Yu and Ms. Chen provided a loan in the principal amount of HK\$150 million to Xin Hua, of which approximately HK\$60 million was from their own funding, and approximately HK\$90 million was by way of personal loan to Mr. Yu and Ms. Chen from Mr. Liu Guohui (劉國輝) (“**Mr. Liu**”) and Mr. Peng Changping (彭昌平) (“**Mr. Peng**”), who are third party individuals independent from the Company and its Shareholders. To the best knowledge of each of the Company and Xin Hua, each of Mr. Yu, Ms. Chen, Mr. Liu and Mr. Peng is not a Shareholder of the Company. Mr. Liu and Mr. Peng are parties acting in concert with Xin Hua under class (9) of the definition of “acting in concert” in the Takeovers Code. An amount of not less than HK\$66.1 million, being in excess of the amount payable under the Xin Hua Subscription has been placed and deposited into an account of Xin Hua maintained with China Minsheng Banking Corp., Ltd., Hong Kong Branch and will solely be used for the Xin Hua Subscription. Titan is satisfied that Xin Hua has sufficient financial resources to satisfy the consideration for the Xin Hua Subscription Shares.

Xin Hua intends to finance and satisfy the consideration payable under the Offers with the Loan Facility. Titan is satisfied that sufficient financial resources are, and will remain, available to Xin Hua to satisfy the amount of funds required for the full acceptance of the Offers. Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Effect of accepting the Offers

Acceptance of the Share Offer by any Offer Shareholders will be deemed to constitute a warranty by such person that all Shares sold by such person under the Share Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Share Offer is made.

Acceptance of the Option Offer by any Optionholders will be deemed to constitute a warranty by such person that all Share Options sold by such person under the Option Offer are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights accruing or attaching thereto.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible and in any event within seven Business Days of the date on which the duly completed acceptances of the Offers and the relevant documents of title are received by or on behalf of Xin Hua to render each such acceptance complete and valid.

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Offer Shares or consideration payable by Xin Hua in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Share Offer. Xin Hua will arrange for payment of seller's ad valorem stamp duty on behalf of accepting Shareholders and pay buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Taxation advice

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. It is emphasised that none of Xin Hua and parties acting in concert with it, the Company, Forwin or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Overseas Shareholders and Overseas Optionholders

Xin Hua intends to make available the Offers to all eligible Shareholders and all Optionholders, including those who are resident outside Hong Kong, to the extent practicable. As the Offers to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are residents, Shareholders and Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any transfer or other taxes due from the accepting Shareholder(s) in such jurisdiction.

Any acceptance by the overseas Shareholders and overseas Optionholders will be deemed to constitute a representation and warranty from such persons to Xin Hua that the local laws and requirements have been complied with. The overseas Shareholders and overseas Optionholders should consult their professional advisers if in doubt.

Agreements or arrangements

As at the date of this joint announcement and save for the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement, the Loan Agreements and the Loan Extension Agreements, (a) there are no agreements or arrangements to which Xin Hua, Noble and/or parties acting in concert with any of them is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers; (b) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of Xin Hua which might be material to the Offers; and (c) there was and is no consideration in any form paid or payable to Xin Hua, Noble and parties acting in concert with any of them to the Company or any Shareholder.

Save for the Deed of Settlement and the Supplemental Deed entered into among the Company, Mr. Cheung and Mr. So, there is:

- (a) other than the consideration under the Subscriptions, no other consideration, compensation or benefit in whatever form paid or to be paid by Xin Hua, Noble or any parties acting in concert with any of them to the Company or any Shareholder or any parties acting in concert with any of them;
- (b) no understanding, arrangement, agreement or special deal between Xin Hua, Noble or any parties acting in concert with any of them on the one hand, and the Company, any Shareholder and any parties acting in concert with any of them on the other hand; and
- (c) no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2)(a) Xin Hua, Noble or any parties acting in concert with any of them, or (b) the Company, its subsidiaries or associated companies.

The entering into of the Loan Agreements and the Loan Extension Agreements and the subsequent repayment of the Loans are not related to and independent of the Offers.

SPECIAL BENEFIT CONFERRED ON SHAREHOLDERS

The Company entered into the Deed of Settlement with Mr. Cheung and Mr. So on 21 December 2018 to settle all claims arising out of or in connection with, inter alia, debts owed by the Company to certain creditors (which were assigned to Mr. Cheung), the Requisition and the Petition.

As a result of the Deed of Settlement, the special benefit conferred on Mr. Cheung and Mr. So (both being Shareholders who are interested in an aggregate of 394,070,000 Shares) amounts to HK\$8,753,591, which is calculated as follows:

- (a) the Company agreed to pay to Mr. Cheung an aggregate amount of HK\$58,345,187 in full discharge of the Debt Assignment upon execution of the Deed of Settlement pursuant to the terms thereof. The purchase price of the Debt Assignment paid by Mr. Cheung was HK\$56,501,596; and
- (b) the Company agreed to pay an agreed aggregate amount of HK\$8,100,000 (which was subsequently amended to HK\$6,910,000 pursuant to the Supplemental Deed) to Mr. Cheung and Mr. So as full and final settlement of all charges, costs, fees and expenses (including legal fees) incurred (and to be incurred) by Mr. Cheung and Mr. So in respect of, inter alia, the Requisition, the Petition, the Debt Assignment, and the preparation, execution and completion of a deed of undertaking pursuant to the terms thereof.

As part of the Deed of Settlement, Xin Hua and Mr. Wu Benzhi (吳本志), each being a creditor of the Company, provided an undertaking to Mr. Cheung that they acknowledged the repayment of debts to Mr. Cheung under the Deed of Settlement would not be considered as an 'unfair preference' in the event of winding-up of the Company, and that each of Xin Hua and Mr. Wu Benzhi (吳本志) would not pursue repayment of debts from Mr. Cheung if the Company was to be wound up.

Pursuant to General Principle 1 of the Takeovers Code, all shareholders are to be treated even-handedly and shareholders of the same class are to be treated similarly. Accordingly, the special benefit received by Mr. Cheung and Mr. So under the Deed of Settlement and the Supplemental Deed will be extended to all Shareholders, and the value of the special benefit of HK\$0.0222 per Share has been appropriately reflected in the Offer Price.

EFFECT ON SHAREHOLDING STRUCTURE

As at the date of this joint announcement, the relevant securities of the Company (as defined in the Takeovers Code) in issue comprise (i) 3,245,519,752 Shares; and (ii) 74,890,000 Share Options, the exercise of which in full will result in the issue of 74,890,000 Shares. Save for the aforesaid, the Company does not have other classes of securities, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

The table below sets out the effect of the Subscriptions on the shareholding structure of the Company (i) as at the date of this joint announcement and also immediately following implementation of the Capital Reduction and the Share Subdivision; (ii) immediately upon completion of both Subscriptions, assuming no Share Options are converted and no further Shares or New Shares (as the case may be) are issued; (iii) immediately upon completion of both Subscriptions, assuming exercise of all outstanding Shares Options in full; (iv) immediately upon completion of the Xin Hua Subscription only, assuming that the Noble Subscription does not complete, no Share Options are converted and no further Shares or New Shares (as the case may be) are issued; and (v) immediately upon completion of the Xin Hua Subscription only, assuming that the Noble Subscription does not complete and exercise of all outstanding Share Options in full.

	As at the date of this joint announcement/immediately following implementation of the Capital Reduction and the Share Subdivision	Immediately upon completion of both Subscriptions, assuming no Share Options are converted and no further Shares are issued	Immediately upon completion of both Subscriptions, assuming exercise of all outstanding Share Options in full	Immediately upon completion of the Xin Hua Subscription only, assuming that the Noble Subscription does not complete, no Share Options are converted and no further Shares are issued	Immediately upon completion of the Xin Hua Subscription only, assuming that the Noble Subscription does not complete and exercise of all outstanding Share Options in full	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Non-public Shareholders						
Pearl Oriental Sino Logistics Limited ⁽¹⁾	4,872,000	0.15%	4,872,000	0.05%	4,872,000	0.05%
The Company ⁽²⁾	4	0.00%	4	0.00%	4	0.00%
Subtotal	4,872,004	0.15%	4,872,004	0.05%	4,872,004	0.05%
The Subscribers						
Xin Hua Noble ⁽³⁾	-	-	7,300,000,000	59.61%	7,300,000,000	69.22%
Subtotal of the Concert Group	-	-	7,300,000,000	73.49%	7,300,000,000	68.74%
Public Shareholders						
Charcon Assets Limited ⁽⁴⁾	704,530,000	21.71%	704,530,000	5.75%	704,530,000	6.68%
Mid-East Petroleum Group Ltd ⁽⁵⁾	400,000,000	12.33%	400,000,000	3.26%	400,000,000	3.79%
Mr. So	325,211,000	10.02%	325,211,000	2.66%	325,211,000	3.08%
Chung Keng	150,000,000	4.62%	150,000,000	1.23%	150,000,000	1.42%
Mr. Cheung	68,859,000	2.12%	68,859,000	0.56%	68,859,000	0.66%
Optionholders	-	-	74,890,000	-	74,890,000	0.71%
Other public Shareholders	1,592,047,748	49.05%	1,592,047,748	13.00%	1,592,047,748	15.10%
Subtotal	3,240,647,748	99.85%	3,315,537,748	26.46%	3,315,537,748	30.73%
Total number of issued Shares	3,245,519,752	100.00%	12,320,409,752	100.00%	10,545,519,752	100.00%
						100.00%

Notes:

1. On 4 April 2007, the Company issued consideration Shares in relation to its acquisition of 60% of the issued share capital of Pearl Oriental Sino Logistics Limited. 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 Sino Logistics Limited for more details. The 4,872,000 Shares held by Pearl Oriental Sino Logistics Limited (which is a subsidiary of the Company) consist of part of these consideration Shares and 812,000 bonus Shares which were issued to Pearl Oriental Sino Logistics Limited in May 2011.
2. The four Shares are held by the Company of which two Shares represent the aggregate fractional entitlements of Shares which arose from the Company's Share consolidation in May 2006 and two Shares represent the aggregate fractional entitlements of Shares which arose from the Company's bonus issue in May 2011.
3. Ms. Fan, the vice chairlady of the Company and an executive Director, wholly owns Noble. Given Ms. Fan introduced Xin Hua to the Company and was involved in the negotiation process in respect of the Xin Hua Subscription, and Xin Hua requested Ms. Fan to participate in the Noble Subscription, Xin Hua and Ms. Fan are parties acting in concert. As such, each of Noble and Ms. Fan is a de facto party acting in concert with Xin Hua under the Takeovers Code.
4. Charcon Assets Limited is a company wholly owned by Mr. Wong Yuk Kwan. Based on the latest filing made on 18 July 2017, Charcon Assets Limited held 704,530,000 Shares and is a substantial shareholder of the Company as at the date of this joint announcement. It shall be regarded as a public Shareholder upon completion of the Xin Hua Subscription and/or both Subscriptions.
5. According to the annual return of Mid-East Petroleum Group Ltd made up to 16 November 2018, the sole shareholder of Mid-East Petroleum Group Ltd is Wong Ching Chung (黃清松). The Subscribers confirm that Mid-East Petroleum Group Ltd is not related to them and is not a party acting in concert with them. Mid-East Petroleum Group Ltd shall be regarded as a public Shareholder upon completion of the Xin Hua Subscription and/or both Subscriptions.

Xin Hua confirms that (i) it was not a core connected person of the Company as at the date of this joint announcement; (ii) the Xin Hua Subscription is not financed by any core connected person of the Company; and (iii) it is not accustomed to take instructions from any core connected persons of the Company in relation to the acquisition, disposal, voting or other disposition of the Xin Hua Subscription Shares or any Shares registered in its name or otherwise held by it. Xin Hua will become a controlling shareholder of the Company following the completion of the Xin Hua Subscription and thus become a core connected person of the Company.

As at the date of this joint announcement, Noble does not own any Shares. Noble will become a substantial shareholder of the Company following the completion of the Noble Subscription. As at the date of this joint announcement, Ms. Fan, the vice chairlady of the Company and an executive Director, is a core connected person of the Company, and Noble, which is beneficially wholly owned by Ms. Fan, is a close associate of Ms. Fan and a core connected person of the Company.

Given Ms. Fan introduced Xin Hua to the Company and was involved in the negotiation process in respect of the Xin Hua Subscription, and Xin Hua requested Ms. Fan to participate in the Noble Subscription, Xin Hua and Ms. Fan are parties acting in concert. As such, each of Noble and Ms. Fan is de facto party acting in concert with Xin Hua under the Takeovers Code.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Group is engaged in the (i) exploring, exploiting and sale of oil and natural gas; and (ii) trading of oil-related products.

The Group's financial position

As disclosed in the 2017 annual report of the Company, the auditors of the Company, Cheng & Cheng Limited, issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2017 due to the existence of multiple uncertainties as set out below, which may cast doubt on the Group's ability to continue as a going concern:

1. the Group reported a net loss attributable to the owners of the Company of approximately HK\$352 million for the year ended 31 December 2017, and as at 31 December 2017, the Group had net current liabilities of approximately HK\$58 million. Such loss-making situation and the Company's continued use of short term loans to repay its other short term loans may continue to exist for the year ending 31 December 2018; and
2. as at the date of issue of the 2017 annual report of the Company, there was uncertainty as to whether the proposed subscription of Shares by NPCC (which was subsequently terminated on 28 April 2018 after the issue of the disclaimer of opinion) for the purpose of providing new capital to the Group would materialise.

As at 31 December 2018, the Group's net current liabilities increased to approximately HK\$121.5 million which was mainly due to an increase in unsecured loans from approximately HK\$58.3 million to HK\$102.1 million and other payables and accruals from approximately HK\$7.1 million to HK\$39.6 million.

As at the date of this joint announcement, the total outstanding borrowings of the Group amounted to approximately HK\$111 million which are all unsecured and repayable within 12 months of this joint announcement bearing interest ranging from 8% to 16% per annum.

The Group's cash and bank balances as at 31 December 2017 amounted to approximately HK\$4.5 million, decreased to only approximately HK\$1.0 million as at 31 December 2018. With regard to cash flow, the Group recorded a net cash outflow from operating activities of approximately HK\$19.7 million for the year ended 31 December 2017.

Business outlook

For the year ended 31 December 2017, the Group recorded revenue of approximately HK\$35.6 million, which was mainly attributable to the Group's oil-related products trading business. Gross loss of the Group amounted to approximately HK\$1.2 million and was mainly due to the relatively low crude oil and gas prices over a long term.

The loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK\$351.7 million, due to the impairment loss on carrying amount of the Group's intangible assets amounting to approximately HK\$344.5 million and impairment loss on carrying amount of the Group's property, plant and equipment amounting to approximately HK\$49.9 million.

Trading by the Company of oil and related products commenced in 2017, and its oil and gas business consists of domestic sales of gas and crude oil produced from the Utah Oil and Gas Field.

Since the acquisition of the Utah Oil and Gas Field, the Group has only been maintaining a minimum level of oil and gas production at the Utah Oil and Gas Field.

In addition, WTI oil prices hit bottom at around US\$40 per barrel in early 2017 but rebounded gradually to around US\$65 per barrel in the first half of 2018. International oil prices have gradually recovered to above US\$50 per barrel since 2019 and have been stabilising at near US\$60 per barrel despite the recent China-US trade war. Given the China-US trade war is pending to be resolved, the global demand/supply of oil has been adjusting to the market factors and it is expected that international oil prices are likely to stabilise in the future. The consumption and import of oil into China has been growing. The importation of gas was 600 million tonnes, a 32% year-on-year increase in 2018 compared with that of the previous year.

Winding-up Petition

On 29 August 2018, the Company received a statutory demand from Burberlon, a creditor of the Company, demanding the repayment of a total sum of approximately HK\$32 million. The Company subsequently failed to repay such amount within the specified time.

On 19 October 2018 (Hong Kong time), the Company was served with a legal notice in which Burberlon sought a winding-up order against the Company (i.e. the Petition) and an order for the appointment of provisional liquidators to assist the Board in restructuring the debts and liabilities of the Company (i.e. the Summons) from the Supreme Court of Bermuda. Both the Petition and the Summons were listed to be heard in the Bermuda Court on 19 October 2018 at 9:30 a.m. (Bermuda

time) and was later adjourned to 22 February 2019 (Bermuda time). On 14 December 2018, the Company confirmed to the Supreme Court of Bermuda that it has sufficient financial resources to settle the entire amount in relation to the Petition in full.

In order to protect Shareholders' interests and attract new investors, and as mentioned in the announcement of the Company dated 24 December 2018, the Company entered into the Deed of Settlement with Mr. Cheung and Mr. So on 21 December 2018 to settle all claims arising out of or in connection with, inter alia, debts owed by the Company to certain creditors which were assigned to Mr. Cheung. Please see the section headed "Special benefit conferred on Shareholders" in this joint announcement for further details. As mentioned in the announcement of the Company dated 22 January 2019, following the entering into of the Deed of Settlement, a consent order, which was received by the Company on 22 January 2019, was entered into by, among others, Burberlon, Mr. So, Mr. Cheung and the Company on 27 December 2018. Pursuant to the consent order, it was ordered by consent that, among other things, the Petition and the Summons be withdrawn and discontinued and there be no order as to costs.

The Group's fund-raising ability

The Company has encountered difficulties in recent years which have adversely affected the Group's financials, liquidity, operations and prospects, as well as the negative publicity surrounding the Company, all of which hinder the ability of the Company to secure financing from banks and procure underwriting offers for a rights issue or open offer from securities firms in order to improve its financial condition and develop its business. The Company understands that the above developments cast a major concern for many financiers, lenders and potential financial investors. During the past two years, the Company had only been able to raise unsecured short term loans with relatively high interest rates (ranging from 8% to 20% per annum) to maintain the Group's liquidity.

Other fund raising methods

Given the adverse business environment and the Group's difficulties in securing long term financing, the Group had no choice but to use new short term loans to refinance its repayment obligations. This has resulted in a sharp increase in the gearing ratio of the Company from approximately 6.3% as at 31 December 2016 to approximately 29.6% as at 31 December 2017 and approximately 73.8% as at 31 December 2018. The interest expenses and finance costs arising from the short term borrowing has placed great financial burden on the Company.

The Group has considered alternative fund raising methods including a rights issue. However, considering (i) the required time and significant costs of preparing a rights issue; (ii) the uncertain responses from Shareholders; and (iii) the imminent funding needs of the Company, the Directors are of the view that a rights issue may not serve its purpose of raising adequate funds for the Company.

The management of the Group has also approached various financial institutions in an effort to obtain further financing for the Company. However, the responses were tepid. Given the (i) adverse market conditions, in particular the volatility of crude oil prices; (ii) poor financial conditions of the Group; and (iii) the impaired reputation of the Group as a result of negative publicity surrounding the Group as mentioned above, no other investors were interested except Xin Hua and Noble.

Conclusion

By bringing in Xin Hua as a suitable strategic shareholder, the Company will be optimally placed to leverage on the business opportunities and resources available to Xin Hua. Given such cooperation is expected to create synergies which the Company would not otherwise be able to achieve through other financing means (e.g. financing from banks, open offer and rights issue), the Board is of the view that the Subscriptions are in the interests of the Company and the Shareholders as a whole considering that:

- (a) the Group will be able to raise the necessary funds through the Subscriptions which will improve the financial position and liquidity of the Group and provide the Company with funds for, among others, the operation and development of the Group's existing business which has been adversely affected by volatile oil and gas prices;
- (b) the Subscriptions provide a viable fund-raising means for the Company given the reputational damage caused by former Directors and the Company's financial position as mentioned above, and the Subscriptions will allow the Company to bring in Xin Hua as a strategic partner of the Company to help the Group develop its existing business.
- (c) Daqing Xinhua is a petroleum and petrochemical processing enterprise using crude oil as the raw material. It is principally engaged in production, storage and sales of asphalt and trading of oil-related products in the PRC. Asphalt is refined from crude oil and the sale of asphalt is a midstream business in the petrochemical industry, while the trading of fuel oil is a downstream business. In this regard, the trading business of Daqing Xinhua, which is engaged in transportation, production and sale of road asphalt and fuel oil as the downstream business in the oil industry, will be able to facilitate the development and expansion of the Group, having taken into consideration the following:
 - (i) Daqing Xinhua and the Company are both engaged in the oil industry (with Daqing Xinhua being engaged in the downstream business and the Company being engaged in the upstream business) and there can be synergies to the upstream and downstream business chain by broadening the Group's product offering and complementing the Group's product base;

- (ii) the shareholders of Daqing Xinhua, Mr. Yu and Mr. Chen, have 10 years of experience in the oil and petrochemical industry. From October 2009 to March 2019, Mr. Yu was a director of Daqing Lianyi, which is traded on National Equities Exchange and Quotations (全國中小企業股份轉讓系統) in the PRC. For details of their biographies, please refer to section headed “Information on the Subscribers – Xin Hua” in this joint announcement;
- (iii) with Mr. Yu and Mr. Chen’s exposure, management experience and expertise in the petrochemical and oil field industry in the PRC, Daqing Xinhua can facilitate and explore the business opportunities to the Group in the oil field industry; and
- (iv) the trading of oil-related products business of the Group can be enhanced and expanded by cooperation with the customer base referred by Daqing Xinhua. Daqing Xinhua is headquartered in Xinhuatun, Datong district, Daqing City in the PRC and its main products are road asphalt and fuel oil with distribution networks covering various cities in the Heilongjiang province and neighbouring provinces in the PRC.

Based on the closing price of approximately HK\$0.122 per Share on the Last Trading Day, the theoretical diluted price of the Shares will be HK\$0.0470 per Share and the theoretical value dilution is approximately 61.45%. With reference to Rule 7.27B of the Listing Rules, the Subscriptions would result in a theoretical dilution effect of 25% or more within a 12-month period. However, given:

- (i) the Company has net current liabilities of approximately HK\$121 million as at 31 December 2018 and net loss attributable to the owners of the Company of approximately HK\$58 million for the year ended 31 December 2018;
- (ii) the Company had approximately HK\$111 million in short term borrowings due within 12 months from the date of this joint announcement;
- (iii) the adverse market conditions of the oil and gas business; and
- (iv) the Company’s lack of ability to secure long-term financing,

there is no doubt that the Company is in serious financial distress.

In such circumstance, it is inconceivable that any sensible investor would invest in such a financially distressed company and finance the Company’s debt restructuring without a material dilution of the shareholdings of existing Shareholders. Upon completion of the Xin Hua Subscription (or both Subscriptions, as the case may be), all of the indebtedness of the Company will be settled. The Subscriptions will help the Group to stabilise its operations, financial status and create synergies for the current and future development of the Group. Accordingly, despite the material dilution, the Subscriptions are manifestly in the interests of the Company and its Shareholders as a whole and will prevent the Company from being wound up, causing more severe loss to Shareholders and investors of the Company.

The financial condition of the Company falls under Rule 7.27B of the Listing Rules, being exceptional circumstances and financial difficulties, and the Subscriptions form part of the rescue proposal. Accordingly, the Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser, and excluding Ms. Fan, who is the vice chairlady of the Company and an executive Director, and is interested in the Noble Subscription) consider that the Subscriptions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As Ms. Fan is considered to have a material interest in the Subscriptions, she will abstain from voting on the relevant resolutions of the Board. Other than Ms. Fan, none of the Directors have a material interest in the Subscriptions.

INFORMATION ON THE GROUP

The Group is principally focused on the (i) exploring, exploiting and sale of oil and natural gas; and (ii) trading of oil-related products.

INFORMATION ON THE SUBSCRIBERS

Xin Hua

Xin Hua is a limited liability company incorporated in Hong Kong on 29 October 2018 and is principally engaged in investment holding. It is owned as to approximately 46.28% and 53.72% by Ms. Chen and Daqing Xinhua, respectively.

Daqing Xinhua, formerly known as 大慶聯誼石化股份有限公司新華瀝青廠 (Asphalt Factory of Daqing Lianyi Petrochemical Co., Ltd*), changed its name to 大慶市新華瀝青有限責任公司 (Daqing Xinhua Asphalt Company Limited*) in August 2005. Through its development in the last 10 years, Daqing Xinhua has evolved to cover areas including transportation, production and sale of road asphalt and fuel oil. Daqing Xinhua is headquartered in Xinhuatun, Datong district, Daqing City in the PRC and its main products are road asphalt and fuel oil with distribution networks covering various cities in the Heilongjiang province and neighbouring provinces in the PRC.

As at the date of this joint announcement, (i) Daqing Xinhua is held as to 65% by Mr. Yu and 35% by Mr. Chen; and (ii) Mr. Wang Zhiming (王志民) is the sole director of Daqing Xinhua.

As at the date of this joint announcement, the board of directors of Xin Hua comprises Ms. Chen, Mr. Yu and Mr. Chen.

Mr. Yu, an existing shareholder of Daqing Xinhua and a director of Xin Hua, 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 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 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. Chen, an existing shareholder of Daqing Xinhua and a director of Xin Hua, has almost 10 years of experience in petrochemical industry. Mr. Chen graduated from petroleum engineering studies (石油工程專科) at 中國石油大學 (China University of Petroleum) in July 2014. He was the vice general manager of the branch sale office of Daqing Lianyi from October 2009 to September 2018. Mr. Chen has been the vice general manager of Daqing Xinhua since October 2018.

Mr. Wang Zhiming (王志民) completed the economics and management studies (經管專業專科) from 中共黑龍江省委黨校 (The Party School of HLJ P.P.C.of The C.P.C.) in January 2000. He was working for 北京諾輝世紀國際珠寶股份有限公司 (Beijing NuoHui Century International Jewelry Co., Ltd*) from April 2012 to December 2016 and he is mainly responsible for the acquisition and exploration of the mining business in Indonesia and Canada. Mr. Wang coordinated the incorporation of NuoHui Mining Ltd. (諾輝礦業有限公司) in Province of British Columbia, Canada in 2014 and Mr. Wang was the director and general manager of NuoHui Mining Ltd. (諾輝礦業有限公司) until December 2016. Since December 2016, Mr. Wang has been the director and the general manager of Daqing Xinhua.

Ms. Chen was a business manager and promoted to business director (業務總監) and the general manager assistant at 上海大華國化企業管理有限公司 (Shanghai Dahua Nationalization Business Management Co. Ltd.*) from September 2011 to September 2018.

Noble

Noble is an investment holding company incorporated in the British Virgin Islands with limited liability, and is beneficially wholly owned by Ms. Fan. As at the date this joint announcement, Ms. Fan is the sole director of Noble.

Ms. Fan is currently the vice chairlady of the Company, an executive Director and the sole director of Noble. She served as an executive director of Chevalier Pacific Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 508) from 2 October 2009 to 5 November 2010. In 2005, Ms. Fan co-founded Flying Eagle Aviation Limited and has served as its chairperson since then. She assisted Flying Eagle Aviation Limited in obtaining an Aircraft General Terms Agreement (AGTA) licence from Boeing, which permits licensees to operate aircraft businesses worldwide. In 2005, Ms. Fan also founded Great Dragon Petroleum Limited, a company engaged in the trading of oil related products. Ms. Fan also previously served as a senior consultant in China affairs at Nomura (Hong Kong) Limited.

Save as disclosed in this joint announcement, the Company and the Subscribers have not entered into any agreement or arrangement (either explicit or implicit) or understanding (whether formal or informal) in connection with the Subscriptions (other than those set out in the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Second Subscription Agreement).

There is no understanding or agreement among the Subscribers and the Company in relation to the injection of business interests into the Group. If the Group acquires any assets/business interests from either Subscriber or any of their respective associates (for the purpose of the Listing Rules) in future, the Company will comply with all applicable requirements under the Listing Rules.

FUTURE INTENTIONS OF XIN HUA REGARDING THE GROUP

Upon completion of the Xin Hua Subscription, Xin Hua will become the controlling shareholder of the Company. Having considered the current financial position of the Company and the proposed application of the net proceeds from the Subscriptions as disclosed in the section headed “Intended use of proceeds from the Subscriptions” in this joint announcement, it is the current intention of Xin Hua for the Group to continue the principal oil and gas businesses of the Group. As at the date of this joint announcement, no agreement, definitive proposals, terms or timetable have been reached or determined. Xin Hua has neither identified any investment or business opportunities nor entered into any related agreements, arrangements, understandings or negotiations, and there is no plan on any injection or disposal of any assets or businesses into/of the Group as at the date of this joint announcement. Save as aforesaid, Xin Hua currently has no intention to make any substantial change to the existing business of the Group and the employment of the Group’s employees. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the number of the Shares in issue, are held by the public at all time, or if the Stock Exchange believes that:

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

then, it will consider exercising its discretion to suspend dealings in the Shares. Xin Hua intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares. Xin Hua does not intend to avail itself to any right or power which may be available to it in respect of the compulsory acquisition

of any Shares outstanding after the close of the Offers. The directors of Xin Hua, the existing Directors and any proposed Directors nominated by Xin Hua will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this joint announcement.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of Xin Hua and Noble has confirmed that save as disclosed in this joint announcement relating to the Subscriptions, as at the date of this joint announcement, neither Xin Hua, Noble nor any parties acting in concert with either of them:

- (a) own, control or has direction over any voting rights or rights over the Shares, options, warrants or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (b) has dealt in Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of this joint announcement;
- (c) has received an irrevocable commitment to vote for or against the Subscriptions;
- (d) have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any of the Subscribers, which might be material to the Subscriptions, with any person;
- (e) has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscriptions; or
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

IMPLICATIONS UNDER THE LISTING RULES

Ms. Fan is an executive Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Noble, which is beneficially wholly owned by Ms. Fan, is an associate of Ms. Fan and a connected person of the Company. As a result, the Noble Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The issue of the Subscription Shares will also be subject to, among other things, the approval of the Independent Shareholders for the granting of the Specific Mandates at the SGM in accordance with the requirements of Rule 13.36 of the Listing Rules.

CAPITAL REORGANISATION

The existing authorised share capital of the Company as of the date of this joint announcement is HK\$20,000,000,000, divided into 200,000,000,000 shares of nominal value of HK\$0.10 each. Under the laws of Bermuda and the bye-laws of the Company, in which bye-law 12 states that no Shares shall be issued at a discount, shares of a Bermuda-incorporated company cannot be subscribed for at a price lower than the nominal value of the shares. As such, to facilitate the Subscriptions, the Company proposes to implement the Capital Reorganisation which will involve the Capital Reduction, the Share Subdivision and the Share Consolidation, details of which are as follows:

(a) Capital Reduction

The Company proposes to implement the Capital Reduction, pursuant to which the issued share capital of the Company will be reduced by a reduction in the nominal value of each issued Share from HK\$0.10 to HK\$0.01 which will comprise a cancellation of such amount of the paid-up capital on each issued Share so that each issued Share will be treated as one fully paid-up share of nominal value of HK\$0.01 each in the share capital of the Company immediately following the Capital Reduction, and the credit arising from the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Bermuda Companies Act.

(b) Share Subdivision

Immediately following the Capital Reduction, each of the authorised but unissued Shares of nominal value of HK\$0.10 each will be subdivided into 10 New Shares of nominal value of HK\$0.01 each.

(c) Share Consolidation

Subject to and effective following completion of the Xin Hua Subscription (or both Subscriptions, as the case may be), the Company proposes to implement a Share Consolidation on the basis that every 20 issued and unissued New Shares of nominal value of HK\$0.01 each will be consolidated into one Consolidated Share of nominal value of HK\$0.2 each in the share capital of the Company.

The implementation of the Capital Reorganisation is conditional upon (i) the passing of the necessary resolutions by the Shareholders by way of poll at the SGM to approve the Capital Reorganisation; and (ii) completion of the Xin Hua Subscription.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee will be formed to advise (i) the Independent Shareholders on the terms of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. None of the members of the Independent Board Committee will have any interest or involvement in the transactions contemplated under the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the Second Subscription Agreement.

An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Independent Board Committee in respect of the Offers, in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. The Company will make further announcement(s) upon the establishment of the Independent Board Committee and/or the appointment of the Independent Financial Adviser.

SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Subscriptions, the granting of the Specific Mandates and the Capital Reorganisation. Only the Independent Shareholders are entitled to vote at the SGM in respect of the resolutions to approve the Subscriptions and the granting of the Specific Mandates. The Subscribers and their respective associates and concert parties shall abstain from voting on the resolutions to approve the Subscriptions and the granting of the Specific Mandates to be proposed at the SGM.

Other than Mr. Cheung and Mr. So, no existing Shareholder has a material interest in the Subscriptions and the granting of the Specific Mandates and therefore no Shareholder, other than Mr. Cheung and Mr. So, is required to abstain from voting in relation to the resolutions to approve the Subscriptions and the granting of the Specific Mandates to be proposed at the SGM.

No existing Shareholder has a material interest in the Capital Reorganisation and therefore no Shareholder is required to abstain from voting in relation to the resolutions to approve the Capital Reorganisation to be proposed at the SGM.

A circular containing, among other things, (i) details of the Subscriptions, the granting of the Specific Mandates and the Capital Reorganisation; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the

Subscriptions; and (iv) a notice convening the SGM, will be despatched to the Shareholders in compliance with the requirements of the Listing Rules, and is expected to be despatched on or before 10 May 2019.

DESPATCH OF THE COMPOSITE DOCUMENT

Xin Hua and the Company intend to combine the offer document and the offeree board circular into the Composite Document which contains, amongst others, details of the Offers, accompanied by the relevant forms of acceptance, and incorporating the recommendation from the Independent Board Committee and the letter from the Independent Financial Adviser in respect of the Offers. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document is required to be despatched within 21 days of the date of this joint announcement. As the making of the Offers is conditional upon completion of the Xin Hua Subscription or the Subscriptions (as the case may be), which in turn is conditional on, among others, the Independent Shareholders' approval, an application will be made to seek the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to be within seven days after completion of the Xin Hua Subscription.

DEALING DISCLOSURE

As required under Rule 3.8 of the Takeovers Code, associates of the Company, Xin Hua and Noble (including but not limited to a person who owns or controls 5% or more of any class of relevant securities (as defined in paragraphs (a) to (d) in Note 4 to Rule 22 of the Takeovers Code) of the Company) are hereby reminded to disclose their dealings in any relevant securities of the Company pursuant to the requirements of the Takeovers Code.

Reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code in accordance with Rule 3.8 of the Takeovers Code.

“Responsibilities of stockbrokers, banks and other intermediaries

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

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

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on Thursday, 14 February 2019 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Wednesday, 17 April 2019.

The Offers will only be made if completion of the Xin Hua Subscription takes place. Completion of the Xin Hua Subscription is subject to, as applicable, satisfaction and/or waiver of the conditions contained in the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement). Accordingly, the Offers may or may not be made. The issue of this joint announcement does not in any way imply that the Offers will be made.

Shareholders, Optionholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

DEFINITIONS

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

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code, unless the contexts otherwise specifies
“Bermuda Companies Act”	the Companies Act 1981 of Bermuda
“Board”	the board of Director(s)
“Burberlon”	Burberlon Vantage Capital Limited 巴比倫資本有限公司, a former creditor of the Company
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business

“Capital Reduction”	the proposed reduction in the issued share capital of the Company by reducing the nominal value of each issued Share from HK\$0.10 to HK\$0.01 by way of cancellation of such amount of the paid-up capital on each issued Share so that each issued Share will be treated as one fully paid-up share of nominal value of HK\$0.01 each in the share capital of the Company
“Capital Reorganisation”	collectively, the Capital Reduction, the Share Subdivision and the Share Consolidation
“close associate”	has the meaning as ascribed to it in the Listing Rules
“Company”	Pearl Oriental Oil Limited (stock code: 632), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	the composite offer document combining the offer document to be issued by Xin Hua and the offeree board response document to be issued by the Company (together with the Form of Acceptance) in respect of the Offers to be despatched to the Shareholders in accordance with the Takeovers Code
“Concert Group”	Xin Hua, Noble and their respective concert parties
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consolidated Share(s)”	share(s) of HK\$0.2 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder”	has the meaning as ascribed to it in the Listing Rules
“core connected person”	has the meaning as ascribed to it in the Listing Rules
“Daqing Lianyi”	Daqing Lianyi Petrochemical Co., Ltd* (大慶聯誼石化股份有限公司)
“Daqing Xinhua”	Daqing Xinhua Asphalt Co., Ltd* (大慶市新華瀝青有限責任公司), a company incorporated in the PRC with limited liability
“Debt Assignment”	the debts which were assigned to Mr. Cheung under the Deed of Settlement together with interest accrued thereon and all costs and expenses in relation to the assignment

“Deed of Settlement”	the deed of settlement entered into between the Company, Mr. Cheung and Mr. So on 21 December 2018, pursuant to which the Company settled, among other things, the Debt Assignment
“Director(s)”	the director(s) of the Company
“Excluded Shares”	the Shares or New Shares (as the case may be) already owned or agreed to be acquired by Xin Hua, Noble and parties acting in concert with them (including the Subscription Shares which will be held by Xin Hua and Noble upon completion of both Subscriptions)
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First HK\$5M Loan”	the unsecured loan of HK\$5,000,000 made available to the Company under the First HK\$5M Loan Agreement
“First HK\$5M Loan Agreement”	the loan agreement entered into between the Company (as borrower) and Xin Hua (as lender) dated 10 January 2019 in respect of the First HK\$5M Loan
“First Loan Extension Agreement”	the loan extension agreement (貸款延期協議) dated 28 January 2019 and entered into between Xin Hua and the Company pursuant to which the parties thereto agreed to extend the term of the HK\$50M Loan to 28 February 2019
“First Subscription Agreement”	the subscription agreement dated 13 February 2019 and entered into between the Company, Xin Hua and Noble in respect of, among other things, the Xin Hua Subscription
“Forwin”	Forwin Securities Group Limited 富榮證券集團有限公司, a licensed corporation permitted to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) which, inter alia, engages in securities margin financing
“Fourth Loan Extension Agreement”	the loan extension agreement (貸款延期協議) dated 28 March 2019 and entered into between Xin Hua and the Company pursuant to which the parties thereto agreed to extend the term of each of the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 31 March 2020
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HK\$20M Loan”	the unsecured loan of HK\$20,000,000 made available to the Company under the HK\$20M Loan Agreement
“HK\$20M Loan Agreement”	the loan agreement entered into between the Company (as borrower) and Xin Hua (as lender) dated 6 December 2018 in respect of the HK\$20M Loan
“HK\$50M Loan”	the unsecured loan of HK\$50,000,000 made available to the Company under the HK\$50M Loan Agreement
“HK\$50M Loan Agreement”	the loan agreement entered into between the Company (as borrower) and Xin Hua (as lender) dated 29 November 2018 in respect of the HK\$50M Loan
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be established by the Board to advise (i) the Independent Shareholders on the terms of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Shareholders and the Optionholders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Independent Board Committee to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Second Subscription Agreement and the granting of the Specific Mandates; and (ii) the Independent Board Committee in respect of the Offers, in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers
“Independent Shareholders”	for the purposes of the Subscriptions (including the granting of the Specific Mandates), the Shareholders other than (i) the Subscribers and their respective associates (as defined under the Listing Rules) and concert parties (as defined under the Takeovers Code); and (ii) Shareholders who are involved or interested in the Subscriptions
“Last Trading Day”	13 February 2019, being the last trading day of the Shares immediately prior to the date of this joint announcement.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan Agreements”	collectively, the HK\$50M Loan Agreement, the HK\$20M Loan Agreement, the First HK\$5M Loan Agreement and the Second HK\$5M Loan Agreement
“Loan Extension Agreements”	collectively, the First Loan Extension Agreement, the Second Loan Extension Agreement, the Third Loan Extension Agreement and the Fourth Loan Extension Agreement
“Loan Facility”	a loan facility of up to HK\$140,200,000 granted by Forwin to Xin Hua to finance the amount payable by Xin Hua upon acceptance of the Offers
“Long Stop Date”	30 June 2019 (or such other date as the parties to the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) or the Second Subscription Agreement (as the case may be) may agree in writing)
“Material Adverse Effect”	for the purposes of the conditions specified in the sections headed “Subscriptions – (A) First Subscription Agreement and Supplemental Agreement – Conditions of the Xin Hua Subscription” and “Subscriptions – (B) Second Subscription Agreement – Conditions of the Noble Subscription” in this joint announcement, the occurrence of any matter or event (or series of matters or events) which is or reasonably likely to cause the net asset value of the Group as at 30 June 2018 (determined by reference to the 2018 interim results announcement of the Company) to decrease by 5% or more, save for any decrease in such net asset value resulting from any fluctuations of global oil prices
“Mr. Chen”	Mr. Chen Yaxin (陳亞新), s shareholder of Daqing Xinhua and a director of Xin Hua
“Mr. Cheung”	Mr. Cheung Wai Keung (張偉強), a Shareholder holding approximately 2.12% of the issued share capital of the Company as at the date of this joint announcement
“Mr. So”	Mr. So Kuen Kwok (蘇權國), a Shareholder holding approximately 10.02% of the issued share capital of the Company as at the date of this joint announcement
“Mr. Yu”	Mr. Yu Zhibo (于志波), a shareholder of Daqing Xinhua and a director of Xin Hua
“Ms. Chen”	Ms. Chen Junyan (陳俊妍), a shareholder and a director of Xin Hua

“Ms. Fan”	Ms. Fan Amy Lizhen (樊麗真), the vice chairlady of the Company and an executive Director
“New Share(s)”	the ordinary shares of HK\$0.01 each in the share capital of the Company immediately upon the Share Subdivision becoming effective
“Noble”	Noble Pioneer Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly owned by Ms. Fan
“Noble Completion Date”	the fifth Business Day after the satisfaction and/or waiver (where applicable) of all the conditions under the Second Subscription Agreement (or such other date as may be agreed by the Company and Noble in writing), being the date on which completion of the Noble Subscription shall take place
“Noble Subscription”	the subscription of 1,700,000,000 New Shares by Noble under the Second Subscription Agreement
“Noble Subscription Shares”	1,700,000,000 New Shares to be subscribed for by Noble pursuant to the Second Subscription Agreement
“NPCC”	NPCC (Hong Kong) Limited 北方石油有限公司
“NPCC Price”	HK\$0.02 per Share
“Offer Period”	commencing from 13 February 2019, being the date on which the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) was entered into, to the date when the Offers lapse or the closing date of the Offers or such other date to which Xin Hua may decide to extend or revise the Offers in accordance with the Takeovers Code
“Offer Price”	HK\$0.0422 per Offer Share
“Offer Share(s)”	the New Share(s) which are subject of the Share Offer
“Offers”	collectively, the Share Offer and the Option Offer
“Option Offer”	subject to completion of the Xin Hua Subscription, the possible mandatory unconditional cash offer to be made by Forwin on behalf of Xin Hua to cancel all outstanding Share Options
“Optionholders”	the holders of the Share Option(s)

“Petition”	the petition presented by Burberlon to the Supreme Court of Bermuda for the winding-up of the Company, which was subsequently withdrawn pursuant to a consent order entered into on 27 December 2018. For further details, please refer to the section headed “Reasons for and benefits of the Subscriptions – Winding-up Petition” in this joint announcement
“PRC” or “China”	the People’s Republic of China
“Requisition”	a requisition issued by Mr. So dated 3 September 2018 requesting the Directors to convene a SGM for the purpose of considering and, if thought fit, passing the resolutions proposed therein
“Second HK\$5M Loan”	the unsecured loan of HK\$5,000,000 made available to the Company under the Second HK\$5M Loan Agreement
“Second HK\$5M Loan Agreement”	the loan agreement entered into between the Company (as borrower) and Xin Hua (as lender) dated 16 January 2019 in respect of the Second HK\$5M Loan
“Second Loan Extension Agreement”	the loan extension agreement (貸款延期協議) dated 1 February 2019 and entered into between Xin Hua and the Company pursuant to which the parties thereto agreed to extend the term of each of the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 28 February 2019
“Second Subscription Agreement”	the subscription agreement dated 3 April 2019 and entered into between the Company and Noble in respect of the Noble Subscription
“SFC”	the Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened to approve the Subscriptions and the granting of the Specific Mandates
“Share Consolidation”	the proposed consolidation of every 20 issued and unissued New Shares into one Consolidated Share of nominal value of HK\$0.2 each in the share capital of the Company
“Share Offer”	subject to completion of the Xin Hua Subscription, the possible mandatory unconditional cash offer to be made by Forwin on behalf of Xin Hua to acquire all the Offer Shares at the Offer Price
“Share Option Scheme”	the share option scheme adopted by the Company on 15 July 2009

“Share Option(s)”	the share option(s) to subscribe for Share(s) under the Share Option Scheme
“Share Subdivision”	the proposed subdivision of each of the authorised but unissued Shares of nominal value of HK\$0.1 each into 10 shares of nominal value of HK\$0.01 each
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate(s)”	the specific mandate(s) to be granted by the Independent Shareholders to the Board at the SGM for the allotment and issue of the Subscription Shares under each of the Xin Hua Subscription and the Noble Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Xin Hua and Noble
“Subscription Price”	HK\$0.02 per Subscription Share
“Subscription Shares”	the New Shares to be subscribed for under the Xin Hua Subscription and the Noble Subscription
“Subscriptions”	collectively, the Xin Hua Subscription and the Noble Subscription
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“Summons”	the summons filed by Burberlon at the Supreme Court of Bermuda seeking an order for the appointment of provisional liquidators to assist the Board in restructuring the debts and liabilities of the Company
“Supplemental Agreement”	the supplemental agreement to the First Subscription Agreement dated 29 March 2019 and entered into between the Company and the Subscribers amending and supplementing the terms of the First Subscription Agreement
“Supplemental Deed”	the supplemental deed to the Deed of Settlement entered into between the Company, Mr. Cheung and Mr. So on 3 January 2019

“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended from time to time
“Third Loan Extension Agreement”	the loan extension agreement (貸款延期協議) dated 28 February 2019 and entered into between Xin Hua and the Company pursuant to which the parties thereto agreed to extend the term of each of the HK\$50M Loan, the HK\$20M Loan, the First HK\$5M Loan and the Second HK\$5M Loan to 31 March 2019
“Titan”	Titan Financial Services Limited 天泰金融服務有限公司, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the financial adviser to Xin Hua
“US” or “United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“Utah Oil and Gas Field”	the oil and gas field covering an area of approximately 3,692 acres located in Uinta Basin, Uintah County, Utah, the United States where the Company has 100% record title
“WTI”	West Texas Intermediate, a grade of crude oil used as a benchmark in oil pricing
“Xin Hua”	Xin Hua Petroleum (Hong Kong) Limited 新華石油(香港)有限公司, a company incorporated in Hong Kong with limited liability which is held as to 53.72% by Daqing Xinhua and 46.28% by Ms. Chen
“Xin Hua Completion Date”	the fifth Business Day after the satisfaction and/or waiver (where applicable) of all the conditions under the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement) (or such other date as may be agreed by the Company and Xin Hua in writing), being the date on which completion of the Xin Hua Subscription shall take place
“Xin Hua Subscription”	the subscription of 7,300,000,000 New Shares by Xin Hua under the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement)

“Xin Hua Subscription Shares” 7,300,000,000 New Shares to be subscribed for by Xin Hua pursuant to the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement)

* *For identification purpose only*

By order of the Board
Xin Hua Petroleum (Hong Kong) Limited
Chen Junyan
Director

By order of the Board
Pearl Oriental Oil Limited
Liu Gui Feng
Chairlady and Executive Director

Hong Kong, 16 April 2019

As at the date of this joint announcement, (i) the board of directors of Xin Hua comprises Ms. Chen Junyan, Mr. Yu Zhibo and Mr. Chen Yaxin; (ii) Mr. Wang Zhiming is the sole director of Daqing Xinhua; and (iii) Ms. Fan is the sole director of Noble.

The directors of Xin Hua, Daqing Xinhua and Noble jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the Board comprises six executive Directors, namely Ms. Liu Gui Feng, Ms. Fan Amy Lizhen, Ms. Xiao Li, Mr. Cheung Kam Shing, Terry, Mr. Tang Yau Sing and Mr. Lin Qing Yu; and nine independent non-executive Directors, namely Mr. Xing Yong, Mr. Shi Wen Jiang, Mr. Chen Zhong Min, Mr. Jiang Cai Yi, Mr. Zhang Yue Yang, Mr. He Jun, Ms. Chen Xue Hui, Ms. Hu Jing and Ms. Lyu Jia Lian.

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