
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pearl Oriental Oil Limited, you should at once hand this Composite Document, together with the accompanying Form of Acceptance, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Share Offer.

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(Incorporated in Hong Kong with limited liability)



**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
THE MANDATORY UNCONDITIONAL CASH OFFER MADE BY**



**FOR AND ON BEHALF OF XIN HUA PETROLEUM (HONG KONG) LIMITED
TO ACQUIRE ALL THE ISSUED CONSOLIDATED SHARES
(OTHER THAN THE EXCLUDED SHARES)**

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



**Financial adviser to
the Company**



Independent Financial Adviser to the Independent Shareholders



Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Forwin containing, among other things, the principal terms of the Share Offer is set out on pages 9 to 20 of this Composite Document. A letter from the Board is set out on pages 21 to 27 of this Composite Document. A letter from the Independent Financial Adviser to the Independent Shareholders in respect of the Share Offer and the principal factors considered by it in arriving at its advice is set out on pages 28 to 46 of this Composite Document.

The procedures for acceptance and settlement and the acceptance period of the Share Offer is set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. The Form of Acceptance should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or an accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Important Notice" and "Overseas Shareholders" in the Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept an Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due from the Shareholder in respect of such jurisdiction. Each such person is advised to seek professional advice on deciding whether to accept the Share Offer.

15 July 2019

* For identification purpose only

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IMPORTANT NOTICE TO INDEPENDENT SHAREHOLDERS

The following information is important for all Independent Shareholders.

You are urged to read this entire Composite Document, including the appendices and the Form of Acceptance carefully.

- *Share Offer Price:* HK\$0.844 in cash per Consolidated Offer Share (equivalent to HK\$0.0422 in cash per Share prior to Share Consolidation)
- *How to accept the Share Offer:* Please return the duly completed and signed Form of Acceptance and the relevant documents to the Registrar (for the Share Offer).
- *Deadline for acceptance:* The Share Offer will close for acceptance at 4:00 p.m. on Monday, 5 August 2019 (the Offer Closing Date), unless otherwise revised or extended. For details, please refer to “Appendix I – Further Terms of the Share Offer” to this Composite Document.
- *Settlement:* Payments in cash will be made within seven (7) Business Days following the date of receipt of your valid acceptance.

EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate in the event that there is any change to the expected timetable.

Unless otherwise expressly stated, references to times and dates in this Composite Document and the Form of Acceptance are to Hong Kong times and dates.

Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Share Offer ⁽¹⁾ Monday, 15 July 2019

Latest time and date for acceptance of the Share Offer ^{(2), (3)} 4:00 p.m. on Monday, 5 August 2019

Offer Closing Date ^{(2), (3)} Monday, 5 August 2019

Announcement of the results of the Share Offer as at the Offer Closing Date, or as to whether the Share Offer have been revised or extended, on the website of the Stock Exchange ^{(2), (3)} By 7:00 p.m. on Monday, 5 August 2019

Latest date for posting of remittances to Independent Shareholders for the amounts due in respect of valid acceptances received under the Share Offer on the Offer Closing Date ⁽³⁾ Wednesday, 14 August 2019

Notes:

1. The Share Offer, which are unconditional in all respects, are made on Monday, 15 July 2019, being the date of posting of this Composite Document, and are capable of acceptance on and from that date until the Offer Closing Date. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Share Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Share Offer is 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019 unless the Offeror revises or extends the Share Offer in accordance with the Takeovers Code. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Monday, 5 August 2019 stating whether the Share Offer have been extended or revised or has expired. In the event that the Offeror decides to extend the Share Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Share Offer is closed to those Independent Shareholders who have not yet accepted the Share Offer. There is no obligation to extend the Share Offer.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

3. Remittances in respect of the cash consideration payable for the Consolidated Offer Shares (after deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates) in respect of which the Share Offer are accepted will be made to the Independent Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt of a duly completed acceptance in accordance with the Takeovers Code, this Composite Document and the accompanying Form of Acceptance.

Effect of bad weather on the latest time for acceptance of the Share Offer and/or the latest date for posting of remittances

If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer and/or the posting of any remittances for amounts due under the Share Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Share Offer will remain at 4:00 p.m. (Hong Kong time) on the same day and/or the posting of such remittance will remain on the same day; or
- (b) in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Share Offer and/or the posting of any remittances for amounts due under the Share Offer in respect of valid acceptances (as the case may be), the latest time for acceptance of the Share Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day and/or the posting of such remittance will be rescheduled to the following Business Day.

IMPORTANT NOTICE

NOTICE TO OVERSEAS SHAREHOLDERS

The Offeror intends to make the Share Offer available to all Shareholders (other than the parties acting in concert with the Offeror), including those with registered addresses outside Hong Kong. However, the availability of the Share Offer to any persons who are not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Any Shareholders who are not resident in Hong Kong and who wish to accept the Share Offer should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of the Shareholders who are not resident in Hong Kong who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from the Shareholders in respect of such jurisdictions) and, where necessary, consult their own professional advisers. Acceptance of The Share Offer by any overseas Shareholder will constitute a warranty by such person that such person (i) is permitted under all applicable laws to receive and accept the Share Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due from the Shareholders in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders are recommended to seek professional advice on whether to accept the Share Offer.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions 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 context otherwise specifies
“Board”	the board of Director(s)
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Capital Reduction”	the 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, which took place on 3 July 2019
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 21 May 2019 in relation to the Xin Hua Subscription, the Noble Subscription and the corresponding specific mandates
“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
“Completion”	completion of the Subscriptions which was taken place on 8 July 2019
“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 Share Offer to be despatched to the Shareholders in accordance with the Takeovers Code
“Concert Group”	Xin Hua, Noble and parties acting in concert to any of them
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Consolidated Offer Share(s)”	the Consolidated Share(s) which are subject to the Share Offer
“Consolidated Share Option(s)”	the share option(s) to subscribe for Consolidated Share(s) under the Share Option Scheme, all of which expired on 14 July 2019
“Consolidated Share(s)”	share(s) of HK\$0.20 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 Consolidated Shares already owned or agreed to be acquired by Xin Hua, Noble and parties acting in concert with them (including the Subscription Shares which are 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

DEFINITIONS

“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 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
“Form of Acceptance”	the form of acceptance and transfer of the Offer Shares in respect of the Share Offer accompanying this Composite Document
“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 engages in, inter alia, 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Financial Adviser”	VBG Capital Limited, being the independent financial adviser appointed by the Board to advise the Independent Shareholders in respect of the Share Offer, in particular, as to whether the Share Offer are fair and reasonable and as to the acceptance of the Share Offer
“Independent Shareholders”	the Shareholders other than the Subscribers and their respective associates (as defined under the Listing Rules) and concert parties (as defined under the Takeovers Code)
“Joint Announcement”	the announcement dated 16 April 2019 jointly issued by the Company and the Offeror in relation to, among others, the Xin Hua Subscription, the Noble Subscription and the Offers
“Last Trading Day”	13 February 2019, being the last trading day of the Shares immediately prior to the entering into of the First Subscription Agreement
“Latest Practicable Date”	12 July 2019, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained herein
“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, the Second HK\$5M Loan Agreement, 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
“Mr. Chen”	Mr. Chen Yaxin (陳亞新), a shareholder of Daqing Xinhua and a director of Xin Hua
“Mr. Cheung”	Mr. Cheung Wai Keung (張偉強), a Shareholder holding approximately 0.56% of the issued share capital of the Company as at the Latest Practicable Date
“Mr. So”	Mr. So Kuen Kwok (蘇權國), a Shareholder holding approximately 2.66% of the issued share capital of the Company as at the Latest Practicable Date

DEFINITIONS

“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, a director of Xin Hua and a proposed new Director of the Company
“Ms. Fan”	Ms. Fan Amy Lizhen (樊麗真), the beneficial owner of Noble, and an executive Director of the Company during the period from 20 October 2016 to 28 June 2019
“New Share(s)”	the ordinary shares of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reduction and Share Subdivision became effective
“Noble”	Noble Pioneer Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly owned by Ms. Fan
“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 subscribed for by Noble pursuant to the Second Subscription Agreement
“NPCC”	NPCC (Hong Kong) Limited 北方石油有限公司
“Offer Closing Date”	5 August 2019, the closing date of the Share Offer, which is the 21st calendar day after the date of the posting of this Composite Document, or if the Share Offer are extended, any subsequent closing date(s) of the Share Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Offer Period”	has the meaning given to it under the Takeovers Code, which, in respect of the Share Offer, means the period from the date of the Joint Announcement until the Offer Closing Date
“Offer Price”	HK\$0.844 per Consolidated Offer Share
“Offers”	collectively, the Share Offer and the Option Offer
“Option Offer”	the mandatory unconditional cash offer previously planned to be made by Forwin on behalf of Xin Hua to cancel all outstanding Consolidated Share Options

DEFINITIONS

“Petition”	the petition presented by Burberlon Vantage Capital Limited 巴比倫資本有限公司, a former creditor of the Company, 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
“PRC” or “China”	the People’s Republic of China
“Registrar”	Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the branch share registrar of the Company in Hong Kong for receiving and processing acceptances of the Share Offer in respect of the Offer Shares which are listed on the Stock Exchange
“Relevant Period”	the period commencing on 16 October 2018, being the date falling six months preceding the date of the Joint Announcement, and ending on and inclusive of the Latest Practicable Date
“Requisition”	a requisition issued by Mr. So dated 3 September 2018 requesting the Directors to convene a special general meeting 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 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 of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company prior to Share Subdivision and Capital Reduction
“Share Consolidation”	the consolidation of every 20 issued and unissued New Shares into one Consolidated Share of nominal value of HK\$0.20 each in the share capital of the Company which took place on 10 July 2019
“Share Offer”	the mandatory unconditional cash offer to be made by Forwin for and on behalf of Xin Hua to acquire all the Consolidated Offer Shares at the Offer Price
“Share Option Scheme”	the share option scheme adopted by the Company on 15 July 2009
“Share Subdivision”	the 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, which took place on 3 July 2019
“Shareholder(s)”	holder(s) of the Share(s) or New Share(s) or Consolidated Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Xin Hua and Noble
“Subscriptions”	collectively, the Xin Hua Subscription and the Noble Subscription
“Subscription Price”	HK\$0.02 per Subscription Share
“Subscription Shares”	the New Shares subscribed for under the Xin Hua Subscription and the Noble Subscription
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“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

DEFINITIONS

“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
“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 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 subscribed for by Xin Hua pursuant to the First Subscription Agreement (as amended and supplemented by the Supplemental Agreement)
“%”	per cent.

LETTER FROM FORWIN



15 July 2019

To the Independent Shareholders,

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
FORWIN SECURITIES GROUP LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE CONSOLIDATED SHARES OF
PEARL ORIENTAL OIL LIMITED
(OTHER THAN THE EXCLUDED SHARES)**

INTRODUCTION

Reference is made to (i) the Joint Announcement made jointly by the Company and the Offeror; and (ii) the Circular made by the Company, in relation to, among other things, the Subscription Agreements and the Share Offer.

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.

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 Capital Reduction and the Share Subdivision became effective on 3 July 2019.

LETTER FROM FORWIN

On 8 July 2019, the transactions pursuant to the Subscriptions were completed, following such, Xin Hua and Noble became Shareholders of the Company and interested in 7,300,000,000 New Shares and 1,700,000,000 New Shares, respectively. The Share Consolidation became effective on 10 July 2019.

Following Completion and Share Consolidation, and as at the Latest Practicable Date, the Concert Group is interested in 450,000,000 Consolidated Shares in aggregate, 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 365,000,000 Consolidated 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 Consolidated Shares and other securities of the Company (other than the Excluded Shares) under Rule 26.1 of the Takeovers Code. The Share Offer will be made to all Shareholders (excluding holders of the Excluded Shares).

This letter sets out, among other things, the principal terms of the Share Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Share Offer and procedures for acceptance of the Share Offer are set out in Appendix I to this Composite Document and accompanying Form of Acceptance.

THE SHARE OFFER

Forwin, for and on behalf of Xin Hua, makes the Share Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Consolidated Offer Share **HK\$0.844 in cash**
(equivalent to HK\$0.0422 in cash per Share prior to Share Consolidation)

The Offer Price of HK\$0.844 per Consolidated 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 will be extended to all Shareholders, and the value of the special benefit of HK\$0.444 per Consolidated Share has been appropriately reflected in the Consolidated Offer Share; and (iii) the aggregate number of Consolidated Shares held by Mr. Cheung and Mr. So.

The Consolidated 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, being the date of this Composite Document.

The Share Offer is unconditional in all respects. Acceptance of the Share Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Option Offer

As at the Latest Practicable Date, the Company has 3,744,500 outstanding Consolidated Share Options, the exercise of which in full will result in the issue of 3,744,500 new Consolidated Shares.

LETTER FROM FORWIN

As all the Consolidated Share Options expired on 14 July 2019, upon the date of this Composite Document, the Company does not have any outstanding Consolidated Share Options. Therefore, the Option Offer will not be made by the Offeror.

Comparisons of value

The Offer Price of HK\$0.844 per Consolidated Offer Share (equivalent to HK\$0.0422 per Share prior to the Share Consolidation) represents:

- (a) a discount of approximately 65.41% to the theoretical closing price of HK\$2.44 per Consolidated Share, based on the closing price of HK\$0.122 per Share prior to the Share Consolidation as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 64.24% to the average theoretical closing price of HK\$2.36 per Consolidated Share, based on the closing price of approximately HK\$0.118 per Share prior to the Share Consolidation 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 theoretical closing price of HK\$2.12 per Consolidated Share, based on the closing price of approximately HK\$0.106 per Share prior to the Share Consolidation for the last 10 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 56.94% to the average theoretical closing price of HK\$1.96 per Consolidated Share, based on the closing price of approximately HK\$0.098 per Share prior to the Share Consolidation for the last 30 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 32.48% to the closing price of HK\$1.25 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 0.71% to the audited consolidated net asset value of the Company of approximately HK\$0.85 per Consolidated Share as at 31 December 2018 (based on the audited consolidated equity attributable to owners of the Company and the number of issued Shares as at 31 December 2018).

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Consolidated Shares was HK\$2.84 per Consolidated Share as quoted on the Stock Exchange on 11 February 2019 (equivalent to HK\$0.142 per Share prior to the Share Consolidation) and the lowest closing price of the Consolidated Shares was HK\$1.01 per Consolidated Share as quoted on the Stock Exchange on 10 July 2019 (equivalent to HK\$0.0505 per Share prior to the Share Consolidation).

LETTER FROM FORWIN

Total consideration for the Share Offer

As at the Latest Practicable Date, there were 612,275,987 issued Consolidated Shares in total. As (i) Xin Hua and parties acting in concert with it (other than Noble) will in aggregate be interested in 365,000,000 Consolidated Shares; and (ii) the Share Offer would not be extended to any holder(s) of Excluded Shares, only 162,275,987 Consolidated Shares will be subject to the Share Offer. On the basis of the Offer Price of HK\$0.844 per Consolidated Offer Share, the Share Offer is valued at approximately HK\$136,960,933.

Confirmation of financial resources

The Offeror intends to finance and satisfy the consideration payable under the Share Offer with the Loan Facility. The Offeror has charged the Consolidated Shares legally and beneficially owned by it immediately following the completion of Xin Hua Subscription in favour of Forwin as security of the Loan Facility. The Offeror has no intention that the payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, the Loan Facility will depend to any significant extent on the business of the Group. The Loan Facility is secured by (i) charge over the Xin Hua Subscription Shares currently held by the Offeror after completion of the Xin Hua Subscription and (ii) charge over such number of Consolidated Offer Shares (not more than 162,275,987 Consolidated Offer Shares) that have been accepted by the Shareholders in connection with the Share Offer. Both share charges are in favour of Forwin.

Titan has been appointed as the financial adviser to the Offeror in respect of the Offers and 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 Share Offer.

Effect of accepting the Share Offer

Acceptance of the Share Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all Consolidated 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, which is the date of this composite document.

Acceptance of the Share Offer 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 Share Offer will be made as soon as possible and in any event within seven (7) Business Days of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title are received by or on behalf of the Offeror to render each such acceptance complete and valid.

LETTER FROM FORWIN

Stamp duty

Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the Consolidated 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 (where the stamp duty calculated includes a fraction of HK\$1.00, the stamp duty would be rounded up to the nearest HK\$1.00). 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 Consolidated Offer Shares.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Share Offer. 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 Share Offer accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Share Offer.

Overseas Shareholders

The Offeror intends to make available the Share Offer to all eligible Shareholders, including those who are resident outside Hong Kong, to the extent practicable. As the Share Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are residents, Shareholders 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 Share Offer, 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 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 should consult their professional advisers if in doubt.

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the relevant securities of the Company (as defined in the Takeovers Code) in issue comprise (i) 612,275,987 Consolidated Shares; and (ii) 3,744,500 outstanding Consolidated Share Options, the exercise of which in full will result in the issue of 3,744,500 new Consolidated 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 Consolidated Shares.

The table below sets out the shareholding structure of the Company following Subscriptions (i) as at the Latest Practicable Date, assuming no Consolidated Share Options are converted and no further Consolidated Shares are issued; (ii) as at the Latest Practicable Date, assuming exercise of all outstanding Consolidated Shares Options in full.

LETTER FROM FORWIN

	As at the Latest Practicable Date, assuming no Consolidated Share Options are converted and no further Shares are issued		As at the Latest Practicable Date, assuming exercise of all outstanding Consolidated Share Options in full	
	<i>Number of Consolidated Shares</i>		<i>Number of Consolidated Shares</i>	
	<i>Approximate %</i>		<i>Approximate %</i>	
Non-public Shareholders				
Pearl Oriental Sino Logistics Limited ⁽¹⁾	243,600	0.05%	243,600	0.05%
The Subscribers				
Xin Hua	365,000,000	59.61%	365,000,000	59.25%
Noble ⁽²⁾	85,000,000	13.88%	85,000,000	13.80%
Subtotal of the Concert Group	450,000,000	73.49%	450,000,000	73.05%
Public Shareholders				
Charcon Assets Limited ⁽³⁾	35,226,500	5.75%	35,226,500	5.72%
Mid-East Petroleum Group Ltd ⁽⁴⁾	20,000,000	3.26%	20,000,000	3.25%
Mr. So	16,260,550	2.66%	16,260,550	2.64%
Chung Keng	7,500,000	1.23%	7,500,000	1.22%
Mr. Cheung	3,442,950	0.56%	3,442,950	0.55%
Optionholders	–	–	3,744,500	0.60%
Other public Shareholders	79,602,387	13.00%	79,602,387	12.92%
Subtotal	162,032,387	26.46%	165,776,887	26.90%
Total number of issued Shares	612,275,987	100.00%	616,020,487	100.00%

Notes:

- 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 243,600 Consolidated Shares held by Pearl Oriental Sino Logistics Limited (which is a subsidiary of the Company) consist of part of these consideration Shares and 40,600 bonus Consolidated Shares which were issued to Pearl Oriental Sino Logistics Limited in May 2011.
- Ms. Fan, previously an executive Director during the period from 20 October 2016 to 28 June 2019, 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.
- Charcon Assets Limited is a company wholly owned by Mr. Wong Yuk Kwan.

LETTER FROM FORWIN

4. 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.

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.

Your attention is drawn to the financial information of the Group set out in Appendix II and the general information of the Company set out in Appendix III to this Composite Document.

INFORMATION ON THE OFFEROR

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 Latest Practicable Date, (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 Latest Practicable Date, 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.

LETTER FROM FORWIN

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.*), a company which is principally engaged in trading of fuel oil, asphalt and petroleum related products, from September 2011 to September 2018 and Ms. Chen was responsible for the sales and marketing of the fuel oil business.

Save as disclosed in this Composite Document, 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.

Prior to Completion, the Offeror and parties acting in concert with it did not own any convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) and were third parties independent of the Group and its connected persons.

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.

LETTER FROM FORWIN

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 (equivalent to HK\$0.444 per Consolidated Share) has been appropriately reflected in the Offer Price.

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.

LETTER FROM FORWIN

FUTURE INTENTION OF XIN HUA REGARDING THE GROUP

Following the close of the Share Offer, it is the current intention of the Offeror for the Group to continue the principal oil and gas businesses of the Group. As at the Latest Practicable Date, no definitive proposals, terms or timetable have been determined for any such possible future transaction or arrangement, and no agreements for any such possible future transactions or arrangements have been entered into and no discussions have been held. The Offeror has neither identified any investment or business opportunities nor entered into any related agreements, arrangements, understandings or negotiations relating to business or asset injections, and there is no plan on any injection or disposal of any assets or businesses into/of the Group as at the Latest Practicable Date. Save as aforesaid, the Offeror currently has no intention to make any substantial change to the existing business of the Group and the employment of the Group's employees (except for the proposed change to the composition of the Board as detailed in the section headed "Proposed change to Board composition of the Company" in this letter).

PROPOSED CHANGE TO BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board consisted of four Directors, comprising Ms. Liu Gui Feng, Mr. Cheung Kam Shing, Terry, Mr. Tang Yau Sing and Mr. Lin Qing Yu as executive Directors.

The Offeror intends to nominate three executive Directors to the Board, namely, Ms. Chen Junyan, Mr. Yu Jiyuan and Mr. Yun Guangrui with effect from 15 July 2019 following the despatch of this Composite Document.

Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

The biographies of the nominated new Directors are set out below:

Ms. Chen Junyan ("Ms. Chen") (formerly Chen Jingjing (陳晶晶))

Ms. Chen, aged 30, will be appointed as an executive Director. From March 2007 to January 2009, Ms. Chen finished her studies in Preschool Education (學前教育) and obtained Adult Higher Education (成人高等教育) Certificate of Graduation from 寧夏回族自治區廣播電視大學 (Ningxia Radio & TV University*). 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.*), a company which is principally engaged in trading of fuel oil, asphalt and petroleum related products, from September 2011 to September 2018 and Ms. Chen was responsible for the sales and marketing of the fuel oil business.

Mr. Yu Jiyuan (于濟源)

Mr. Yu Jiyuan, aged 26, the son of Mr. Yu, will be appointed as an executive Director. Mr. Yu Jiyuan obtained Bachelor of Science (Applied Mathematics & Statistics, Economics) from State University of New York (Stony Brook) in December 2012 and a Master in Public Administration in International Development from Harvard University in May 2017. From October 2013 to August 2015, Mr. Yu Jiyuan was a consultant to the International Department (國際部) of 黑龍江龍油集團有限公司 (Heilongjiang

LETTER FROM FORWIN

Longyou Group Company Limited*) (“**Heilongjiang Longyou**”) where he assisted the development of the international sales and marketing strategies and liaison with overseas business partners. From June 2017 to October 2018, Mr. Yu Jiyuan became the head of International Department (國際部部長) of Heilongjiang Longyou and he was responsible for the entire branch of overseas business development. Since November 2018, Mr. Yu Jiyuan has been working as the general manager of Heilongjiang Longyou. Since November 2018, Mr. Yu Jiyuan has been working as the chairman of 天津冰利蓄冷科技有限公司 (Tianjin Binglixuleng Technology Co., Ltd.*). Since January 2018, Mr. Yu Jiyuan has been the chairman of 天津瀛德冷鏈技術有限公司 (Tianjin Yingde Coldchain Technology Co., Ltd*).

Mr. Yun Guangrui (負廣瑞) (“Mr. Yun”)

Mr. Yun Guangrui, aged 60, will be appointed as an executive Director. Mr. Yun obtained his bachelor degree in Industrial Engineering (工業管理工程) from China University of Mining and Technology (中國礦業大學) (formally known as China Institute of Mining and Technology (中國礦業學院) prior to 1988) in November 1987. Mr. Yun obtained his Master of Economics, major in Business Management (企業管理), from Liaoning University (遼寧大學) in July 1998. From January 2003 to March 2012, Mr. Yun was the chief accountant (總會計師) and assistant general manager of the Dalian sales branch office of 中國石油天然氣股份有限公司 (PetroChina Company Limited*) (“PetroChina”). From March 2012 to February 2019, Mr. Yun was the Secretary of Party Committee (Deputy Department Level) (黨委書記(副局級)), assistant general manager, Secretary of the Discipline Committee (紀委書記) and the Chairman of the Union (工會主席) of 大連海運分公司 (Dalian Shipping Logistics Co., Ltd*) of PetroChina. Mr. Yun obtained the qualification as a senior accountant from the Review Committee (評審委員會) of 中國石油天然氣集團公司 (China National Petroleum Corporation) in April 2004.

In order to comply with the board composition requirement under the Listing Rules upon the resignations of all the existing Directors, the Offeror intends to further appoint four new independent non-executive Directors or such number of new independent non-executive Directors which shall represent no less than one-third of the Board at the relevant time in compliance with the Company’s bye-laws, the Takeovers Code and the Listing Rules with effect from a date which is no earlier than such date as permitted under the Takeovers Code. Save as disclosed above, as at the Latest Practicable Date, the Offeror has not decided on the further composition of the Board and the timing of such appointment. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

Further announcement(s) will be made by the Company in compliance with the requirements of the Listing Rules as and when there are changes in the composition of the Board.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Consolidated Shares on the Stock Exchange after the close of the Share Offer.

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Consolidated Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Consolidated Shares; or

LETTER FROM FORWIN

(b) there are insufficient Consolidated Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Consolidated Shares. The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Consolidated Shares.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Consolidated Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to in the case of the Independent Shareholders to the addresses stated in the Form of Acceptance. None of the Offeror and parties acting in concert with it, the Company, Forwin, Titan, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or professional advisers or any other party involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Composite Document and the accompanying Form of Acceptance which form part of this Composite Document. You are reminded to read carefully the “Letter from the Board”, the “Letter from the Independent Financial Adviser” and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

Yours faithfully,
For and on behalf of
Forwin Securities Group Limited
Leung Hoi Yuen, Arthur
Director

LETTER FROM THE BOARD



東方明珠石油有限公司*

Pearl Oriental Oil Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 632)

Executive Directors:

Ms. Liu Gui Feng (*Chairlady*)
Mr. Cheung Kam Shing, Terry
Mr. Tang Yau Sing
Mr. Lin Qing Yu

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Suites 1905-07, 19th Floor
Tower 6, The Gateway
Harbour City
Kowloon
Hong Kong

15 July 2019

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
FORWIN SECURITIES GROUP LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE CONSOLIDATED SHARES OF
PEARL ORIENTAL OIL LIMITED
(OTHER THAN THE EXCLUDED SHARES)**

INTRODUCTION

Reference is made to (i) the Joint Announcement made jointly by the Company and the Offeror; and (ii) the Circular made by the Company, in relation to, among other things, the Subscription Agreements and the Offers.

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.

* *For identification purpose only*

LETTER FROM THE BOARD

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.

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 Capital Reduction and the Share Subdivision became effective on 3 July 2019.

On 8 July 2019, the Xin Hua Subscription and the Noble Subscription were completed, following such, Xin Hua and Noble became Shareholders of the Company and interested in 7,300,000,000 New Shares and 1,700,000,000 New Shares respectively. The Share Consolidation became effective on 10 July 2019.

Following Completion and Share Consolidation, and as at the Latest Practicable Date, the Concert Group is interested in 450,000,000 Consolidated Shares in aggregate, 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 365,000,000 Consolidated 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 Consolidated Shares and other securities of the Company (other than the Excluded Shares) under Rule 26.1 of the Takeovers Code.

INDEPENDENT FINANCIAL ADVISER

As disclosed in the announcement of the Company dated 28 June 2019, all independent non-executive Directors have retired upon conclusion of the annual general meeting held on 28 June 2019. As currently there is no non-executive Director in the Company, it is therefore not possible for the Company to form an independent committee to advise the Independent Shareholders as to whether the Share Offer are fair and reasonable and as to the acceptance of the Share Offer.

Accordingly, pursuant to Rule 2.8 of the Takeovers Code, the independent financial adviser appointed by the Board, VBG Capital Limited, shall be primarily responsible for advising the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer.

THE SHARE OFFER

Forwin, for and on behalf of Xin Hua, makes the Share Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Consolidated Offer Share **HK\$0.844 in cash**
(equivalent to HK\$0.0422 in cash per Share prior to Share Consolidation)

LETTER FROM THE BOARD

The Offer Price of HK\$0.844 per Consolidated 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 Consolidated 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, being the date of this Composite Document.

The Share Offer is unconditional in all respects. Acceptance of the Share Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

The Option Offer

As at the Latest Practicable Date, the Company has 3,744,500 outstanding Consolidated Share Option, the exercise of which in full will result in the issue of 3,744,500 new Consolidated Shares.

As all the Consolidated Share Options expired on 14 July 2019, upon the date of this Composite Document, the Company does not have any outstanding Consolidated Share Options. Therefore, the Option Offer will not be made by the Offeror.

FURTHER INFORMATION ON THE SHARE OFFER

Please refer to the “Letter from Forwin” contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance for further information in relation to the Share Offer, the making of the Share Offer to the overseas Shareholders, taxation and acceptance and settlement procedures of the Share Offer.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of audited financial information of the Group for the three financial years ended 31 December 2016, 2017 and 2018 as extracted from the Company's annual reports for the years ended 31 December 2016, 2017 and 2018:

	Year ended 31 Dec 2018	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	74,036	35,594	518
(Loss)/Profit before tax	(59,562)	(447,259)	183,535
(Loss)/Profit after tax attributable to owners of the Company	(58,415)	(351,633)	132,075
	As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Total assets	319,015	307,748	698,559
Total liabilities	<u>(180,738)</u>	<u>(110,769)</u>	<u>(171,484)</u>
Net assets	<u>138,277</u>	<u>196,979</u>	<u>527,075</u>

EFFECT ON SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the relevant securities of the Company (as defined in the Takeovers Code) in issue comprise (i) 612,275,987 Consolidated Shares; and (ii) 3,744,500 outstanding Consolidated Share Options, the exercise of which in full will result in the issue of 3,744,500 new Consolidated 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 Consolidated Shares. All the Consolidated Share Options expired on 14 July 2019.

The table below sets out the effect of the Subscriptions on the shareholding structure of the Company (i) as at the Latest Practicable Date, assuming no Consolidated Share Options are converted and no further Consolidated Shares are issued; (ii) as at the Latest Practicable Date, assuming exercise of all outstanding Consolidated Shares Options in full.

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	As at the Latest Practicable Date, assuming no Consolidated Share Options are converted and no further Shares are issued		As at the Latest Practicable Date, assuming exercise of all outstanding Consolidated Share Options in full	
	<i>Number of Consolidated Shares</i>		<i>Number of Consolidated Shares</i>	
	<i>Approximate %</i>		<i>Approximate %</i>	
Non-public Shareholders				
Pearl Oriental Sino Logistics Limited ⁽¹⁾	243,600	0.05%	243,600	0.05%
The Subscribers				
Xin Hua	365,000,000	59.61%	365,000,000	59.25%
Noble ⁽²⁾	85,000,000	13.88%	85,000,000	13.80%
Subtotal of the Concert Group	450,000,000	73.49%	450,000,000	73.05%
Public Shareholders				
Charcon Assets Limited ⁽³⁾	35,226,500	5.75%	35,226,500	5.72%
Mid-East Petroleum Group Ltd ⁽⁴⁾	20,000,000	3.26%	20,000,000	3.25%
Mr. So	16,260,550	2.66%	16,260,550	2.64%
Chung Keng	7,500,000	1.23%	7,500,000	1.22%
Mr. Cheung	3,442,950	0.56%	3,442,950	0.55%
Optionholders	–	–	3,744,500	0.60%
Other public Shareholders	79,602,387	13.00%	79,602,387	12.92%
Subtotal	162,032,387	26.46%	165,776,887	26.90%
Total number of issued Shares	612,275,987	100.00%	616,020,487	100.00%

Notes:

- 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 243,600 Consolidated Shares held by Pearl Oriental Sino Logistics Limited (which is a subsidiary of the Company) consist of part of these consideration Shares and 40,600 bonus Consolidated Shares which were issued to Pearl Oriental Sino Logistics Limited in May 2011.
- Ms. Fan, previously an executive Director during the period from 20 October 2016 to 28 June 2019, 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.
- Charcon Assets Limited is a company wholly owned by Mr. Wong Yuk Kwan.

LETTER FROM THE BOARD

4. 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.

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.

Your attention is drawn to the financial information of the Group set out in Appendix II and the general information of the Company set out in Appendix III to this Composite Document.

INFORMATION ON THE OFFEROR

Please refer to the section headed “Information on the Offeror” in the “Letter from Forwin” contained in this Composite Document for the details in relation to the Offeror.

FUTURE INTENTIONS OF XIN HUA REGARDING THE GROUP

As set out in the “Letter from Forwin” contained in this Composite Document, 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 Latest Practicable Date, 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 Latest Practicable Date. 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 Board is aware of the intentions of the Offeror in respect of the Group, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole. The Board is pleased to learn that the Offeror intends to continue the existing businesses of the Group and that the Offeror has no intention to discontinue the employment of any employees of the Group (except for the proposed change to the composition of the Board as detailed in the section headed “Proposed change to Board composition of the Company” in the “Letter from Forwin” contained in this Composite Document).

Your attention is drawn to the section headed “Future intention of Xin Hua regarding the Group” in the “Letter from Forwin” contained in this Composite Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Consolidated Shares, are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Consolidated Shares; or

LETTER FROM THE BOARD

(b) there are insufficient Consolidated Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Consolidated Shares. The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board of the Company have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists for the Consolidated Shares.

RECOMMENDATION

Independent Shareholders are advised to read the “Letter from the Independent Financial Adviser” set out on pages 28 to 46 of this Composite Document before deciding on the actions to be taken on the Share Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Forwin” and the additional information contained in the appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of the Board
Pearl Oriental Oil Limited
Liu Gui Feng
Chairlady and Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Shareholders in respect of the Share Offer for the purpose of inclusion in the Composite Document.



18/F., Prosperity Tower
39 Queen's Road Central
Hong Kong

15 July 2019

To: The independent shareholders of Pearl Oriental Oil Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
FORWIN SECURITIES GROUP LIMITED
FOR AND ON BEHALF OF XIN HUA PETROLEUM (HONG KONG) LIMITED
TO ACQUIRE ALL THE ISSUED CONSOLIDATED SHARES
(OTHER THAN THE EXCLUDED SHARES) OF
PEARL ORIENTAL OIL LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Shareholders in respect of the Share Offer, details of which are set out in the Composite Document dated 15 July 2019 jointly issued by the Company and the Offeror to the Shareholders, of which this letter of advice forms part. Terms used in this letter of advice shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 13 February 2019, the Company, Xin Hua and Noble entered into the First Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and each of Xin Hua and Noble has 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 the Subscription 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.

On 3 April 2019, 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 the Subscription Price of HK\$0.02 per Subscription Share. The aggregate consideration for the Noble Subscription Shares amounts to HK\$34 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion has taken place on 8 July 2019, following such, Xin Hua and Noble became Shareholders holding 7,300,000,000 New Shares and 1,700,000,000 New Shares respectively.

To facilitate the Subscriptions, the Company also carried out a capital reorganisation consisting of, amongst others, the Share Consolidation under which every 20 issued and unissued New Shares are consolidated into one Consolidated Share of nominal value of HK\$0.20 each in the share capital of the Company. The Share Consolidation has become effective on 10 July 2019.

After the Share Consolidation, the Concert Group is interested in 450,000,000 Consolidated Shares in aggregate, 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) are interested in 365,000,000 Consolidated Shares in aggregate, representing approximately 59.61% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. As such, Xin Hua is required to make a mandatory unconditional cash offer to the Shareholders for all the issued Consolidated Shares and other securities of the Company (other than the Excluded Shares) under Rule 26.1 of the Takeovers Code. The Share Offer will be made to all Shareholders (excluding holders of the Excluded Shares).

As disclosed in the announcement of the Company dated 28 June 2019, all independent non-executive Directors have retired upon conclusion of the annual general meeting of the Company held on 28 June 2019. As at the Latest Practicable Date, there was no non-executive Director, it is therefore not possible for the Company to form an independent committee to advise the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. Accordingly, pursuant to Rule 2.8 of the Takeovers Code, we, VBG Capital Limited, as the Independent Financial Adviser shall be primarily responsible for advising the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer, and our opinion herein is solely for such purpose.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in connection with the Subscriptions and the Share Offer, we confirm that we did not have any significant connection, business, financial or otherwise, with the Company and/or the Offeror or the controlling shareholders of either of them within two years prior to the commencement of the Offer Period, of a kind reasonably likely to create, or create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders of the Company or any of their associates, the Offeror or their respective parties acting in concert. We consider ourselves independent to form our opinion in respect of the Share Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the management of the Group and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the management of the Group and the Offeror (where applicable), for which they are solely and wholly

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, the Offeror and Noble (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror, their respective advisers and/or management (where applicable), which have been provided to us. Our opinion is based on the management of the Group's and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Share Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

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

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than any information relating to the Group, Noble and parties acting in concert with any of them, excluding the Offeror and Daqing Xinhua) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Group, Noble and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

The sole director of Daqing Xinhua, namely Mr. Wang Zhiming, accepts full responsibility for the accuracy of the information contained in the Composite Document (other than those in relation to the Group, Noble and parties acting in concert with any of them, excluding the Offeror and Daqing Xinhua), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group, Noble and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

The sole director of Noble, namely Ms. Fan, accepts full responsibility for the accuracy of the information contained in the Composite Document (other than those in relation to the Group, the Offeror and parties acting in concert with any of them, excluding Ms. Fan and Noble), and confirms, having made all reasonable enquires, that to the best of her knowledge, opinions expressed in the Composite Document (other than those expressed by the Group, the Offeror and parties acting in concert with any of them) have

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs of the Company, the Offeror, Noble or their respective subsidiaries or associates or parties acting in concert (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Offer. The Company has been separately advised by its own professional advisers with respect to the Share Offer and the preparation of the Composite Document (other than this letter of advice).

We have assumed that the Share Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Share Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Share Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we did not conduct any independent investigation into the accuracy and completeness of such information.

As at the Latest Practicable Date, we had not identified any reason to doubt the truth and accuracy of the information provided by the Company. Should there be any material changes to the information affecting our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in compliance with Rule 9.1 of the Takeovers Code.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Terms of the Share Offer

Forwin is, for and on behalf of the Offeror and in compliance with the Takeovers Code, making the Share Offer to acquire all the issued Consolidated Shares (other than the Excluded Shares) on the following basis:

For each Consolidated Offer Share held HK\$0.844 in cash
*(equivalent to HK\$0.0422 in cash
per Share prior to the Share Consolidation)*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer Price of HK\$0.844 per Consolidated Offer Share was determined with 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 will be extended to all Shareholders, and the value of the special benefit of HK\$0.444 per Consolidated Share has been appropriately reflected in the Consolidated Offer Share; and (iii) the aggregate number of Consolidated Shares held by Mr. Cheung and Mr. So.

As confirmed by the Directors, as at the Latest Practicable Date, the Company had 612,275,987 Consolidated Shares in issue (which will be the subject of the Share Offer).

The Share Offer is unconditional in all respects. Acceptance of the Share Offer will be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

As all the Consolidated Share Options expired on 14 July 2019, upon the date of the Composite Document, the Company does not have any outstanding Consolidated Share Options. Therefore, the Option Offer is not made by the Offeror.

(2) Historical financial and business performance of the Group

Business overview of the Group

Set out below are the audited consolidated financial results of the Group for the five years ended 31 December 2018, 2017, 2016, 2015 & 2014 as extracted from the Company's annual reports for the year ended 31 December 2018 (the "2018 Annual Report"), the year ended 31 December 2017, the year ended 31 December 2016, the year ended 31 December 2015 and the year ended 31 December 2014, respectively:

	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2017 HK\$'000	For the year ended 31 December 2016 HK\$'000	For the year ended 31 December 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Turnover	74,036	35,594	518	889	97,367
– Sales of oil and natural gas	191	395	518	889	2,729
– Trading of oil-related products	73,845	35,199	Not applicable	Not applicable	Not applicable
– Sales of plastic recycling materials	Not applicable	Not applicable	Not applicable	Nil	94,638
(Loss)/Profit for the year	(58,702)	(351,669)	134,316	(1,486,200)	(123,981)

As depicted by the above table, the Group's performance has been highly unsatisfactory over the past few years. The Group was principally engaged in the sales of oil and natural gas and the sales of plastic recycling materials until the year ended 31 December 2016 when it terminated the sales of plastic recycling materials due to persistent downturn. The sales of oil and natural gas was the only principal business of the Group in 2016. The Group owned the entire interest of an oil and

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gas field, being the Utah Oil and Gas Field, which is located in Uinta Basin of Utah, the United States with an area of approximately 3,692 acres. Based on the information provided by the Company, the historical oil and natural gas sales of the Utah Oil and Gas Field are as follows:

	2018	2017	2016	2015	2014	2013	2012	2011
Oil sale (<i>barrels</i>)	873	1,400	1,400	2,149	3,900	5,900	7,700	-
Natural gas sale (<i>cubic feet</i>)	3,371,000	8,411,000	8,411,000	13,774,000	12,847,000	31,500,000	89,000,000	250,000

As advised by the Directors, due to the lack of capital on the Utah Oil and Gas Field, the production rate of the Utah Oil and Gas Field has been extremely low. Its oil sale dropped significantly by approximately 88.7% from approximately 7,700 barrels in 2012 to approximately 873 barrels in 2018. Its natural gas sale also dropped significantly by approximately 96.2% from the peak of approximately 89.0 million cubic feet in 2012 to approximately 3.4 million cubic feet in 2018. As a result of the aforesaid drop in oil and natural gas sales, coupled with the concurrent sharp decrease in crude oil price (for details, please refer to the section headed “Overview of the international crude oil and natural gas market” of this letter of advice), the Group’s revenue from the sales of oil and natural gas shrank drastically from approximately HK\$2.7 million for the year ended 31 December 2014 to approximately HK\$191,000 for the year ended 31 December 2018.

For the year ended 31 December 2017, the Group started the trading of oil-related products to extend its business to downstream of the production chain. Contributed by this new business, the Group’s total revenue increased tremendously to approximately HK\$35.6 million during the same year under review as compared to approximately HK\$518,000 of the prior year. For the year ended 31 December 2018, trading of oil-related products contributed almost the entire total revenue of the Group.

With regard to profitability, for the year ended 31 December 2015, the Group suffered from substantial net loss of approximately HK\$1,486.2 million mainly due to an impairment loss on fair value of oil and gas processing rights. The Group then recorded an accounting profit for the year ended 31 December 2016 due to the recovery of gas price as well as the reduced drilling and operating costs at the Utah Oil and Gas Field which led to a write back of the previously impaired value on the Utah Oil and Gas Field of approximately HK\$202.9 million. Owing to such accounting profit, the Group recorded net profit of approximately HK\$134.3 million for the year ended 31 December 2016. Nevertheless, an impairment loss on fair value of oil and gas processing rights of approximately HK\$344.5 million re-occurred for the year ended 31 December 2017 resulting in the Group’s overall net loss of approximately HK\$351.7 million in 2017. For the year ended 31 December 2018, the net loss of the Group amounted to approximately HK\$58.7 million, which according to the 2018 Annual Report was mainly due to the relatively low crude oil and gas prices and huge finance costs and legal and professional fees of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Liquidity position of the Group

Set out below is the Group's audited liquidity position as at 31 December 2018 as extracted from the 2018 Annual Report:

	As at 31 December 2018
	<i>HK\$'000</i>
Net current liabilities	121,466
Bank balances and cash	993

As depicted by the above table, the Group had net current liabilities of approximately HK\$121.5 million and minimal cash of approximately HK\$993,000 as at 31 December 2018. With regard to cash flow, for the two years ended 31 December 2017 and 2018, the Group recorded a net cash outflow from operating activities of approximately HK\$21.2 million and HK\$30.3 million, respectively; and a net cash outflow of approximately HK\$232,000 and HK\$3.5 million, respectively.

Gearing position of the Group

Set out below is the Group's audited gearing position as at 31 December 2018 as extracted from the 2018 Annual Report:

	As at 31 December 2018
	<i>HK\$'000</i>
Unsecured loans repayable in one year	102,093

According to the Directors, the total outstanding borrowings of the Group further increased to approximately HK\$117.3 million as at 30 April 2019, all of which are unsecured and short term. Owing to the Company's difficulties in securing long term financing, the Directors advised us that the Company has no choice but to use new short term loans with relatively high interest rates (ranging from 8% to 20% per annum during the past two years) to maintain the Group's liquidity and finance its debt repayment obligations. The interest expenses and finance costs arising from such short term borrowings have placed heavy financial burden on the Group.

On 4 March 2019, the Company announced that it received a statutory demand dated 4 March 2019 from its former legal adviser demanding the Company to repay outstanding legal fees and disbursements amounting to approximately HK\$1.8 million (the "**Amount**") within three weeks. If the Company does not repay such amount within three weeks, it may be presented with a winding up petition. The Directors confirmed that the Company made partial repayment of HK\$282,100 in early April 2019 and entered into an agreement with its former legal adviser regarding the repayment schedule of the remaining Amount. No further action had been taken by its former legal adviser as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given (i) the highly unsatisfactory financial performance of the Group over the past few years notwithstanding the positive revenue from the trading of oil-related products; (ii) the extremely acute liquidity position of the Group and the pressing funding need of the Company to fulfil its debt repayment obligations in the very short term; (iii) the Company's inability to secure long term financing; and (iv) the heavy financial burden arising from the existing high interest borrowings obtained by the Company, it is certainly that the Group is in serious financial distress and it is doubtful as to the Group's ability to continue as a going concern.

The negative publicity surrounding the Company

Upon our enquiry with the Directors, we understand that the negative publicity surrounding the Company in recent years has disrupted the Group's operation, not to mention that its development has also been hindered as many financiers, lenders and potential investors expressed concern over the Group.

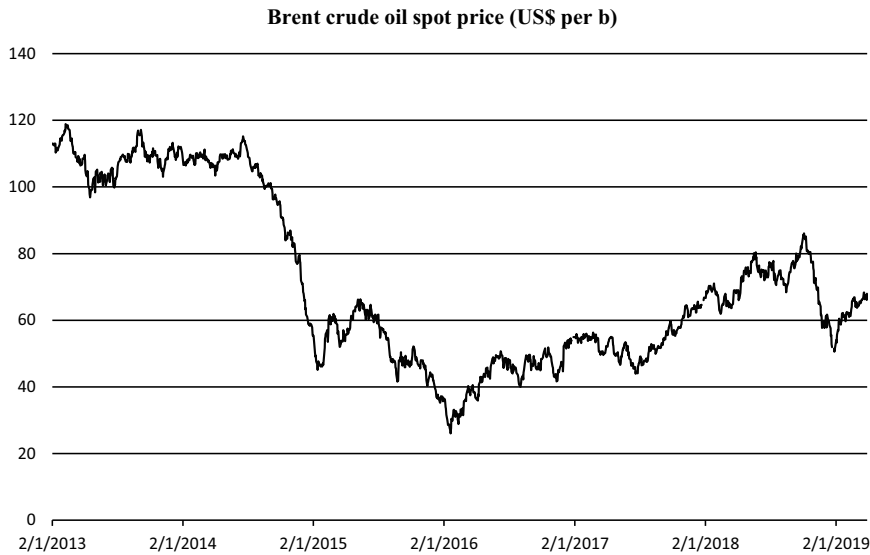
In this relation, based on our independent research, we notice that the Company and/or some former Director(s) (i) were criticised by the Stock Exchange for breaching certain disclosure obligations under the Listing Rules in June 2013; and (ii) was involved in certain criminal charges, proceedings and investigations (details of which are set out in the Company's announcements dated 29 January 2013, 28 March 2013, 28 October 2013, 19 November 2013 and 20 December 2013) and disciplinary proceedings brought by the SFC regarding the avoidance of the obligations under the Takeovers Code to make a general offer for the Shares. Moreover, according to the SFC's press release dated 24 May 2011, due to failing to disclose material information to the Shareholders, the High Court of Hong Kong ordered that certain former Directors be disqualified from being a director of or being involved in the management of any corporation, without the leave of court, for one year. According to the SFC's press release dated 25 January 2018, due to defalcation, misfeasance and other misconduct towards the Company, the High Court of Hong Kong also ordered that a former Director be disqualified from being a director of or being involved in the management of any corporation, without the leave of court, for six years.

On top of the aforesaid, there were other dispute issues between the Company and its shareholder(s) and the Group had certain pending litigation cases as at the Latest Practicable Date. For details of those dispute issues and the Group's pending litigation cases, please refer to the announcements of the Company dated 29 August 2018, 3 September 2018, 28 September 2018, 22 October 2018, 30 October 2018, 5 November 2018, 16 November 2018, 21 November 2018, 27 November 2018, 29 November 2018, 30 November 2018, 9 May 2019, 18 June 2019 and 28 June 2019, its circulars dated 31 October 2018 and 7 December 2018, and the section headed "Litigation" in Appendix III to the Composite Document.

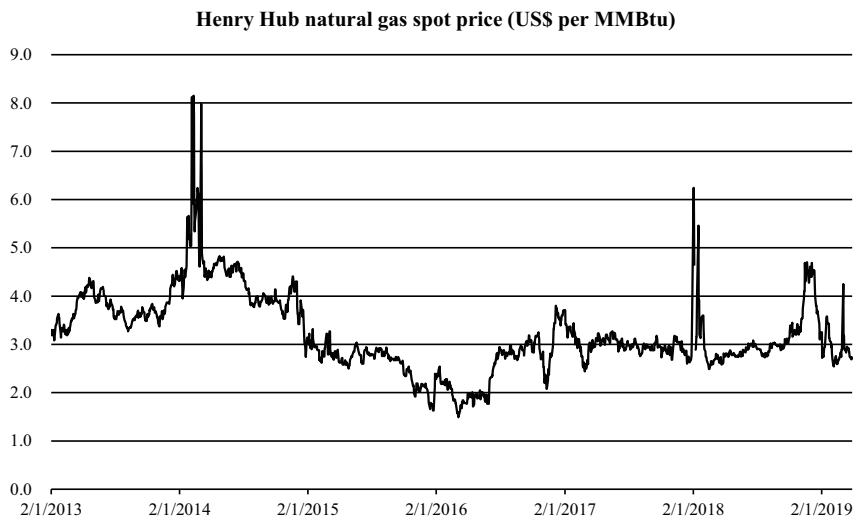
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Overview of the international crude oil and natural gas market

Set out below are the historical price charts of Brent crude oil and Henry Hub natural gas from 2013 to March 2019, respectively:



Source: U.S. Energy Information Administration (<https://www.eia.gov>)



Source: U.S. Energy Information Administration (<https://www.eia.gov>)

As noted from the above charts, the historical prices of Brent crude oil and Henry Hub natural gas have been fluctuating extensively and both of their prices have dropped considerably from the historical high.

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With reference to a report named “Short-term Energy Outlook” released by the U.S. Energy Information Administration (“EIA”) at <https://www.eia.gov> in May 2019, EIA forecasted that the Brent crude oil spot prices will average at approximately United States Dollars (US\$) 70 per barrel (b) in 2019 and approximately US\$67/b in 2020, compared to an average of approximately US\$71/b in 2018. EIA also forecasted that crude oil production in the Organisation of the Petroleum Exporting Countries (“OPEC”) will average at approximately 30.3 million barrels per day (b/d) in 2019, down by approximately 1.7 million b/d from 2018. In 2020, EIA believed OPEC’s crude oil production will continue to fall to an average of approximately 29.8 million b/d, resulting in an increasing supply disruption risk globally. It is expected that production in Venezuela and Iran will account for most of the OPEC output declines in 2019 and in 2020, but EIA expected that these declines will be partially offset by production increases from other OPEC members. On the other hand, global crude oil demand is likely to outpace supply in 2019 in accordance with EIA’s forecast. Nonetheless the global crude oil supply will rise by approximately 1.9 million b/d in 2020; whilst the global crude oil demand will rise only by approximately 1.5 million b/d in 2020.

As for natural gas, EIA expected that the strong growth in the United States natural gas production will put downward pressure on natural gas prices in 2019 and in 2020. EIA expected the Henry Hub natural gas spot prices will average at approximately US\$2.79 per million British Thermal Unit (MMBtu) in 2019, down by approximately 36 US cents/MMBtu from 2018. The forecasted 2020 average Henry Hub spot price will further drop to approximately \$2.78/MMBtu. EIA believed that natural gas production will average at approximately 90.3 billion cubic feet per day (Bcf/d) in 2019, up by approximately 6.9 Bcf/d from 2018. It is also the expectation of EIA that natural gas production will continue to grow in 2020 to an average of approximately 92.2 Bcf/d, leading to an expected decrease in natural gas price.

Taking into consideration the factors as mentioned above, we are of the opinion that there remains uncertainty in the prospects of the international crude oil and natural gas market, and in turn the future performance of the Group’s existing sales of oil and natural gas as well as its trading of oil-related businesses.

(4) Information on the Offeror

Set out below is the information on the Offeror as extracted from the “Letter from Forwin” of the Composite Document:

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 46.3% and 53.7% 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 ten 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.

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As at the Latest Practicable Date, (i) Daqing Xinhua was held as to 65% by Mr. Yu and 35% by Mr. Chen; (ii) Mr. Wang Zhiming (王志民) was the sole director of Daqing Xinhua; and (iii) the board of directors of Xin Hua comprised 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 ten 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, amongst 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 ten 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 was 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 Nationalisation Business Management Co. Ltd.*), a company which is principally engaged in trading of fuel oil, asphalt and petroleum related products, from September 2011 to September 2018 and Ms. Chen was responsible for the sales and marketing of the fuel oil business.

(5) Intentions of the Offeror in relation to the Group

As extracted from the “Letter from Forwin” of the Composite Document, following the close of the Share Offer, it is the current intention of the Offeror to continue the principal oil and gas businesses of the Group. As at the Latest Practicable Date, no definitive proposals, terms or timetable had been determined for any such possible future transaction or arrangement, and no agreements for any such possible future transactions or arrangements had been entered into and no discussions had been held. The Offeror had neither identified any investment or business opportunities nor entered into any related agreements,

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arrangements, understandings or negotiations relating to business or assets injections, and there was no plan on any injection or disposal of any assets or businesses into/of the Group as at the Latest Practicable Date. Save as aforesaid, the Offeror currently has no intention to make any substantial change to the existing business of the Group and the employment of the Group's employees (except for the proposed change to the composition of the Board as detailed in the section headed "Proposed change to Board composition of the Company" in the "Letter from Forwin").

It is noted from the above sections that the Offeror is principally engaged in the oil related business, and it is its current intention to continue the principal oil and gas businesses of the Group and appoint new Directors with oil and gas related experience. Given that there remains uncertainty in the prospects of the international crude oil and natural gas market, the Group's performance after the Offer Period may also be rather uncertain.

(6) The Offer Price

Offer Price comparison

The Offer Price of HK\$0.844 per Consolidated Offer Share represents:

- (a) a discount of approximately 32.48% to the closing price of HK\$1.250 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 65.41% to the theoretical closing price of HK\$2.440 per Consolidated Share (based on the closing price of HK\$0.122 per Share prior to the Share Consolidation) as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 60.15% to the average theoretical closing price of approximately HK\$2.118 per Consolidated Share (based on the average closing price of approximately HK\$0.106 per Share prior to the Share Consolidation) as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 56.78% to the average theoretical closing price of approximately HK\$1.953 per Consolidated Share (based on the average closing price of approximately HK\$0.098 per Share prior to the Share Consolidation) as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 57.00% to the average theoretical closing price of approximately HK\$1.963 per Consolidated Share (based on the average closing price of approximately HK\$0.098 per Share prior to the Share Consolidation) as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day; and

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- (f) a discount of approximately 54.67% to the average theoretical closing price of approximately HK\$1.862 per Consolidated Share (based on the average closing price of approximately HK\$0.093 per Share prior to the Share Consolidation) as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day.

Historical movement of the Closing Prices

Set out below is a chart showing the movement of the closing prices of, as the case may be, the Shares (after adjusted for the effect of the Share Consolidation, i.e. closing price of the Shares times 20)/New Shares (after adjusted for the effect of the Share Consolidation, i.e. closing price of the New Shares times 20)/Consolidated Shares on the Stock Exchange (altogether, the “**Closing Prices**”) within the period from 1 May 2018 up to the Latest Practicable Date (the “**Review Period**”), being approximate one-year period which represents a sufficient period of time to provide a general overview on the historical price performance of the Shares/New Shares/Consolidated Shares:



Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. Trading in the Shares was halted from 6 April 2018 to 2 May 2018 (both days inclusive) pending the release of an announcement pursuant to the Takeovers Code.
2. Trading in the Shares was halted from 13 August 2018 to 14 August 2018 (both days inclusive) pending the release of an announcement pursuant to the Takeovers Code.
3. Trading in the Shares was halted from 14 February 2019 to 16 April 2019 (both days inclusive) pending the release of the Joint Announcement.

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For the sake of illustration, we divide the entire Review Period into (i) the Pre-GO Announcement Period, i.e. (both days inclusive) from 1 May 2018 to the Last Trading Day; and (ii) the Post-GO Announcement Period, i.e. (both days inclusive) from 17 April 2019, being the first day on which trading in the Shares was resumed following the release of the Joint Announcement, to the Latest Practicable Date.

From the above chart, we noted that the Closing Price was at the peak of HK\$2.90 per Consolidated Share on 15 June 2018 but dropped consistently to the trough of HK\$1.30 per Consolidated Share on 7 August 2018. A few trading days after reaching the trough, the Closing Price increased abruptly to HK\$2.84 per Consolidated Share on 15 August 2018. Based on our discussion with the Directors, the Directors confirmed that they were not aware of any affirmative happening which might have led to such abrupt increase in the Closing Price, save and except for the publication of an announcement by the Company on 14 August 2018 regarding a possible conditional general offer. Shortly afterwards on 17 August 2018, the Closing Price dropped to below HK\$2.0 per Consolidated Share. On the remaining trading days during the Pre-GO Announcement Period, the Closing Price swung slightly and stayed at around HK\$2.0 per Consolidated Share until a sudden price surge took place again on 11 February 2019, two days before the Last Trading Day, when the Closing Price rose by approximately 43.4% to HK\$2.84 per Consolidated Share.

After the Share Offer was announced on 17 April 2019, the Closing Price fell gradually and stayed at below HK\$2.0 per Consolidated Share on most of the trading days throughout the Post-GO Announcement Period.

We are of the view that even though the Offer Price represents substantial discounts to the historical Closing Prices during the Review Period, there is no assurance that the market price will continue to maintain at a level higher than the Offer Price during and after the Offer Period taking into account the exceptionally poor fundamentals (such as net loss, net current liabilities and negative operating cash flow) of the Group, the negative publicity surrounding the Company and that the Group's future prospects and performance remain highly uncertain.

Historical trading liquidity of the Shares/New Shares/Consolidated Shares

The number of trading days, the average daily number of, as the case may be, the Shares (after adjusted for the effect of the Share Consolidation, i.e. number of Shares traded divided by 20)/New Shares (after adjusted for the effect of the Share Consolidation, i.e. number of New Shares traded divided by 20)/Consolidated Shares traded per month, and the percentages of, as the case may be, the Shares' (after adjusted for the effect of the Share Consolidation, i.e. number of Shares traded divided by 20)/New Shares' (after adjusted for the effect of the Share Consolidation i.e. number of Shares traded divided by 20)/Consolidated Shares' monthly trading volume as compared to the total number of, as the case may be, issued Shares (after adjusted from the effect of the Share Consolidation, i.e.

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total number of issued Shares divided by 20)/issued New Shares (after adjusted for the effect of the Share Consolidation, i.e. total number of issued New Shares divided by 20)/issued Consolidated Shares as at the relevant month end, during the Review Period are tabulated as below:

Month	Number of trading days in each month	Average daily trading volume (the "Average Volume")	% of the Average Volume to total number of issued Shares (after adjusted for the effect of the Share Consolidation)/New Shares (after adjusted for the effect of the Share Consolidation)/Consolidated Shares as at the relevant month end (the "Market Trading Percentage")
		<i>Number of Consolidated Shares</i>	<i>%</i>
2018			
May (<i>Note 1</i>)	20	247,887	0.15
June	20	93,960	0.06
July	21	46,938	0.03
August (<i>Note 2</i>)	21	1,789,291	1.10
September	19	756,600	0.47
October	21	183,764	0.11
November	22	171,178	0.11
December	19	142,288	0.09
2019			
January	22	48,879	0.03
February (<i>Note 3</i>)	6	1,152,625	0.71
March (<i>Note 3</i>)	0	N/A	N/A
April (<i>Note 3</i>)	8	2,162,367	1.33
May	21	188,698	0.12
June	19	330,121	0.20
1 July to the Latest Practicable Date	9	746,408	0.12

N/A = Not applicable

Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

- Trading in the Shares was halted from 6 April 2018 to 2 May 2018 (both days inclusive) pending the release of an announcement pursuant to the Takeovers Code.
- Trading in the Shares was halted from 13 August 2018 to 14 August 2018 (both days inclusive) pending the release of an announcement pursuant to the Takeovers Code.
- Trading in the Shares was halted from 14 February 2019 to 16 April 2019 (both days inclusive) pending the release of the Joint Announcement.

As depicted by the above table, trading in the Shares/New Shares/Consolidated Shares had been extremely thin (with the Market Trading Percentage generally below 1%) during the Review Period. Given that the Consolidated Shares are highly illiquid, disposal of large block of Consolidated Shares held by the Shareholders in the open market may trigger price slump of the Consolidated

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Shares. As such, Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Consolidated Shares at a price higher than the Offer Price, in particular when they are going to dispose of their entire holdings at a fixed cash price without disturbing the market price. Therefore, we anticipate that the Independent Shareholders may encounter difficulties in selling a significant number of Consolidated Shares in the open market within a short period of time if the same trading pattern of the Consolidated Shares persists during and shortly after the Offer Period. In such circumstance, we consider that the Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Consolidated Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Consolidated Shares are able to dispose of their Consolidated Shares in the open market and/or identify potential purchaser(s) to acquire their Consolidated Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Share Offer but selling their Consolidated Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Consolidated Shares would exceed the net amount receivable under the Share Offer.

Furthermore, those Independent Shareholders who, after reading through the 2018 Annual Report, the Circular and the Composite Document, are optimistic about the future business and financial performance of the Group after the Subscriptions and the Share Offer, may, having regard to their own circumstances, consider retaining all or any part of their Consolidated Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Consolidated Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Consolidated Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Consolidated Shares after the close of the Share Offer.

Comparison with peer companies

We have attempted to use the price multiples analysis, being a commonly adopted valuation method in the market, to further assess the fairness and reasonableness of the Offer Price. In this relation, we researched for Hong Kong listed companies which are (i) engaged in similar line of business as the Group, being the oil and gas business, and generate over 80% of their revenues from such business; and (ii) with market capitalisation of between HK\$500 million and HK\$1,500 million in view of that the market capitalisation of the Company was around HK\$800 million as at the Latest Practicable Date. There are six comparable listed companies which met our selection criteria (the “**Comparable Companies**”) and we consider those Comparable Companies to be fair, representative and exhaustive samples. Nevertheless, it should be noted that the operations and prospects of the Comparable Companies are not the same as the Company and we have not conducted any investigation into the businesses, operations and prospects of the Comparable Companies. Therefore, the following price multiples analysis is for reference only.

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The price multiples analysis normally includes the price to book ratio (“P/B”) and the price to earnings ratio. Nevertheless, as the Group has been loss making during the latest full financial year (i.e. 2018), only the P/B analysis is applicable in our assessment. The following table sets out (a) the P/Bs of the Comparable Companies based on their closing share price as at the Latest Practicable Date and their latest published financial information; and (b) the implied P/B of the Company based on the Offer Price and its latest published financial information:

Name of company	Stock code	P/B (times)
China Energy Development Holdings Limited	228	0.89
Yanchang Petroleum International Limited	346	0.70
Energy International Investments Holdings Limited	353	0.95
Strong Petrochemical Holdings Limited	852	0.52
MIE Holdings Corporation	1555	Not applicable
		(Note)
United Strength Power Holdings Limited	2337	4.11
	Maximum	4.11
	Minimum	0.52
	Mean	1.43
	Median	0.89
The Company	632	0.99

Source: the Stock Exchange website (www.hkex.com.hk)

Note: MIE Holdings Corporation recorded negative net asset value as at 31 December 2018.

From the above table, we noticed that the P/B of United Strength Power Holdings Limited (stock code: 2337) is much higher than the remaining Comparable Companies, hence this company may be considered as an outlier. With this being the case, the implied P/B of the Company (based on the Offer Price) of approximately 0.99 times is higher than the P/Bs of all the remaining Comparable Companies. For this reason, we are of the view that the Offer Price is fair and reasonable.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (a) given (i) the highly unsatisfactory performance of the Group over the past few years notwithstanding the positive revenue from the trading of oil-related products; (ii) the extremely acute liquidity position of the Group and the pressing funding need of the Company to fulfil its debt repayment obligations in the very short term; (iii) the Company’s inability to secure long term financing; and (iv) the heavy financial burden arising from the existing high interest borrowings obtained by the Company, it is certainly that the Group is in serious financial distress and it is doubtful as to the Group’s ability to continue as a going concern;

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- (b) taking into consideration the factors as mentioned in the section headed “Overview of the international crude oil and natural gas market” of this letter of advice, there remains uncertainty in the prospects of the international crude oil and natural gas market;
- (c) the Company has been surrounded by the negative publicity in recent years, which as represented by the Directors, has disrupted the Group’s operation and hindered its development as many financiers, lenders and potential investors expressed concern over the Group;
- (d) judging from factors (a) to (c) above, we are of the view that the Group’s future prospects and performance remain highly uncertain;
- (e) even though the Offer Price represents substantial discounts to the historical Closing Prices during the Review Period, there is no assurance that the market price will continue to maintain at a level higher than the Offer Price during and after the Offer Period taking into account the exceptionally poor fundamentals (such as net loss, net current liabilities and negative operating cash flow) of the Group, the negatively publicity surrounding the Group and that the Group’s future prospects and performance remain highly uncertain;
- (f) given that the Consolidated Shares are highly illiquid, disposal of large block of Consolidated Shares held by the Shareholders in the open market may trigger price slump of the Consolidated Shares. As such, Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Consolidated Shares at a price higher than the Offer Price, in particular when they are going to dispose of their entire holdings at a fixed cash price without disturbing the market price. Therefore, we anticipate that the Independent Shareholders may encounter difficulties in selling a significant number of Consolidated Shares in the open market within a short period of time if the same trading pattern of the Consolidated Shares persists during and shortly after the Offer Period. In such circumstance, we consider that the Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Consolidated Shares; and
- (g) for reference only, as set forth in the sub-section headed “Comparison with peer companies” of this letter of advice, the Offer Price is fair and reasonable based on market comparison,

we consider that the terms of the Share Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Share Offer.

However, Independent Shareholders should note that the recent closing prices of Consolidated Shares are at premium over the Offer Price. Thus, we would also like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Consolidated Shares during the Offer Period and consider selling their Consolidated Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.

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Independent Shareholders who believe that they will be unable to sell the Consolidated Shares in the open market at a price higher than the Offer Price because of their size of the shareholding may consider the Share Offer as a fall back exit route for their investments in the Consolidated Shares.

Those Independent Shareholders who decide to retain part or all of their investments in the Consolidated Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Consolidated Shares after the close of the Share Offer. Further terms and conditions of the Share Offer are set out in the “Letter from Forwin” of and Appendix I to the Composite Document.

Lastly, as different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Deputy Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 14 years of experience in corporate finance industry.

* *for identification purpose only*

1. PROCEDURES FOR ACCEPTANCE

To accept the Share Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Consolidated Shares is/are in your name, and you wish to accept the Share Offer in respect of your Consolidated Shares (whether in full or in part), you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), in respect of the number of Shares for which you intend to accept the Share Offer, to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "**Pearl Oriental Oil Limited – Share Offer**" on the envelope as soon as possible but in any event so as to reach the Registrar no later than 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Consolidated Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Consolidated Shares (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Consolidated Shares for which you intend to accept the Share Offer with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Shares for which you intend to accept the Share Offer to the Registrar in an envelope marked "**Pearl Oriental Oil Limited – Share Offer**"; or
 - (ii) arrange for the Consolidated Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Consolidated Shares for which you intend to accept the Share Offer to the Registrar in an envelope marked "**Pearl Oriental Oil Limited – Share Offer**"; or

- (iii) if your Consolidated Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf in respect of the number of Consolidated Shares for which you intend to accept the Share Offer on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Consolidated Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Consolidated Shares for registration in your name, and you wish to accept the Share Offer in respect of your Consolidated Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**Pearl Oriental Oil Limited – Share Offer**" to the Registrar together with the transfer receipt(s), if any, duly signed by yourself and/or other document(s) of title. Such action will constitute an irrevocable authority to the Offeror and/or Forwin and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Consolidated Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Consolidated Shares, the Form of Acceptance should nevertheless be completed, signed and delivered to the Registrar in an envelope marked, "**Pearl Oriental Oil Limited – Share Offer**" together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Consolidated Shares or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Consolidated Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Consolidated Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar. The Offeror shall have the absolute discretion to decide whether any Consolidated Shares in respect of which the Consolidated Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the number of Consolidated Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Consolidated Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Consolidated Shares; or
 - (ii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Consolidated Shares which are not taken into account under another subparagraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Consolidated Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher (rounded up to the nearest HK\$1.00), will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Consolidated Offer Shares.
- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Consolidated Shares will be given.

2. SETTLEMENT UNDER THE SHARE OFFER

Provided that a valid Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Consolidated Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date, or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Consolidated Offer Shares for which the Share Offer is accepted will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptance of the Share Offer and the relevant documents of title in respect of such acceptance are received by the Registrar to render each such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

Cheque(s) or banker's cashier order(s) not presented for payment within six months from the date of issue of the relevant cheque(s) or banker's cashier order(s) will not be honoured and be of no further effect, and in such circumstances cheque(s) or banker's cashier order(s) holders should contact the Offeror for payment.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Share Offer is made on Monday, 15 July 2019, being the date of despatch of this Composite Document, and are capable of acceptance on and from this date until 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date, stating the results of the Share Offer and whether the Share Offer has been extended or revised or has expired.
- (c) Unless the Share Offer has previously been extended or revised with the consent of the Executive, to be valid, the Form of Acceptance must be received by the Registrar, in accordance with the instructions printed thereon by 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date.

- (d) If, in the course of the Share Offer, the Offeror revises the terms of the Share Offer, all Independent Shareholders, whether or not they have already accepted the Share Offer, will be entitled to accept the revised Share Offer under the revised terms. Any revised Share Offer must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Offer Closing Date.
- (e) If the Share Offer are extended, any reference in this Composite Document and in the Form of Acceptance to the Offer Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent Offer Closing Date.
- (f) There is no obligation on the Offeror to extend the Share Offer.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Consolidated Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Consolidated Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer. Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Consolidated Offer Shares it has indicated in the Form of Acceptance is the aggregate number of Consolidated Offer Shares for which such nominee has received authorisations from the beneficial owners to accept the Share Offer on their behalf.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Share Offer. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. (Hong Kong time) on the Offer Closing Date stating the results of the Share Offer and whether the Share Offer have been revised, extended or have expired. The announcement will state the following:
 - (i) the total number of Consolidated Offer Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of Consolidated Shares and rights over Consolidated Shares, controlled or directed by the Offeror and its parties acting in concert before the Offer Period;
 - (iii) the total number of Consolidated Shares and rights over Consolidated Shares acquired or agreed to be acquired by the Offeror and its parties acting in concert; and

- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any of its parties acting in concert has borrowed or lent (save for any borrowed Shares which have been either on lent or sold).

The announcement will specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Consolidated Shares represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Monday, 5 August 2019, being the Offer Closing Date and the latest time and date for acceptance of the Share Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Share Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.
- (d) If the Offeror, its parties acting in concert or their respective advisers make any statements during the Offer Period about the level of acceptances of the number or percentages of accepting Shareholders, the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

6. RIGHT OF WITHDRAWAL

The Share Offer is unconditional in all respects. Acceptance of the Share Offer by the Independent Shareholders shall be irrevocable and cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Share Offer as described under the paragraph headed “Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met. In such case, when an Independent Shareholder withdraw his/her/its acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) of the Consolidated Shares, and/or transfer receipt(s) and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder(s) at his/her/its own risks. Save as aforesaid, acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn.

7. OVERSEAS SHAREHOLDERS

The making of the Share Offer to the overseas Shareholders may be affected by the laws of the relevant jurisdictions. The overseas Shareholders should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. The overseas Shareholders should obtain appropriate legal advice regarding the implications of the Share Offer in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the

obtaining of any governmental, or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The overseas Shareholders will also be fully responsible for the payment of any transfer or other taxes or other required payments and duties payable by the accepting overseas Shareholders in the relevant jurisdictions. Acceptance of the Share Offer by any overseas Shareholder will constitute a warranty by such person that such person (i) is permitted under all applicable laws to receive and accept the Share Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due from such Shareholder in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representations or warranties.

8. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Offer. It is emphasised that none of the Company, the Offeror and parties acting in concert with it, Forwin, the Independent Financial Adviser, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Share Offer is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, share certificate(s), transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Share Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and the parties acting in concert with it, Forwin, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates, the company secretary of the Company or other parties involved in the Share Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.
- (d) The Share Offer and all acceptances of them will be governed by and construed in accordance with the laws of Hong Kong. Execution of the relevant Form of Acceptance by or on behalf of an Independent Shareholder will constitute such Independent Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer.

- (e) Due execution of a Form of Acceptance will constitute an authority to the Offeror, Forwin, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the relevant Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Consolidated Shares in respect of which such person or persons has accepted such Share Offer.
- (f) Acceptance of the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Consolidated Shares are sold to the Offeror free from all encumbrances and together with all rights attached to them as at the date of the Joint Announcement or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (g) Reference to the Share Offer in this Composite Document and in the Form of Acceptance shall include any revision thereof.
- (h) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror and its parties acting in concert, the Company, Forwin, Independent Financial Adviser or the Registrar. The Independent Shareholders should consult their own professional advisers for professional advice.
- (i) Any Independent Shareholders accepting the Share Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (j) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer in Hong Kong and the operating rules of the Stock Exchange.
- (k) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for the year ended 31 December 2016, 2017 and 2018 as extracted from the Company's annual reports for the years ended 31 December 2016, 2017 and 2018 respectively.

	For the year ended 31 December		
	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	74,036	35,594	518
Cost of sales	<u>(75,781)</u>	<u>(36,754)</u>	<u>(1,144)</u>
Gross loss	(1,745)	(1,160)	(626)
Other income	220	1,702	7,681
Administrative expenses	(38,392)	(25,616)	(23,810)
(Impairment loss)/Reversal of impairment loss on intangible assets	–	(344,545)	202,905
Impairment loss on property, plant and equipment	–	(49,861)	–
Loss on disposal of subsidiaries	–	(21,585)	–
Finance costs	<u>(19,645)</u>	<u>(6,194)</u>	<u>(2,615)</u>
(Loss)/profit before tax	(59,562)	(447,259)	183,535
Income tax credit/(expense)	<u>860</u>	<u>95,590</u>	<u>(48,450)</u>
(Loss)/profit and total comprehensive loss for the year	(58,702)	(351,669)	135,085
Discontinued operation			
Loss for the year from discontinued operation	<u>–</u>	<u>–</u>	<u>(769)</u>
(Loss)/profit and total comprehensive (loss)/income for the year	<u><u>(58,702)</u></u>	<u><u>(351,669)</u></u>	<u><u>134,316</u></u>
Attributable to:			
Owners of the Company	(58,415)	(351,633)	132,075
Non-controlling interests	<u>(287)</u>	<u>(36)</u>	<u>2,241</u>
	<u><u>(58,702)</u></u>	<u><u>(351,669)</u></u>	<u><u>(134,316)</u></u>
Basic and diluted (Loss)/earnings per share (HK cents) – Continuing and discontinued operations	<u><u>(1.80)</u></u>	<u><u>(10.83)</u></u>	<u><u>4.07</u></u>

Save for the finance costs of approximately HK\$19,645,000 recorded for the year ended 31 December 2018 which included debts settlement expenses of approximately HK\$10,692,000 related to unsecured loans and interest expense of approximately HK\$8,933,000, no material income or expense was recorded during the three years ended 31 December 2016, 2017 and 2018.

No dividend was paid or proposed by the Company during the three years ended 31 December 2016, 2017 and 2018.

The consolidated financial statements of the Group for the three years ended 31 December 2016, 2017 and 2018 were audited by Cheng & Cheng Limited (“**Cheng & Cheng**”). The opinions of Cheng & Cheng, extracted from the Company’s annual reports for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively, are as follows:

(i) For the financial year ended 31 December 2016

No qualified opinion was made by Cheng & Cheng in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2016. Without qualifying its opinion, Cheng & Cheng had raised a material uncertainty related to going concern and certain key audit matters which is extracted from the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) as follows:

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that as of 31 December 2016, the Group’s current liabilities exceeded its current assets by HK\$26,877,000. As stated in note 2.1, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
<p><i>Intangible assets impairment assessment</i></p> <p>Refer to note 15 in the consolidated financial statements</p> <p>The intangible asset of approximately HK\$600,600,000 represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves.</p> <p>Management has concluded that there is a reversal of impairment amount to approximately HK\$202,905,000 in respect of the intangible assets for the year. This conclusion was based on a value-in-use calculation with reference to a valuation performed by an independent valuer that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.</p>	<p>Our procedures in relation to management's valuation of intangible assets included:</p> <ul style="list-style-type: none"> – Evaluation of the independent external valuers' competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the oil and gas industry; and – Checking, on a sample basis, the accuracy and relevancy of the input data used.
<p>(ii) For the financial year ended 31 December 2017</p> <p>Cheng & Cheng did not express an opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2017 due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements which is extracted from the annual report of the Company for the year ended 31 December 2017 (the “2017 Annual Report”) as follows:</p>	

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Pearl Oriental Oil Limited (the “Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements and because we have not been able to obtain sufficient appropriate evidence as described in the Basis for Disclaimer of Opinion section of our report. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern

As described in Note 2.1 to the consolidated financial statements:–

- (i) 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 together with total borrowings amounting to approximately HK\$58 million classified as current liabilities, and with balance of cash and cash equivalents amounting to approximately HK\$5 million only.
- (ii) On 24 January 2018, the Company entered into a new loan agreement of HK\$30 million with a lender. The loan will fall due on 24 July 2018. Approximately HK\$28 million of the loan was used for repayment of the loans outstanding as at 31 December 2017. The unused balance of the new loan of approximately HK\$2 million together with the cash and cash equivalents brought forward of approximately HK\$5 million may not be enough to cover the Company's daily operating expenses and the other outstanding loan amounts when they fall due. Furthermore, HK\$3 million of the loan balance as at 31 December 2017 falling due for repayment on 25 January 2018 is still outstanding up to the date of this report.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

As stated in the recent announcements published by the Company, the Company have finalized the terms of a share subscription agreement with a third party and intends to carry out into effect such agreement after the end of the black out period of the results announcement for the year ended 31 December 2017. The aforesaid agreement together with other finance measures and plans as described in Note 2.1 to the consolidated financial statements, provide the basis under which the directors of the Company considered that going concern basis is appropriate for preparing the consolidated financial statements, the validity of which depends on the outcome of the aforesaid agreement and the successful implementation of those finance measures and plans, which are subject to multiple uncertainties. Should the Group fail to successfully implementing its plans, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the

Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

(iii) For the financial year ended 31 December 2018

No qualified opinion was made by Cheng & Cheng in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2018. Without qualifying its opinion, Cheng & Cheng had raised a material uncertainty related to going concern and certain key audit matters which is extracted from the annual report of the Company for the year ended 31 December 2018 (the "2018 Annual Report") as follows:

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group reported a net loss attributable to the owners of the Company of approximately HK\$58 million for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK\$121 million, and balance of cash and cash equivalents amounting to approximately HK\$1 million and as at 31 December 2018, unsecured loans of approximately HK\$27 million were overdue and still outstanding up to the date of this report. As stated in note 2.1, these conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
<p><i>Intangible assets impairment assessment</i></p> <p>Refer to note 12 in the consolidated financial statements</p> <p>The intangible assets of approximately HK\$256 million represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proven reserves.</p> <p>Management has concluded that there is no impairment in respect of the intangible assets for the year. This conclusion was based on a fair value less cost of disposal calculation with reference to a valuation performed by an independent valuer that required significant management judgment with respect to the discount rate and the underlying cash flows, in particular future revenue growth.</p>	<p>Our procedures in relation to management's valuation of intangible assets included:</p> <ul style="list-style-type: none"> – Evaluating the independent external valuer's competence, capabilities and objectivity; – Performing sensitivity analysis over the key assumptions used in order to assess the potential impact of a range of possible outcomes; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the oil and gas industry; and – Checking, on a sample basis, the accuracy and relevancy of the input data used.

2. CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss, the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2016 (the “**2016 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”); and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2016 Financial Statements are set out from page 31 to page 79 in the 2016 Annual Report, which was published on 10 April 2017. The 2016 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pearloriental.com/>), and is accessible via the following hyperlink:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0410/LTN20170410209.pdf>

The 2017 Financial Statements are set out from page 29 to page 77 in the 2017 Annual Report, which was published on 6 April 2018. The 2017 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pearloriental.com/>), and is accessible via the following hyperlink:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0406/LTN20180406631.pdf>

The 2018 Financial Statements are set out from page 30 to page 85 in the 2018 Annual Report, which was published on 29 April 2019. The 2018 Annual Report is posted on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pearloriental.com/>), and is accessible via the following hyperlink:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0429/LTN201904292531.pdf>

The 2016 Financial Statements, the 2017 Financial Statements and the 2018 Financial Statements (but not any other part of the 2016 Annual Report, the 2017 Annual Report and the 2018 Annual Results Announcement in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS STATEMENT

a. Borrowings

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Response Document, borrowings of the Group amounted to approximately HK\$125.8 million, including unsecured loans and accrued interest of approximately HK\$125.3 million and obligation under finance lease of approximately HK\$0.5 million.

b. Contingent liabilities

The Company has executed guarantee with respect to a finance lease of its subsidiary. As at 30 April 2019, the amount of guarantee was approximately HK\$0.5 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have, at the close of business on 30 April 2019, any outstanding loan capital issued and outstanding or authorized or otherwise agreed but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, obligation under finance leases, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save and except for the below, there was no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (i) contributed by the increased revenue from trading of oil-related products, the Group recorded a significant increase in revenue for the four months ended 30 April 2019 as compared to the four months ended 30 April 2018. The said increase in revenue had also led to a corresponding significant increase in cost of sales during the same period under review;
- (ii) with the absence of steady and sufficient cash inflow from operations, the Group could only rely on debt financing to support its operations and settle its liabilities which have become due. As at 30 April 2019, the Group had unsecured short term loans in the aggregate principal amount of approximately HK\$117.3 million. After 31 December 2018, the Group (as borrower) entered into the First HK\$5M Loan Agreement, the Second HK\$5M Loan Agreement, the First Loan Extension Agreement, the Second Loan Extension Agreement, the Third Loan Extension Agreement and the Fourth Loan Extension Agreement with Xin Hua (as lender) to extend the term of the loans totaling HK\$80 million to 31 March 2020. While the aforesaid loans have been renewed, other short term loans, including but not limited to the loan from NPCC in the principal amount of HK\$25 million, totaling HK\$31.8 million have already been due.

In addition, on 4 March 2019, the Company received a statutory demand dated 4 March 2019 from Huen & Cheung Solicitors (“**H&C**”) demanding the Company to repay outstanding legal fees and disbursements amounting to approximately HK\$1,802,545 (the “**Amount**”) within three weeks. H&C was appointed as the Company’s legal adviser for various legal matters since 2017. If the Company does not repay the Amount within three weeks, H&C may present a winding up petition against the Company. The Group made partial repayment of HK\$282,100 in early April 2019 and proposed partial repayment schedule of the remaining Amount with H&C. No further action has been taken by H&C so far;

- (iii) the Company entered into the First Subscription Agreement, the Supplemental Agreement and the Second Subscription Agreement with the Subscribers on 13 February 2019, 29 March 2019 and 3 April 2019, respectively, pursuant to which the Company agreed to issue New Shares totaling 9,000,000,000 to the Subscribers. The gross proceeds from the Subscriptions amount to HK\$180 million. Having taken into account (i) the offsetting of the HK\$80 million loans owed to Xin Hua; and (ii) the professional fees and other related expenses of approximately HK\$5 million, the net proceeds amount to approximately HK\$95 million. The Company intends to use such net proceeds (a) as to approximately HK\$28 million for repayment of the loan owed by the Company to NPCC which has already been due; (b) as to approximately HK\$57 million for the reactivation and expansion of the Group's oil and gas business and expansion of its trading business; and (c) as to approximately HK\$10 million for general working capital of the Group. Completion took place on 8 July 2019; and

- (iv) as disclosed in the section headed "Litigation" in Appendix III to this Composite Document, the Directors have made a provision of approximately HK\$1 million for a monetary claim with allegation through the Labour Tribunal from an ex-employee of the Group which was received by the Company on 3 May 2019.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

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

2. MARKET PRICE

The table below sets out the closing prices of the Consolidated Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on 13 February 2019 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	Closing price per Consolidated Share (HK\$)
31 October 2018	1.58
30 November 2018	2.16
31 December 2018	2.00
31 January 2019	1.92
13 February 2019 (being the Last Trading Date)	2.44
28 February 2019	Suspended ^(Note 1)
31 March 2019	Suspended ^(Note 1)
30 April 2019	1.94
31 May 2019	1.96
28 June 2019	1.84
12 July 2019 (being the Latest Practicable Date)	1.25

Notes:

- Trading of the Shares was suspended from 14 February 2019 to 16 April 2019 pending the release of the Joint Announcement.
- All closing prices of the Shares prior to 10 July 2019 were adjusted to reflect the theoretical prices of the Consolidated Shares as if the Share Consolidation had already been in effect.

During the Relevant Period, the highest closing price of the Consolidated Shares was HK\$2.84 per Consolidated Share as quoted on the Stock Exchange on 11 February 2019 (equivalent to HK\$0.142 per Share prior to the Share Consolidation) and the lowest closing price of the Consolidated Shares was HK\$1.01 per Consolidated Share as quoted on the Stock Exchange on 10 July 2019 (equivalent to HK\$0.0505 per Share prior to the Share Consolidation).

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	Nominal value of Consolidated Share HK\$	Number of Consolidated Shares	Amount HK\$
Authorized:	0.20	100,000,000,000	20,000,000,000
Issued and fully paid:	0.20	612,275,987	122,455,197.40

All of the Consolidated Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. The Consolidated Shares are listed on the Main Board and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Save and except for the above and the Subscriptions of 9,000,000,000 New Shares (equivalent to 450,000,000 Consolidated Shares following the Share Consolidation) by the Subscribers under the Subscription Agreement, no Shares nor Consolidated Shares have been issued by the Company since 31 December 2018 (being the date on which its latest published audited accounts were prepared) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the outstanding number of the Consolidated Share Options were 3,744,500. 2,464,500 of the outstanding Consolidated Share Options have an exercise price of HK\$18.832 per Consolidated Share Option, and the remaining 1,280,000 outstanding Consolidated Share Options have an exercise price of HK\$10.4 per Consolidated Share Option. If all of such Consolidated Share Options were exercised, a total of 3,744,500 Consolidated Shares would be issued. All the Consolidated Share Options expired on 14 July 2019.

As at the Latest Practicable Date, apart from the Consolidated Share Options, the Company had no outstanding options, warrants, derivatives or securities which are convertible or exchangeable into Consolidation Shares and had not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Consolidated Shares, as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions in Consolidated Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and Other Persons' Interest in Shares and Underlying Shares

As at the Latest Practicable Date and to the best knowledge of the Directors and chief executives of the Company, the following persons (other than Directors or chief executives of the Company) had interests or short position, in the Consolidated Shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in Shares and underlying shares

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding ⁽⁵⁾
Chen Junyan ⁽¹⁾	Interest in controlled corporation	365,000,000	59.61% ⁽⁶⁾
Chen Yaxin ⁽¹⁾	Interest in controlled corporation	365,000,000	59.61% ⁽⁶⁾
Yu Zhibo ⁽¹⁾	Interest in controlled corporation	365,000,000	59.61% ⁽⁶⁾
大慶市新華瀝青有限責任公司 ⁽¹⁾	Interest in controlled corporation	365,000,000	59.61% ⁽⁶⁾
Xin Hua Petroleum (Hong Kong) Limited ⁽¹⁾	Beneficial Owner	365,000,000	59.61% ⁽⁶⁾
Noble ⁽²⁾	Beneficial Owner	85,000,000	13.88% ⁽⁷⁾
Fan Amy Lizhen ⁽²⁾	Interest in controlled corporation	85,000,000	13.88% ⁽⁷⁾
Charcon Assets Limited ⁽³⁾	Beneficial Owner	35,226,500	5.75%

Notes:

- (1) Xin Hua is owned as to approximately 46.28% and 53.72% by Ms. Chen and Daqing Xinhua, respectively. Daqing Xinhua is owned as to approximately 65% and 35% by Mr. Yu and Mr. Chen, respectively.
- (2) Ms. Fan, previously an executive Director during the period from 20 October 2016 to 28 June 2019, 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.
- (3) Charcon Assets Limited is a company wholly owned by Mr. Wong Yuk Kwan.

- (4) 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.
- (5) The percentages are calculated based on the total number of 612,275,987 issued Consolidated Shares as at the Latest Practicable Date.
- (6) The Xin Hua Subscription Shares represent approximately 59.61% 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 Consolidated Share Options are converted and no further Consolidated Shares are issued).
- (7) 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 Consolidated Share Options are converted and no further Consolidated Shares are issued).

Save as disclosed above, the Directors are not aware of any other person who, as at the Latest Practicable Date, had any interests or short positions in the Consolidated Shares or underlying shares as recorded in the Register required to be kept under Section 336 of the SFO.

5. DEALINGS IN SECURITIES OF THE COMPANY AND THE OFFEROR

- (a) During the Relevant Period, save for the Noble Subscription, none of the Directors had dealt for value in any shares or convertible securities, options, warrants or derivatives of the Company, the Offeror and parties acting or presumed to be acting in concert with it;
- (b) As at the Latest Practicable Date, the Company did not hold, control or have direction over any shares and any convertible securities, options, warrants or derivatives of the Offeror and parties acting or presumed to be acting in concert with it and the Company had not dealt for value in any such securities of the Offeror and parties acting in concert with it during the Relevant Period;
- (c) As at the Latest Practicable Date, none of the Directors or chief executive of the Company held, controlled or had direction over any shares or convertible securities, options, warrants or derivatives of the Company; and
- (d) None of the Directors or chief executive of the Company held, controlled or had direction over any shares or convertible securities, options, warrants or derivatives of the Offeror and parties acting in concert with it.

6. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any shares or convertible securities, options, warrants or derivatives of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;
- (b) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any shares or any convertible securities, warrants, options or derivative of the Company during the Relevant Period;
- (c) no shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any such securities of the Company during the Relevant Period;
- (d) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers;
- (e) none of the Company or the Directors had borrowed or lent any shares, convertible securities, warrants, options or derivatives of the Company;
- (f) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (g) the Offeror had not entered into any material contract in which any Director had a material personal interest.

7. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

8. LITIGATION

On 22 October 2018, one of the Shareholders, namely Mr. Chung Keng (“**Mr. Chung**”) commenced legal proceedings at the Court of First Instance of the High Court (the “**Court of First Instance**”) to seek leave to commence a derivative action (the “**Derivative Action**”) for and on behalf of the Company against two Directors, Ms. Fan (who was retired upon the annual general meeting of the Company on 28 June 2019) and Mr. Tang Yau Sing (“**Mr. Tang**”), for breach of directors’ duties owed to the Company. During the hearing held before the Court of First Instance on 2 May 2019, the Court of First Instance granted Mr. Chung leave to commence the Derivative Action against Ms. Fan and Mr. Tang for and on behalf of the Company. With leave being granted, Mr. Chung may in the name of the Company commence the Derivative Action against Ms. Fan and/or Mr. Tang. The Company is currently seeking legal advice as to its next course of action. As of the Latest Practicable Date, Mr. Chung has not commenced the Derivative Action yet. Given that the Derivative Action has not been commenced, it is premature to predict the outcome of the Derivative Action and therefore the Directors consider that no provision is required at this stage.

On 3 May 2019, the Company received a monetary claim of approximately HK\$1 million from an ex-employee of the Company with an allegation that, among others, the Company had failed to pay wages, through the Labour Tribunal. As at the Latest Practicable Date, the dispute has not been settled and the Company is seeking legal advice on the claim. The Directors have made a provision of approximately HK\$1 million for such claim.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Composite Document:

Name	Qualification
VBG Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

VBG Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, VBG Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, VBG Capital Limited did not have any direct or indirect interest in any assets which have been acquired or disposed of or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited statements of the Company were made up).

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within two years immediately preceding the date of commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (a) the subscription agreement dated 4 April 2018 (“**4 April 2018 Subscription Agreement**”) entered into by the Company, NPCC (Hong Kong) Limited and Noble pursuant to which each of NPCC and Noble conditionally were to subscribe for 6,492,500,000 Shares and 3,200,939,000 Shares respectively;
- (b) a notice of termination dated 28 April 2018 issued by the Company to NPCC and Noble notifying that the 4 April 2018 Subscription Agreement had been terminated;
- (c) the Loan Agreements;
- (d) the Deed of settlement;
- (e) the Supplemental Deed;
- (f) the First Subscription Agreement;
- (g) the Supplemental Agreement; and
- (h) the Second Subscription Agreement.

11. DIRECTORS’ INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors had any direct or indirect interest in any assets which have, since 31 December 2018 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

12. MISCELLANEOUS

- (a) The registered office of the Company in Bermuda is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is situated at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text, in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the websites of the SFC (<http://www.sfc.hk>) and the Company (<http://www.pearloriental.com>); and (ii) at the principal place of business of the Company in Hong Kong at Suites 1905-07, 19th Floor, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong from 9:00 a.m. to 5:00 p.m. on any weekday (other than public holidays) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and bye-laws of the Company;
- (b) the articles of association of the Offeror;
- (c) the 2016 Annual Report;
- (d) the 2017 Annual Report;
- (e) the 2018 Annual Report;
- (f) the "Letter from Forwin", the text of which is set out on pages 9 to 20 of this Composite Document;
- (g) the "Letter from the Board", the text of which is set out on pages 21 to 27 of this Composite Document;
- (h) the "Letter from the Independent Financial Adviser", the text of which is set out on pages 28 to 46 of this Composite Document;
- (i) the written consent referred to in the paragraph headed "9. Expert and Consent" in this appendix;
- (j) the written consents referred to the paragraph headed "6. Experts and Consents" in Appendix IV;

- (k) the material contracts referred to in the paragraph headed “10. Material Contracts” in this appendix; and
- (l) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT OF THE OFFEROR AND DAQING XINHUA

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, Noble and parties acting in concert with any of them, excluding the Offeror and Daqing Xinhua) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, Noble and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements contained in this Composite Document misleading.

The sole director of Daqing Xinhua, namely Mr. Wang Zhiming, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group, Noble and parties acting in concert with any of them, excluding the Offeror and Daqing Xinhua), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, Noble and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. RESPONSIBILITY STATEMENT OF NOBLE

The sole director of Noble, namely Ms. Fan Amy Lizhen, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group, the Offeror and parties acting in concert with any of them, excluding Ms. Fan Amy Lizhen and Noble), and confirms, having made all reasonable enquires, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Offeror and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

3. OFFEROR'S INTEREST IN THE SECURITIES OF THE COMPANY

- (a) As at the Latest Practicable Date, the Offeror and parties acting in concert with it (other than Noble) in aggregate were interested in 365,000,000 Consolidated Shares (representing 7,300,000,000 New Shares immediately prior to the completion of Share Consolidation), representing approximately 59.61% of entire issued share capital of the Company.
- (b) The Offeror confirms that, as at the Latest Practicable Date,
 - (i) save for the Xin Hua Subscription Shares, none of the Offeror nor any director of the Offeror was interested in any Shares or Consolidated Shares, as the case may be, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) save for the Subscription Shares, none of the parties acting in concert with the Offeror owned or controlled any Shares or Consolidated Shares, as the case may be, warrants, options, derivatives or securities carrying conversion or subscription rights into Shares or Consolidated Shares, as the case may be;
- (iii) none of the Offeror and its parties acting in concert with it had received any irrevocable commitment to accept or reject the Share Offer;
- (iv) as at the Latest Practicable Date, the Offeror and parties acting in concert with it had not borrowed or lent any Shares or Consolidated Shares, as the case may be, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares or Consolidated Shares, as the case may be.

4. DEALINGS

During the Relevant Period:

- (i) Save for the Xin Hua Subscription Shares and the Noble Subscription Shares, none of the Offeror and parties acting in concert with it and their respective directors had dealt for value in any Shares or Consolidated Shares, as the case may be, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares or Consolidated Shares, as the case may be.
- (ii) No person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it had dealt for value in the Shares or Consolidated Shares, as the case may be, or any convertible securities, warrants, options or derivatives in respect of any Shares or Consolidated Shares, as the case may be.

5. OTHER ARRANGEMENTS IN RELATION TO THE SHARE OFFER

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Share Offer.
- (b) As at the Latest Practicable Date, save as disclosed in the section headed “Special benefit conferred on Shareholders” in the “Letter from Forwin” in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders of the Company on the other hand, having any connection with or dependence upon the Share Offer.
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Share Offer.

- (d) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any party acting in concert with it and any other persons.
- (e) As at the Latest Practicable Date, save for the share charges relating to the Loan Facility as disclosed in the section headed “Confirmation of financial resources” in this Composite Document, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuant of the Share Offer would be transferred, charged or pledged to any other persons.

6. EXPERTS AND CONSENTS

Name	Qualification
Forwin Securities Group Limited	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 engages in, inter alia, securities margin financing
Titan Financial Services Limited	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

- (i) Forwin has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.
- (ii) Titan has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.

7. GENERAL

- (a) The registered office of the Offeror is situated at Room 1104, 11/F Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.
- (b) The ultimate beneficial shareholder of the Offeror is Daqing Xinhua. Daqing Xinhua is a company established under the laws of the PRC and is owned as to 65% by Mr. Yu and 35% by Mr. Chen.
- (c) The registered office of Noble is situated at P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

- (d) Noble is a company established under the laws of British Virgin Islands and is beneficially wholly owned by Ms. Fan.
- (e) The registered office of Forwin is situated at Unit B, 32/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- (f) The registered office of Titan is situated at Suites 3201-02, 32/F, COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.
- (g) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.