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**ADJOURNMENT OF THE PREVIOUS SGM  
AND  
VERY SUBSTANTIAL ACQUISITION  
PARTICIPATION IN THE BIDDING PROCESS FOR  
THE CHAÑARES CONCESSION**

References are made to (i) the Previous Circular and the Previous SGM Notice both dated 12 March 2020; (ii) the announcements of the Company dated 27 March 2020 and 29 March 2020 in relation to the proposed adjournment of the Previous SGM; and (iii) the announcements of the Company dated 30 June 2020 and 7 September 2020 in relation to the revision of the timeline of the Bidding Process.

**ADJOURNMENT OF THE PREVIOUS SGM**

As disclosed in the announcement of the Company dated 27 March 2020, the Previous SGM was intended to be adjourned until further notice at the Previous SGM in order for the Company to provide additional information to the Shareholders in light of the then significant drop in oil prices and postponement of the Bid submission date. However, due to the introduction of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) which came into effect at 0:00 on 29 March 2020, the adjournment of the Previous SGM was announced by the Company on the same day on the basis that it might be unlawful to proceed with the Previous SGM as planned.

In light of the revised timeline under the Bidding Process and the revision of Bid submission by the Company, details of which are set out in this announcement below, it is no longer necessary for the proposed resolution set forth in the Previous SGM Notice to be proposed and transacted at the Previous SGM. As such, the Previous SGM will be adjourned sine die (without a date, i.e. indefinitely) and will not be reconvened.

\* *For identification purpose only*

## **REVISED BID UNDER THE BIDDING PROCESS**

In light of the revised timeline under the Bidding Process and after due evaluation of the prevailing market conditions including the international price of Brent crude oil and the latest information of the Chañares Concession (of which the CHE Concession forms part), the Company intends, through the Company's indirect wholly owned subsidiary, to submit a revised bid offer for the Chañares Concession under the Bidding Process. The amount of the Bid will be in the region ranging from US\$26.5 million (approximately HK\$206.7 million) to US\$43 million (approximately HK\$335.4 million).

## **THE CHAÑARES CONCESSION**

The Chañares Concession, being the hydrocarbons exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area described in the relevant Hydrocarbons Laws of Argentina and the bidding documents under the Bidding Process effective as of the Effective Date, mainly including (i) the Petroleum Assets; (ii) all the existing wells in operation and the new wells to be drilled in the Chañares Herrados area; and (iii) the right to use any assets and infrastructure in the Chañares Herrados area owned by the Mendoza Province to be transferred to the new concessionaire together with the Petroleum Assets.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction exceeds 100%, the Proposed Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Therefore, the Proposed Transaction is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## **GENERAL**

A New SGM will be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Proposed Transaction and the transactions contemplated thereunder.

A Circular containing, among others, (i) further details and progress of the Proposed Transaction and the transactions contemplated thereunder; (ii) the New Competent Person's Report, the New Valuation Report and the Risk Assessment Report in respect of the Chañares Concession, which are in compliance with the requirements of Chapter 18 and Guidance Note 7 of the Listing Rules; (iii) the notice of New SGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 October 2020.

**The Proposed Transaction and the transactions contemplated thereunder are conditional upon the successful winning of the Bid under the Bidding Process. Accordingly, the Proposed Transaction and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

References are made to (i) the Previous Circular and the Previous SGM Notice both dated 12 March 2020; (ii) the announcements of the Company dated 27 March 2020 and 29 March 2020 in relation to the proposed adjournment of the Previous SGM; and (iii) the announcements of the Company dated 30 June 2020 and 7 September 2020 in relation to the revision of the timeline of the Bidding Process.

#### **ADJOURNMENT OF THE PREVIOUS SGM**

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In light of the revised timeline under the Bidding Process and the revision of Bid submission by the Company, details of which are set out in this announcement below, it is no longer necessary for the proposed resolution set forth in the Previous SGM Notice to be proposed and transacted at the Previous SGM. As such, the Previous SGM will be adjourned sine die (without a date, i.e. indefinitely) and will not be reconvened.

## **REVISED BID UNDER THE BIDDING PROCESS**

In light of the revised timeline under the Bidding Process and after due evaluation of the prevailing market conditions including the international price of Brent crude oil and the latest information of the Chañares Concession (of which the CHE Concession forms part), the Company intends, through the Company's indirect wholly owned subsidiary, to submit a revised bid offer for the Chañares Concession under the Bidding Process. The amount of the Bid will be in the region ranging from US\$26.5 million (approximately HK\$206.7 million) to US\$43 million (approximately HK\$335.4 million).

### **1. The Bid**

Set out below are the principal terms of the Bid:

#### **1.1 *Bid submission date***

Bid submission date: 28 October 2020 (Argentina time) (or such later date as may be determined by the Hydrocarbons Department of Mendoza Province)

#### **1.2 *The target assets***

The Chañares Concession, being the hydrocarbons exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area described in the relevant Hydrocarbons Laws of Argentina and the bidding documents under the Bidding Process effective as of the Effective Date, mainly including the following:

- (i) the Petroleum Assets;
- (ii) all the existing wells in operation and the new wells to be drilled in the Chañares Herrados area; and
- (iii) the right to use any assets and infrastructure in the Chañares Herrados area owned by the Mendoza Province to be transferred to the new concessionaire together with the Petroleum Assets.

The Chañares Concession has a term of 25 years counted as from the Effective Date with the possibility of successive extensions for terms not exceeding 10 years each from the date of expiry of the original term and of each extension, subject to the approval by the Executive of the Mendoza Province.

### 1.3 Consideration under the Bidding Process

According to the bidding documents of the Bidding Process, the Hydrocarbons Department of Mendoza Province has set minimum requirements on (i) initial upfront payment (the “**Upfront Payment**”), which is US\$5 million (approximately HK\$39.0 million); (ii) capital investment commitment (the “**Capital Investment Commitment**”), which is US\$20 million (approximately HK\$156.0 million); and (iii) royalty percentage applied on the future revenue on oil sales (the “**Royalty %**”), which is 12%. Each of the bidders under the Bidding Process is required to pay a deposit of US\$40,000 (approximately HK\$312,000) (the “**Initial Deposit**”) on the date of submission of the Bid. The winner of the bid under the Bidding Process is required to pay to the Hydrocarbons Department of Mendoza Province (i) the Upfront Payment within 30 calendar days after the Effective Date; and (ii) a deposit representing 10% of the amount of the Capital Investment Commitment within 10 business days after the Effective Date, while the Initial Deposit will be returned to the bidders.

The evaluation of the Bidding Process will be based on the ranking factor calculated in the formula as stated below:

Ranking factor =

- (a)  $1.5 \times (\text{intended Upfront Payment} / \text{minimum Upfront Payment of US\$5 million (approximately HK\$39.0 million)}) +$
- (b)  $1.3 \times (\text{intended Royalty \%} / \text{minimum Royalty \% of 12\%}) +$
- (c)  $1.1 \times (\text{intended Capital Investment Commitment} / \text{minimum Capital Investment Commitment of US\$20 million (approximately HK\$156.0 million)})$

The Group intends to submit the Bid with the amount that ranges from the minimum amount of US\$26.5 million (approximately HK\$206.7 million) to the maximum amount of US\$43 million (approximately HK\$335.4 million), summarised as follows:

	<b>Upfront payment</b>	<b>Capital Investment Commitment</b>	<b>Total</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) + (b)</b>
<b>The minimum amount of the Bid</b>	US\$5 million (approximately HK\$39.0 million)	US\$21.5 million (approximately HK\$167.7 million)	US\$26.5 million (approximately HK\$206.7 million)
<b>The maximum amount of the Bid</b>	US\$7.2 million (approximately HK\$56.2 million)	US\$35.8 million (approximately HK\$279.2 million)	US\$43 million (approximately HK\$335.4 million)

The valuation opinion of D&M, the Competent Person, for the Chañares Concession states that the valuation of the 100 percent working interest in the Chañares Concession, considering a range of discount rates and potential additional Royalty % and the minimum Upfront Payment of US\$5 million (approximately HK\$39.0 million), is in the range from approximately US\$6 million (approximately HK\$46.8 million) to approximately US\$17.1 million (approximately HK\$133.4 million).

The Company has constructed its proposed range of bids for the Chañares Concession based on the following factors:

- (i) the Company’s proposed development plan in respect of the 39 producing wells and the new wells to be drilled in the Chañares Herrados area which sets out the estimated capital expenditure on the drilling of new wells, the workover jobs to improve the efficiency of the producing wells and the maintenance jobs on the non-producing wells to restart oil production (the “**Development Plan**”);
- (ii) the minimum intended Capital Investment Commitment of US\$21.5 million (approximately HK\$167.7 million) for developing “Proved” reserves of the Chañares Concession and the maximum intended Capital Investment Commitment of US\$35.8 million (approximately HK\$279.2 million) for developing “Proved” plus “Probable” reserves of the Chañares Concession, which are determined in accordance with the Development Plan and are set out in more details in the New Competent Person’s Report to be contained in the Circular;

(iii) the Company has selected the NPV of the Chañares Concession of approximately US\$14.1 million (approximately HK\$110.0 million) (i.e. “Proved” plus “Probable” reserves of the Chañares Concession) at the discount rate of 15% with 0% additional Royalty % as the basis in determining the maximum amount of the Bid and its principal assumptions adopted for arriving at the NPV comprise the followings:

1. the NPV at discount rate of 15%;
2. the Royalty % of 12% (i.e. no additional Royalty %);
3. the maximum intended Capital Investment Commitment of US\$35.8 million (approximately HK\$279.2 million) as capital expenditure to develop the “Proved” plus “Probable” reserves of the Chañares Concession under the Development Plan;
4. the discount for the export tax is applied until the year 2045 at the rate between 0% and 8% (when Brent oil price is between US\$45.0 per barrel and US\$60.0 per barrel), and at 8% (when Brent oil price exceeds US\$60.0 per barrel);
5. the oil price discount for quality being 10% on Brent crude oil price;
6. the transport differential of US\$1.5 per barrel, escalated 2% per year (as a reimbursement); and
7. the minimum Upfront Payment of US\$5 million (approximately HK\$39.0 million) is a minimum payment payable to the Hydrocarbons Department of Mendoza Province which D&M deducted from the valuation of the Chañares Concession.

(iv) the maximum amount of the Bid of US\$43 million (approximately HK\$335.4 million) represents a discount of approximately 21.7% to the sum of (i) the maximum intended Capital Investment Commitment of US\$35.8 million (approximately HK\$279.2 million) and (ii) the estimated amount of the Chañares Concession of approximately US\$19.1 million (approximately HK\$149.0 million) (being the NPV of the Chañares Concession of approximately US\$14.1 million (approximately HK\$110.0 million) by adding back the minimum Upfront Payment of US\$5 million (approximately HK\$39.0 million)) totalling approximately US\$54.9 million (approximately HK\$428.2 million) after taking into account the Company’s financial resources.

Further information on the detailed basis and methodology of the valuation on the Chañares Concession will be disclosed in the New Valuation Report to be contained in the Circular.

Apart from the above, the Company also took into account, among other things, the following factors:

- (a) results of the due diligence and financial analysis conducted by the Company and its professional advisers based on information provided by the Hydrocarbons Department of Mendoza Province;
- (b) the reserves and quality of the Chañares Concession as compared with the relevant crude oil reserves of comparable estimated volume and quality in the market; and
- (c) the Directors' belief that the Proposed Transaction represents a unique opportunity for the Company to acquire a valuable petroleum asset.

In view of the above, the Directors consider that the maximum and minimum amounts of the Bid are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company intends to settle the payment for the Initial Deposit and Upfront Payment with its internal resources while the Capital Investment Commitment will be financed by the internal resources and/or the surplus funds to be generated from the oil production operation under the Chañares Concession assuming the Group wins the Bid and becomes the concessionaire of the Chañares Concession and operates on the concession according to the Development Plan.



#### **1.4 Major milestones in relation to the Bid**

According to the latest circular under the Bidding Process issued by the Hydrocarbons Department of Mendoza Province, set out below is the timeline of the major milestones in relation to the Bid:

<b>Date (Argentina time)</b>	<b>Event</b>
28 October 2020	Submission of the Bid under the Bidding Process
29 November 2020 to 11 December 2020	Decision on winner of the Bid
11 December 2020 to 11 January 2021	Publication of decree of granting the concession
25 January 2021 to 1 February 2021	Delivery of concession to the new concessionaire

## **2. Information on the Group**

The Group is principally engaged in the business of petroleum exploration and production, money lending and investment in securities. At the date of this announcement, the Company's petroleum operations comprise 10 wells under the CHE Concession. These petroleum operations have been operating under joint venture agreements and operation agreements entered into with Chañares, the holder of the CHE Concession. Pursuant to the operation agreement, the Group is entitled to 51% interest on the production of five oil wells and 72% interest on the production of the other five oil wells. Currently, the Group's management team in Argentina is responsible for overseeing the petroleum operation under the CHE Concession which regularly reports on the petroleum operation to the Group. During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the crude oil produced from the CHE Concession were 108,919, 92,792, 63,222 and 18,238 barrels of oil respectively and the average price per barrel of the crude oil sold were US\$52.4 (approximately HK\$408.7), US\$60.8 (approximately HK\$474.2), US\$50.7 (approximately HK\$395.5) and US\$44.5 (approximately HK\$347.1) respectively.

Set out below is a summary of the financial information of the petroleum exploration and production segment of the Group for the three years ended 31 December 2019 and for the six months ended 30 June 2020:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)
Sales revenue of the Group's petroleum exploration and production segment	42,914	43,998	24,171	5,669
Segment profit (loss)	24,319	(462)	(46,610)	(2,252)

Set out below is a summary of the volume of crude oil produced by the Group and the average price of crude oil per barrel sold by the Group for the three years ended 31 December 2019 and for the six months ended 30 June 2020:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
				2020
Volume of crude oil produced by the Group (barrels)	108,919	92,792	63,222	18,238
Average price of crude oil per barrel sold by the Group	US\$52.4 (approximately HK\$408.7)	US\$60.8 (approximately HK\$474.2)	US\$50.7 (approximately HK\$395.5)	US\$44.5 (approximately HK\$347.1)

### 3. Information on the Chañares Concession

According to the information provided by the Hydrocarbons Department of Mendoza Province and information obtained from the Secretariat of Energy of Argentina, there are 83 wells located in Chañares Herrados area under the Chañares Concession currently of which 39 oil wells are producing, 26 oil wells are non-producing or shut-in and 18 oil wells are abandoned. With reference to the bidding document of the Bidding Process, the oil production of the Chañares Concession for the three years ended 31 December 2019 and for the six months ended 30 June 2020 is presented as follows:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June 2020
Volume of crude oil produced from the Chañares Concession (cubic meter)	84,874	74,139	67,480	18,116
Volume of crude oil produced from the Chañares Concession (barrels)	533,840	466,319	424,436	113,946

*Note:* Assuming 1 cubic meter of oil = 6.2898 barrels of oil

Currently, there are three parties which have drilled wells and are entitled to the oil production from their wells in the Chañares Concession, they are:

- (i) Chañares, the concessionaire and operator, an independent third party to the Company; and
- (ii) two indirect wholly owned Argentina subsidiaries of the Company operated under joint venture agreements and operation agreements entered into with Chañares. The Group has entitlement to the oil production from the 10 wells drilled in the CHE Concession area.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Hydrocarbons Department of Mendoza Province, Chañares and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### ***Production status and reserves of the Chañares Concession***

The Chañares Herrados area is located in Cuyana Basin, Mendoza Province of Argentina covering a total surface area of approximately 40.6 kilometer squares. Pursuant to the preliminary production estimation prepared by D&M based on the Development Plan, the Chañares Concession has net “Proved” plus “Probable” reserves of approximately 5.69 million barrels as of 1 January 2021. Further information regarding the reserves of Chañares Concession will be disclosed in the New Competent Person’s Report to be contained in the Circular.

The main source rocks for the Chañares Concession are organic-rich shales of the Triassic Cacheuta formation and the main reservoirs are sandstones with tuffaceous matrix of the Triassic Río Blanco formation and sandstones and conglomerates of the Jurassic Barrancas formation. The Río Blanco formation consists of three intervals named informally from top to base as “Victor Claro”, “Victor Oscuro” and “Victor Gris”. The Chañares Concession is part of a large structural nose, plunging to south west with faults trending east-west which portioned the structure into several blocks.

The Cuyana Basin generally contains highly undersaturated oil with moderate solution gas-oil. Productive reservoirs in the Chañares Concession of the Cuyana Basin can be separated into a shallow reservoir group and a deep reservoir group. The shallow reservoir group consists of the Jurassic age Barrancas Formation and the Late Triassic age Río Blanco Formation (Victor Claro, Victor Oscuro, and Victor Gris Members). The Barrancas Formation averages 100 meters gross thickness with interbedded pay intervals consisting of multiple 2-meter to 20-meter thick sections of oil-bearing sands and conglomerates. The depositional environment of the Barrancas Formation is likely fluvial. The Río Blanco Formation consists of three sub-members: the shallow Victor Claro (Blanco Superior), the Victor Oscuro (Blanco Medio), and the deeper Victor Gris (Blanco Inferior). The lithology of the Río Blanco Formation is similar to the Barrancas Formation but with an increasing volcanic and pyroclastic component at deeper depths. Produced oil gravity is approximately 31 to 33 degrees API.

According to the information obtained from the Secretariat of Energy of Argentina, during the three years ended 31 December 2019 and the six months ended 30 June 2020, the crude oil production attributable to the Chañares Concession was approximately 1,463 bbl/d, 1,278 bbl/d, 1,163 bbl/d and 626 bbl/d, respectively.

The information referred to above in relation to the reserves of the Chañares Concession is provided by D&M, the Competent Person. The New Competent Person’s Report on the reserves of the Chañares Concession prepared by D&M in compliance with the requirements of Chapter 18 of the Listing Rules will be

included in the Circular. Shareholders and potential investors should note that the estimate of the reserves of the Chañares Concession as set out in such report may differ from the actual production output, and should therefore exercise caution in relying on the information referred to above.

The Company has engaged legal counsels in Argentina to conduct due diligence on the Chañares Concession and the updated legal opinion in respect of the Chañares Concession is under preparation. Further information regarding the material findings from the due diligence (if any) will be disclosed in the Circular.

Taking into account the Chañares Concession is a concession right and information in relation to the revenue attributable to the wells under the Chañares Concession is not available in the bidding documents under the Bidding Process, the net income stream associated with the Chañares Concession and the financial impact of the Proposed Transaction to the Group's profit or loss statement is not identifiable. Nevertheless, the Company will prepare and disclose the pro forma statement of net assets of the Enlarged Group taking into account the Chañares Concession in accordance with the Company's accounting policies under the HKFRS in the Circular as required under the Listing Rules.

As set out in the Company's announcements dated 7 April 2020 and 28 August 2020, as a result of the situation brought by the outbreak of COVID-19 and the measures adopted by the national and provincial authorities in Argentina, there was a drastic reduction on the demand for fuels. Accordingly, YPF Sociedad Anonima ("YPF S.A.") (a state-owned oil company which operates in the oil and gas upstream and downstream activities in Argentina and is at present the sole customer of crude oil produced from the oil wells in which the Group has interests) had been forced to stop and/or reduce production at their refineries and to temporarily suspend the purchase of crude oil, which thereby led to the decision of Chañares to suspend the operations in the Chañares Herrados area since mid April 2020, including the oil wells which the Group has interests, and henceforth the decrease of oil production from the Chañares Herrados area.

In early July 2020, the Hydrocarbons Department of Mendoza Province advised the Company that YPF S.A. would restart the purchase of crude oil during July 2020, and as advised by Chañares recently, YPF S.A. has resumed purchase of crude oil after mid July 2020 and the oil production in the Chañares Concession area has recommenced accordingly.

#### **4. Reasons for and Benefits of the Proposed Transaction**

The Group is principally engaged in the business of petroleum exploration and production, money lending and investment in securities.

As disclosed in the Previous Circular, the Executive of the Mendoza Province had issued a decree which had the effect of termination of the CHE Concession held by Chañares as it had not fulfilled its investment commitment plan in respect of the Chañares Herrados area. Subsequently, the Chañares Concession (of which the CHE Concession forms part) has been made available for other investors to bid under the Bidding Process and according to the latest circular issued by the Hydrocarbons Department of Mendoza Province, the date of the Bid submission is 28 October 2020 (Argentina time).

Before the successful bidder takes over the Chañares Concession, Chañares can continue to operate under the CHE Concession and pay the same fees, royalties and other payments to the government under the same contractual conditions previously granted and should be able to extract and sell oil and should continue to pay fees, royalties and other payments, which logically are only payable in a context where the concessionaire is allowed to extract and sell oil. Accordingly, Chañares has continued to send to the Group (except for the period when Chañares suspended its operation as mentioned in the section above headed “Production status and reserves of the Chañares Concession”) the daily production reports which contain daily production and sales quantity, and monthly reports which contain production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and Chañares under the operation agreements.

After due evaluation of the updated data and information relating to the Chañares Concession, the Company intends, through the Company’s indirect wholly owned subsidiary, to submit the Bid under the Bidding Process.

Upon successful winning of the Bid, the Company intends to deploy additional manpower to the management team in Argentina to manage the daily operation of the petroleum exploration and production business in the Chañares Concession area as well as to assess the drilling and exploration works of the oil reserve in the Chañares Concession area.

Upon taking over the operation of the Chañares Concession, the Group will have immediate entitlement to the oil production and cashflow generated from the 39 existing producing wells. Under the capital investment plan to be submitted with the Bid submission, the Company intends to invest in (i) workover jobs on

existing wells to increase oil production; (ii) maintenance jobs on non-producing wells to restart oil production; (iii) new wells drilling; and (iv) infrastructure and facilities to optimise the field operation and to reduce operational cost.

The Directors (including the independent non-executive Directors) consider that (i) the Proposed Transaction presents a valuable investment opportunity to acquire a valuable petroleum asset which facilitates the development of the Group's petroleum exploration and production business; and (ii) the terms of the Bidding Process are on normal commercial terms and are fair and reasonable and that the Proposed Transaction is in the interest of the Company and Shareholders as a whole.

## **5. Implications under the Listing Rules**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction exceeds 100%, the Proposed Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Therefore, the Proposed Transaction is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

## **6. Waiver from Strict Compliance with the Requirements under the Listing Rules**

### ***Waiver from strict compliance with Rules 14.58(7) and 14.69(4)(b) of the Listing Rules***

Pursuant to Rule 14.58(7) of the Listing Rules, the Company is required to include in this announcement the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction.

Pursuant to Rule 14.69(4)(b) of the Listing Rules, the Company is required to include in the Circular (i) a profit and loss statement and valuation of the Chañares Concession for the three preceding financial years on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six months or less before the listing document or circular is issued. The financial information on the assets being acquired as contained in the listing document or circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and (ii) a pro forma

profit and loss statement and net assets statement on the Enlarged Group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Listing Rules.

***Reasons and grounds for waiver sought***

The Company has applied to the Stock Exchange for waiver from strict compliance with Rules 14.58(7) and 14.69(4)(b) of the Listing Rules on the following grounds:

1. The subject matter of the Proposed Transaction is an exploitation right. Although the Company is in possession of historical level of oil production of the wells under the Chañares Concession, the actual sales level and sales price of the oil are not contained in the information pack provided by Hydrocarbons Department of Mendoza Province (the “**Information Pack**”).
2. The Company has paid visits to Hydrocarbons Department of Mendoza Province several times to discuss the availability of different parameters, including the quantity of oil sold, oil sales price, cost model and the respective operating expenditure of the existing Chañares Concession but the Hydrocarbons Department of Mendoza Province explained that such historical data, except for the production volume, will not be made available to the Company and will not be a good indicator for future revenue and profitability as the cost structure itself is highly dependent on the maintenance and drilling plan of the bidders.
3. The Company understands that the Hydrocarbons Department of Mendoza Province does not intend to provide any additional information to the bidders other than those contained in the Information Pack. The Company also does not expect that other operators of the Chañares Concession will be willing to provide such information to the Company as the sales data are commercially sensitive and may jeopardise their bids should they wish to submit one.
4. The historical net profits generated by the wells under the Chañares Concession in the last two years are not a true or accurate reflection of their future profits after the Company assumes operations of these wells. The reason is that the production level of each well is highly dependent on the capital expenditure that the well operator is prepared to invest. A well operator may not wish to achieve the same production level as another well operator of the same well due to various reasons including outlook of the market and demand for oil. As such, some well operators may intentionally curb production level if they consider that the demand is not sufficient.



5. Without information relating to actual sales level and sales price, the income stream associated with the Chañares Concession cannot be identified. Although there is some level of revenue generated as a result of holding the Chañares Concession, such income stream cannot be accurately or correctly determined.
6. As the revenue sales data are not available, the Company will not be able to properly compile and derive such sum as the underlying books and records of such information for the preceding three years are not available.
7. In light of the above, the historical two year net profit (before and after taxation) for the two preceding financial years (as required under Rule 14.58(7) and the profit and loss statement for the three preceding financial years (as required under Rule 14.69(4)(b)(i) of the Listing Rules) on the exploitation right and the valuation of the Chañares Concession will not be available in both the announcement and the Circular. In addition, the pro forma profit and loss statement on the Enlarged Group required under Rule 14.69(4)(b)(ii) of the Listing Rules will also not be available.
8. Having said the above, the pro forma net assets statement of the Enlarged Group at 30 June 2020 taking into account the minimum amount and maximum amount of the Bid (as required under part of Rule 14.69(4)(b)(ii)) should be available in the Circular.
9. The Company does not consider that there will be undue risks to Shareholders even if the historical net profits for the two preceding financial years of the wells under the Chañares Concession are not provided for the following reasons:
  - (i) the Company did not base its assessment of the amount of the Bid in such historical net profits; and
  - (ii) the amount of the Bid is made by reference to the valuation amount as estimated by an independent valuer.

The Company therefore confirms that the lack of the two year historical net profits is not an omission of material facts of an unfavourable nature or a failure to accord them with appropriate significance (in accordance with Rule 2.13 of the Listing Rules) and will not impose undue risk on Shareholders for assessing the Proposed Transaction.

### *Alternative disclosure*

As an alternative, the Company has disclosed in this announcement in respect of the Proposed Transaction the following relevant information regarding the Chañares Concession:

- (a) Description and location covered by the Chañares Concession;
- (b) Total number of wells under the Chañares Concession and a breakdown of producing, non-producing and abandoned wells;
- (c) Oil production volume of the Chañares Concession for the three years ended 31 December 2019 and for the six months ended 30 June 2020;
- (d) Number of barrels of oil produced under the Chañares Concession for the three years ended 31 December 2019 and for the six months ended 30 June 2020;
- (e) Average crude oil price sold by the Group for the three years ended 31 December 2019 and for the six months ended 30 June 2020;
- (f) The net “Proved” and “Probable” reserves of the wells under the Chañares Concession as estimated by the Competent Person; and
- (g) The valuation of the Chañares Concession as estimated by an independent valuer.

The Directors are of the view that all sufficient relevant information for the Shareholders to make an informed decision of the Proposed Transaction have been included in this announcement, this announcement is not materially incomplete, misleading or deceptive and would not deprive the Shareholders of the necessary information to assess the transactions contemplated under the Proposed Transaction and its impact on the Company.

The Stock Exchange has granted a waiver to the Company to waive compliance with the strict requirements under Rules 14.58(7) and 14.69(4)(b) of the Listing Rules in this announcement and the Circular.

## 7. General

A New SGM will be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the relevant resolution(s) to approve the Proposed Transaction and the transactions contemplated thereunder.

A Circular containing, among others, (i) further details and progress of the Proposed Transaction and the transactions contemplated thereunder; (ii) the New Competent Person's Report, the New Valuation Report and the Risk Assessment Report in respect of the Chañares Concession, which are in compliance with the requirements of Chapter 18 and Guidance Note 7 of the Listing Rules; (iii) the notice of New SGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 8 October 2020.

**The Proposed Transaction and the transactions contemplated thereunder are conditional upon the successful winning of the Bid under the Bidding Process. Accordingly, the Proposed Transaction and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

### DEFINITIONS

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

“API”	API gravity is a commonly used index of the density of a crude oil or refined products. API stands for the American Petroleum Institute, which is the industry organisation that created this measure
“bbl/d”	barrels of oil per day
“Bid”	the revised bid offer for the Chañares Concession to be submitted by the Group under the Bidding Process on 28 October 2020 (Argentina time) (or such later date as may be determined by the Hydrocarbons Department of Mendoza Province)
“Bidding Process”	the formal bidding process held by the Hydrocarbons Department of Mendoza Province in relation to the Chañares Concession

“Board”	board of the Directors
“CHE Concession”	the hydrocarbons exploitation concession rights in the Chañares Herrados area located in Cuyana Basin, Mendoza Province which the Group has interests
“Chañares”	Chañares Energía S.A. (formerly known as Chañares Herrados Empresa de Trabajos Petroleros S.A.), the holder of the Chañares Concession (including the CHE Concession)
“Chañares Concession”	the hydrocarbons exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area, of which the CHE Concession forms part, under the Bidding Process
“Circular”	the circular containing (i) further details and progress of the Proposed Transaction and the transactions contemplated thereunder; (ii) the New Competent Person’s Report, the New Valuation Report and the Risk Assessment Report in respect of the Chañares Concession, which are in compliance with the requirements of Chapter 18 and Guidance Note 7 of the Listing Rules; (iii) the notice of New SGM; and (iv) other information as required under the Listing Rules, to be despatched to the Shareholders
“Company”	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 689)
“Competent Person”	has the meaning ascribed to it under the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“D&M”	DeGolyer and MacNaughton, the Competent Person and Competent Evaluator (which has the meaning ascribed to it under the Listing Rules) appointed by the Company in respect of the Proposed Transaction

“Effective Date”	being the date following the publication of the decree awarding the Chañares Concession to the new concessionaire which is currently expected to be passed between 11 December 2020 (Argentina time) and 11 January 2021 (Argentina time) according to the latest circular issued by the Hydrocarbons Department of Mendoza Province in relation to the Bidding Process
“Enlarged Group”	the Group including the Petroleum Assets after completion of the Proposed Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, or one or some of such standards as the context may so require
“Hydrocarbons Department of Mendoza Province”	the Hydrocarbons Department of Mendoza Province administered by the Ministry of Economy, Infrastructure and Energy, Government of Mendoza Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mendoza Province”	Mendoza Province of Argentina
“New Competent Person’s Report”	the competent person’s report issued by D&M on the Chañares Concession in compliance with the requirements of Chapter 18 of the Listing Rules, which will be contained in the Circular
“New SGM”	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction and the transactions contemplated thereunder
“New Valuation Report”	the valuation report issued by D&M on the Chañares Concession in compliance with the requirements of Chapter 18 of the Listing Rules, which will be contained in the Circular

“NPV”	net present value
“Petroleum Assets”	(a) exclusive right to exploit hydrocarbons existing in the Chañares Herrados area for the term of the Chañares Concession; (b) right to perform works for search and extraction of hydrocarbons; build and operate treatment and refining plants, communication and transport systems, buildings, deposits, camps, docks and other facilities and operations required to carry out the activities of the concessionaire; (c) ownership of hydrocarbons extracted from the Chañares Herrados area; (d) right to transport, commercialise and industrialise hydrocarbons extracted from the Chañares Herrados area; and (e) right to request a concession for the non-conventional exploitation of hydrocarbons in the Chañares Herrados area
“Previous Circular”	the circular of the Company dated 12 March 2020 in relation to, among other things, the Company’s intention to submit a bid offer for the Chañares Concession under the Bidding Process through the Company’s indirect wholly owned subsidiary
“Previous SGM”	the special general meeting of the Company previously adjourned on 30 March 2020 for the Shareholders to consider and, if thought fit, approve the Proposed Transaction and the transactions contemplated thereunder
“Previous SGM Notice”	the notice of the Previous SGM dated 12 March 2020
“Proposed Transaction”	proposed acquisition of the Chañares Concession upon the successful winning of the Bid under the Bidding Process, which constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules
“Risk Assessment Report”	the risk assessment report issued by D&M on the Chañares Concession in accordance with Guidance Note 7 of the Listing Rules, which will be contained in the Circular

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of US\$1.00 = HK\$7.80 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.*

By Order of the Board  
**EPI (Holdings) Limited**  
**Sue Ka Lok**  
*Executive Director*

Hong Kong, 7 October 2020

*At the date of this announcement, the Board comprises three Executive Directors, namely Mr. Sue Ka Lok, Mr. Yiu Chun Kong and Mr. Chan Shui Yuen; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.*