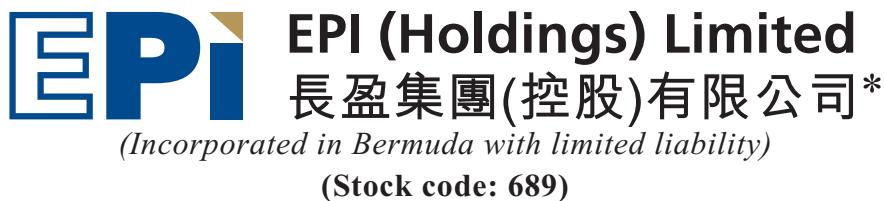


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**VERY SUBSTANTIAL ACQUISITION
AND
RESUMPTION OF TRADING**

ACQUISITION OF ASSETS

The Directors are pleased to announce that, after trading hours of the Stock Exchange on 26 September 2012, the Purchaser (being a wholly-owned subsidiary of the Company), the Company (as the Purchaser's guarantor), the Vendor and Mr. Chan (as the Vendor's guarantor) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Share, being all the issued share of the Target, and the Shareholder's Loan for a total consideration of US\$35.9 million (equivalent to approximately HK\$280.0 million).

The consideration of the Sale Share and the Shareholder's Loan is US\$35.9 million (equivalent to approximately HK\$280.0 million), which is to be satisfied at Completion as to (i) US\$20.7 million (equivalent to approximately HK\$161.5 million) by the issue of the Loan Note in the principal amount of US\$20.7 million (equivalent to approximately HK\$161.5 million) by the Company to the Vendor; and (ii) US\$15.2 million (equivalent to approximately HK\$118.6 million) by the issue of the Convertible Bonds by the Company to the Vendor.

The Loan Note carries 7% interest per annum, and is to be repaid in full on the date falling on the 5th anniversary of the date of issue of the Loan Note. The Convertible Bonds are non-interest bearing, will mature on the day before the 3rd anniversary of the date of issue of the Convertible Bonds, and are convertible into new Shares at the conversion price of HK\$0.19 per Conversion Share (subject to adjustments) during the period commencing on the 7th day after the issue of the Convertible Bonds and up to and including the date which is 7 days prior to the maturity date of the Convertible Bonds. The Convertible Bonds may be assigned or transferred to any person, but may not be assigned or transferred to any company or other person which is a connected person of the Company without the Company's prior written consent in amount of US\$950,000 (equivalent to approximately HK\$7.4 million) or integral multiples thereof.

* for identification purpose only

In addition, the Purchaser will provide at or before Completion, the Completion Loan to the Target of up to a maximum amount of US\$29.1 million (equivalent to approximately HK\$227.0 million), to enable simultaneous completion of the Woodland Agreement and the Tempo Agreement on Completion.

The Target is the sole legal and beneficial owner of ONG, which entered into the Woodland Agreement with Woodland as of 14 May 2012 for the acquisition of ninety percent (90%) interest in the Assets from Woodland, which is in turn acquiring all interest in the Assets and related liabilities from Tempo under the Tempo Agreement.

Information on the Assets

The Assets had been acquired by Tempo over time since 2006. The Assets consist of oil and gas leases, portions of mineral rights owned in fee, wells, pipelines and other surface facilities and certain contracts rights including gas sales and marketing agreements. The Assets are situated in the prolific Fort Worth Basin, Texas, the U.S., covering (a) 20,847 gross acreage and 17,519 net acreage; and (b) oil, gas and/or condensate spreading over 368 Leases mainly located in the Palo Pinto County, the Young County, the Throckmorton County, the Coleman County, the Archer County and the Parker County. Tempo agreed to sell all its interest in the Assets under the Tempo Agreement to Woodland, which in turn agreed to sell 90% of such interest to ONG under the Woodland Agreement.

Based on the geologic formations developed by the Assets wells, each oil well will support a 2 to 80 acre spacing unit and each natural gas well will support a 20 to 160 acre spacing unit. Each unit is governed by a TRC proration order describing the unit, the amount of acres being drained by the unit well and an orderly plan for the development of infiel unit wells to assure complete and orderly development of the resource.

The Assets consist of a total of 226 existing wells and 170 future drilling locations and 12 possible recompletion opportunities. Of the 226 existing wells, 172 wells are currently producing marketable quantities of oil, gas and/or condensate, 41 wells are uneconomic to produce and are currently shut-in, 5 wells that had been capable of oil production have been converted to brine injection well, 1 well recently drilled is awaiting completion operations and 7 wells drilled for hydrocarbon storage are currently being produced to deplete the storage zone as at the date of this announcement.

The 226 wells are located in 6 counties in north Texas as follows: 3 producing wells, 3 shut-in wells and 1 brine disposal well in Archer County; 69 producing wells, 3 shut-in wells and 3 brine disposal wells in Coleman County; 1 producing well and 1 shut-in well in Jack County; 89 producing wells, 18 shut-in wells, 1 well drilled and waiting on completion, 1 brine disposal well and 7 wells drilled for hydrocarbon storage that is currently producing to deplete the storage zone are located in Palo Pinto County; 1 producing well is located in Parker County; and 9 producing wells and 16 shut-in wells are located in Young County, Texas.

There are also 36 proven recompletion opportunities in the existing wells as at the date of this announcement. Recompletion opportunities can be performed on wells that previously produced oil, gas and/or condensate to complete the well in another geologic interval by performing a well perforation operation and possibly conducting a stimulation treatment such as hydraulic fracturing to enhance production from a new target formation.

Of the 170 identified future drilling locations, 104 locations have been identified to exploit proved undeveloped resources, including 8 locations that have been identified with at least 2 stacked pay zones, 58 locations have been identified as probable but unproved locations and 8 possible unproved locations have also been identified as at the date of this announcement.

Joint Operating Agreement

On Completion, the operator and the non-operators (being Woodland and ONG) will enter into the Joint Operating Agreement pursuant to which the operator will conduct, direct and have full control of all operations including but not limited to: drilling, equipment and completion operations on existing wells and all new wells proposed within the contract area defined in the Joint Operating Agreement; recompletions and work-over operations; secondary and tertiary recovery operations, if applicable; post-production enhancement of oil, gas and condensate; pipeline gathering system, metering station and compression facilities maintenance and operations, or arrangements for third-party compression agreements as applicable; oil tank batteries and collection terminals and lease road maintenance; lease maintenance, pre-drilling title examination and title curatives, division order title commitments; royalty, overriding and working interest revenue distributions; regulatory compliance related to well permitting, completion, recompletion, plugging and abandonment, well spacing and unit configuration, pro-rationing orders and forced integration, as applicable, and environmental and site conditions; and oil, gas and condensate sales and marketing on behalf of the non-operators.

Pursuant to the Joint Operating Agreement, all costs and liabilities incurred by the operator under the Joint Operating Agreement for the benefit of the non-operator working interest owners is borne and paid pro rata among the working interest owners, and all equipment and materials acquired during operations and all oil, gas and condensate production revenue shall be owned pro rata on a working interest ownership basis.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to approval by the Shareholders. The SGM will be convened to seek approval from the Shareholders for the transactions contemplated under the Acquisition Agreement (including the Acquisition and the issue of the Loan Note and the Convertible Bonds). No Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM regarding the transactions contemplated under the Acquisition Agreement.

A circular containing, among other things, details of the Acquisition and the transactions contemplated under the Acquisition Agreement, financial information of the Group and the Target Group and the Assets, a technical report (which includes both technical evaluation and valuation) on the Assets as required under Chapter 18 of the Listing Rules, and the notice of the SGM will be despatched to Shareholders on or before 30 November 2012, as more time is required to prepare the technical report (which includes both technical evaluation and valuation) on the Assets and financial information of the Target Group and Assets to be included therein.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 September 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 11 October 2012.

The Directors are pleased to announce that, after trading hours of the Stock Exchange on 26 September 2012, the Purchaser (being the wholly-owned subsidiary of the Company), the Company (as the Purchaser's guarantor), the Vendor and Mr. Chan (as the Vendor's guarantor) entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Share, being all the issued share of the Target, and the Shareholder's Loan for a total consideration of US\$35.9 million (equivalent to approximately HK\$280.0 million).

In addition, the Purchaser will provide at or before Completion, the Completion Loan to the Target of up to a maximum amount of US\$29.1 million (equivalent to approximately HK\$227.0 million), to enable simultaneous completion of the Woodland Agreement and the Tempo Agreement on Completion.

The Target is the sole legal and beneficial owner of ONG, which entered into the Woodland Agreement with Woodland as of 14 May 2012 for the acquisition of ninety percent (90%) interest in the Assets from Woodland, which is in turn acquiring all interests in the Assets and related liabilities from Tempo under the Tempo Agreement. The Assets comprise certain oil, gas and mineral properties and other assets located in Archer, Coleman, Jack, Palo Pinto, Parker, Throckmorton and Young Counties, Texas, the U.S. Details of the Acquisition Agreement and the Assets are set out as follow.

A. THE ACQUISITION AGREEMENT

Parties

- (i) Speed Good Limited, as the Vendor;
- (ii) Advanced Grade Investments Limited, as the Purchaser;
- (iii) Mr. Chan, as the Vendor's guarantor; and
- (iv) the Company, as the Purchaser's guarantor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Mr. Chan and the Vendor, being an investment holding company wholly-owned by Mr. Chan, is a third party independent of the Company and its connected persons. Under the Acquisition Agreement, Mr. Chan and the Company shall guarantee the due performance of the Acquisition Agreement of the Vendor and the Purchaser respectively.

Assets to be acquired

The Sale Share represents all the issued share of the Target, which, through its wholly-owned subsidiary ONG, will hold ninety percent (90%) interest in the Assets upon completion of the Woodland Agreement and the Tempo Agreement. On the basis that the Acquisition Agreement, the Woodland Agreement and the Tempo Agreement will be completed at the same time, ONG (which will then be a wholly-owned subsidiary of the Company) will be entitled to ninety percent (90%) of the revenue from, and will be responsible for 90% of the operating expenses, capital expenditure and other costs and charges attributable to, the Assets. The Assets will be operated pursuant to the Joint Operating Agreement to be entered into at or before Completion by Woodland (which retains ten percent (10%) interest in the Assets) and ONG (as non-operators) and Woodland Operating LLC (doing business as WY Woodland Operating LLC, and wholly-owned by Woodland) (as operator).

Details of the Assets and the Joint Operating Agreement are set out in the section headed "Information on the Assets" below.

Consideration

The consideration of the Sale Share and the Shareholder's Loan is US\$35.9 million (equivalent to approximately HK\$280.0 million), which is to be satisfied at Completion in the following manner:

- (i) as to US\$20.7 million (equivalent to approximately HK\$161.5 million) by the issue of the Loan Note in the principal amount of US\$20.7 million (equivalent to approximately HK\$161.5 million) by the Company to the Vendor; and
- (ii) as to US\$15.2 million (equivalent to approximately HK\$118.6 million) by the issue of the Convertible Bonds by the Company to the Vendor.

The consideration of the Sale Share and the Shareholder's Loan was determined with reference to (i) ninety percent (90%) of the preliminary estimated potential values of proved reserves of condensate plus liquefied petroleum of 1.4 mmbbl and gas of 13.4 bcf and probable reserves of condensate plus liquefied petroleum of 0.9 mmbbl and gas of 7.8 bcf respectively in respect of the Assets amounting to approximately US\$72.5 million (equivalent to approximately HK\$565.5 million) as at 31 August 2012 as prepared by an independent competent evaluator in compliance with requirements of Chapter 18 of the Listing Rules; and (ii) the relevant operating experience and expertise of Woodland in the oil and gas industry in the U.S.. The aforesaid preliminary estimation of values was jointly prepared by Roma Oil & Mining Associates Limited and SRK Consulting (Australia). Further information regarding the valuation of the mineral resources in the Assets will be disclosed in the circular to be despatched to the Shareholders. The technical report (which includes both technical evaluation and valuation) jointly prepared by Roma Oil & Mining Associates Limited and SRK Consulting (Australia) to be included in the circular will be signed off by a competent person (as defined under the Listing Rules) with over 20 years' relevant experience. The aforesaid report and reserves estimation will be prepared in compliance with the 2007 Petroleum Resources Management System in accordance with Chapter 18 of the Listing Rules.

The Directors note that the consideration of the Sale Share and the Shareholder's Loan represents a premium of approximately 68.7% over ninety percent (90%) of the maximum Tempo Price. Given the existence of the Tempo Agreement and the Woodland Agreement, the Directors perceive that the most expedient way to secure an agreement to acquire interest in the Assets would be through the acquisition of the Sale Share and the Shareholder's Loan, instead of seeking to initiate direct negotiations with Tempo and/or Woodland to acquire the Assets which will likely entail either or both of those parties terminating the existing agreements. There is also no assurance that Tempo and/or Woodland would engage in direct negotiations with the Company or that they would not ask a considerably higher price than that agreed in the original agreements which were signed in April 2011 and May 2012 respectively. Therefore, the prices at which the Vendor or Woodland respectively secured the right to acquire interest in the Assets are not relevant to the Directors' assessment of whether or not, and the terms upon which, the Company should proceed with the Acquisition.

Principal terms of the Loan Note

The principal terms of the Loan Note are as follows:–

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| Principal amount: | US\$20.7 million (equivalent to approximately HK\$161.5 million) |
| Repayment: | The principal sum, together with the interest accrued, is to be repaid in full on the date falling on the 5th anniversary of the date of issue of the Loan Note. |
| | The Company may repay all or part of the principal amount (which is not less than US\$1.0 million (equivalent to approximately HK\$7.8 million) and in whole multiple of US\$1.0 million (equivalent to approximately HK\$7.8 million)) at any time before the maturity date of the Loan Note by giving not less than three (3) days' prior written notice to the Vendor. |

Interest: 7% per annum, accrued on a daily basis

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are as follows:–

Aggregate principal amount: US\$15.2 million (equivalent to approximately HK\$118.6 million)

Maturity The Convertible Bonds will mature on the day before the 3rd anniversary of the date of issue of the Convertible Bonds.

Interest: Nil

Conversion price: HK\$0.19 per Conversion Share, which is subject to adjustments for, among other matters, consolidation or reduction and sub-division or reclassification of new Shares, bonus issues, rights issues and other dilutive events, which are customary dilutive events usually appear in the convertible securities in the market.

The initial conversion price of the Convertible Bonds of HK\$0.19 per Conversion Share represents:

- (i) a discount of approximately 10.0% to the closing price of the Shares of HK\$0.211 per Share as quoted on the Last Trading Day;
- (ii) a discount of approximately 2.1% to the average of the closing prices of the Shares of HK\$0.194 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) the closing prices of the Shares of HK\$0.190 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 89.6% to the audited net asset value per Share attributable to equity shareholders of the Company as at 31 December 2011 of approximately HK\$1.822 per Share; and
- (v) a discount of approximately 87.4% to the unaudited net asset value per Share attributable to equity shareholders of the Company as at 30 June 2012 of approximately HK\$1.513 per Share.

| | |
|----------------------------|---|
| Redemption/Repurchase: | The Company or any of its subsidiary may at any time and from time to time repurchase the Convertible Bonds at any price as may be agreed in writing between the Company or such subsidiary and the relevant holder of the Convertible Bonds. |
| Transferability: | The Convertible Bonds or any part(s) thereof (in amount of US\$950,000 (equivalent to approximately HK\$7.4 million) or integral multiples thereof) may be assigned or transferred to any person, but may not be assigned or transferred to a connected person of the Company without the Company's prior written consent. |
| Conversion period: | Commencing on the 7th day after the issue of the Convertible Bonds and up to and including the date which is 7 days prior to the maturity date of the Convertible Bonds. |
| Conversion Shares: | Upon the full conversion of the Convertible Bonds at the initial conversion price of HK\$0.19 per Conversion Share, an aggregate of 624,000,000 Conversion Shares will be issued, representing approximately 20.1% of the issued share capital of the Company as at the date of the Acquisition Agreement; and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of the 624,000,000 Conversion Shares. |
| Restriction on conversion: | The holder(s) of the Convertible Bonds shall not exercise any conversion right attaching to the Convertible Bonds and the Company will not be obliged to issue any Conversion Share to such an extent that would (i) cause the issued Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to fall below the 25% or such other minimum percentage of the total issued share capital of a listed issuer as prescribed under the Listing Rules that must remain in public hands; or (ii) result in the aggregate voting rights in the Company held by it and parties acting in concert with it (as defined under the Takeovers Code) exceeding 29.9%, or if applicable, the maximum percentage (to one decimal place) of the issued Shares of the Company it could then acquire without being required to make a mandatory general offer for the Shares under the Takeovers Code. |
| Voting: | Holder(s) of the Convertible Bonds shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holders of the Convertible Bonds. |
| Exchange rate: | The HK\$ and US\$ exchange rate is HK\$7.8 = US\$1 for all purposes under the Convertible Bonds. |

Listing:

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bonds.

Status:

The obligations of the Company arising under the Convertible Bonds constitute general, unconditional, direct, unsecured and unsubordinated obligations of the Company and rank, and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

The terms of the Loan Note and the Convertible Bonds have been arrived at based on arm's length negotiations between parties to the Acquisition Agreement. The Directors consider that the terms of the Loan Note and the Convertible Bonds are fair and reasonable and the issue of the Loan Note and the Convertible Bonds is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon:

- (i) the due diligence investigation on the Target to be carried out to cover the assets, liabilities, financial position, business, operations and affairs and the structure of each of the Target and ONG, Woodland and Tempo and its business and the Assets having been completed to the satisfaction of the Purchaser in its sole discretion, acting reasonably;
- (ii) each of the warranties and representations contained in the Acquisition Agreement, the Woodland Agreement and the Tempo Agreement remaining true, complete and accurate in all material respects and not misleading;
- (iii) the Purchaser having obtained an independent competent person's report on the Assets (a) in form and substance satisfactory to the Purchaser, acting reasonably; (b) in compliance with Chapter 18 of the Listing Rules and issued by a competent person that satisfies Rules 18.21 and 18.22 of the Listing Rules; and (c) indicating aggregate "proved plus probable reserves ("2P") reserves" in respect of the Assets of not less than 2.3 mmbbl of condensate plus liquefied petroleum and 21.2 bcf of gas at reserve category of 2P;
- (iv) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares and all necessary approvals and consents for the issue of the Convertible Bonds and such Conversion Shares falling to be issued pursuant thereto having been obtained by the Company;

- (v) the passing by the Shareholders of resolution(s) to approve the transactions contemplated under the Acquisition Agreement (including but not limited to the issue of the Convertible Bonds and the Conversion Shares falling to be issued pursuant thereto) in accordance with the Listing Rules;
- (vi) the Purchaser having obtained a valuation report on the Assets (a) in form and substance satisfactory to the Purchaser, acting reasonably; (b) in compliance with Chapter 18 of the Listing Rules, and issued by a competent evaluator that satisfies Rules 18.21 to 18.23 of the Listing Rules; and (c) with a minimum valuation of US\$72.5 million (equivalent to approximately HK\$565.5 million);
- (vii) the Purchaser being satisfied that there has not been any material change up to Completion on the financial position, business or operations of any of the Target and ONG or any part of the Assets, liabilities and obligations to be assumed by ONG under the Woodland Agreement;
- (viii) the parties to the Tempo Agreement having entered into an agreement in form and substance satisfactory to the Vendor and the Purchaser, both acting reasonably, to extend the closing date specified in the Tempo Agreement to the Cut-off Date and to waive any right of each party may have to terminate the Tempo Agreement at any time before the Cut-off Date;
- (ix) the parties to the Woodland Agreement having entered into an agreement in form and substance satisfactory to the Purchaser, acting reasonably, (a) to extend the closing date specified in the Woodland Agreement to the Cut-off Date, (b) to waive any right of each party thereto may have to terminate the Woodland Agreement at any time before the Cut-off Date;
- (x) each of the Tempo Agreement and the Woodland Agreement remaining valid, subsisting and enforceable by and against the parties thereto in accordance its terms and having become unconditional, all documents to be delivered by the Vendor on Completion or necessary for the completion of the Tempo Agreement and the Woodland Agreement being in agreed form, the consideration payable by Woodland and ONG upon completion of the Tempo Agreement and the Woodland Agreement respectively having been agreed by the parties thereto and the Purchaser, and each party to the Acquisition Agreement, the Tempo Agreement and the Woodland Agreement having agreed in writing to complete the relevant agreement within the next 5 Business Days;
- (xi) an escrow account and escrow arrangement to the satisfaction of the Vendor and the Purchaser, both acting reasonably, having been set up to ensure the consideration to be paid by ONG under the Woodland Agreement will be applied towards the satisfaction of the consideration payable by Woodland under the Tempo Agreement;
- (xii) all necessary consents, licences and approvals for exploration, exploitation and sale of the Assets having been obtained; the oil and gas leases pertaining to the Assets being in full force and effect and all necessary permits, easements and other approvals to conduct current operations having been obtained; and
- (xiii) the receipt by the Purchaser of the loan agreement in respect of the Completion Loan duly signed by the Target and the conditions precedent to such loan agreement having been satisfied.

If the conditions above have not been fulfilled or waived by the Purchaser (as the case may be) on or before 29 March 2013 (or such other date as the Vendor and Purchaser may agree in writing), the Acquisition Agreement will terminate and the parties shall have no further claims against each other under the Acquisition Agreement for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims. The Purchaser has no intention to waive conditions (iv) and (v). None of the conditions may be waived by the Vendor.

Completion

Subject to all conditions (other than those waived) being fulfilled and completion of the Woodland Agreement and the Tempo Agreement at the same time, Completion is to take place on the date falling on the fifth Business Day after the fulfillment or waiver (as the case may be) of all conditions precedent.

Completion Loan

To provide funding for the completion of the Woodland Agreement and the Tempo Agreement at the same time as Completion, the Purchaser will provide and procure the provision of the Completion Loan to the Target of up to the maximum amount of US\$29.1 million (equivalent to approximately HK\$227.0 million), the principal terms of which are set out as follows:

| | |
|-------------------------|--|
| Lender: | The Purchaser |
| Borrower: | The Target |
| Principal amount: | Aggregate purchase price of the Assets payable by ONG to Woodland but not exceeding US\$29.1 million (equivalent to approximately HK\$227.0 million) |
| Interest: | Nil |
| Repayment: | Repayable on demand of the Purchaser |
| Security: | (If required) share charge over the entire issued share capital of ONG in favour of the Purchaser |
| Conditions to drawdown: | Customary conditions precedent, including but not limited to:– (i) all documents to be delivered by the Vendor on Completion or necessary for the completion of the Tempo Agreement and the Woodland Agreement being in agreed form, the consideration payable by Woodland and ONG upon completion of the Tempo Agreement and the Woodland Agreement having been agreed by the parties thereto and the Purchaser, and each party to the Acquisition Agreement, the Tempo Agreement and the Woodland Agreement having indicated readiness and willingness to complete the relevant agreement within 5 Business Days; |

- (ii) Woodland having given instructions to ONG that the payment direct to Tempo satisfies the payment obligation of the same amount by ONG to Woodland under the Woodland Agreement;
- (iii) Tempo having accepted that the payment from the Purchaser or its nominee satisfies the payment obligation of Woodland upon completion of the Tempo Agreement; and
- (iv) the Target (as chargor) having executed a share charge in respect of the entire issued share capital of ONG in favour of the Purchaser to secure the repayment of the Completion Loan.

Use of proceeds of the Completion Loan:

- (i) firstly, in and towards payment of the purchase price (adjusted according to the terms of the Tempo Agreement) payable by Woodland to Tempo pursuant to terms of the Tempo Agreement;
- (ii) secondly, in and towards payment of the purchase price (adjusted according to the terms of the Woodland Agreement and less US\$1 million (equivalent to approximately HK\$7.8 million) (being deposit paid by ONG to Woodland under the Woodland Agreement)), payable by ONG to Woodland pursuant to the terms of the Woodland Agreement; and
- (iii) thirdly, in and towards payment of the finder's fee of US\$2 million (equivalent to approximately HK\$15.6 million) payable by the Target to Treasure Zone Holdings Limited pursuant to the finder's fee agreement entered into between them.

Event of default:

Customary event of default and failure of completion of the Woodland Agreement and/or the Tempo Agreement

Covenants:

Customary negative pledge and information rights

B. INFORMATION ON THE ASSETS

General

In the U.S., oil, gas, coal and other mineral rights are private property rights owned by the owner of the surface estate unless those rights have been severed from the surface and sold under a separate chain of title. Oil and gas development projects typically begin with the acquisition of development rights through the process of leasing the oil and gas development rights for a primary term of years and a secondary term based on the continuation of conditions set forth in the lease.

The primary term of years typically ranges from a few months to several years. The secondary term extends the lease for an indefinite period upon the happening of certain events that normally includes: the continuous conduct of operations on the leasehold or lands pooled or unitised with the leasehold in search of or restoration of oil, gas and/or condensate production; the existence of a well that is capable of production; and, the payment of royalties or other revenue that extends the lease by mutual agreement of the parties. A well is typically deemed to be capable of production if production revenue from the well exceeds operating costs such that royalties are generated for the benefit of the lessors. Continuous operations are generally deemed to be conducted if there are actual operations on the leasehold or lands pooled or unitised with the leasehold and the drilling rig onsite is capable of reaching the depth of the target formation.

The oil and gas estate can be severed and divided in many ways, but commonly includes at least a royalty interest and a working interest. There can be any number of royalty owners and any number of working interest owners. Customary oil and gas field practice is to utilise the services of an experienced oil and gas title attorney to conduct a title review and issue a division order title opinion setting forth the division of interests and the allocation of costs, revenue and royalties among the royalty and working interest owners of the producing leaseholds.

The royalty interest is a cost and liability free interest normally retained by the owner of the surface estate as part of the compensation for leasing the oil and gas development rights. Overriding royalty interests are royalties reserved by working interest owners at the time of conveying a working interest.

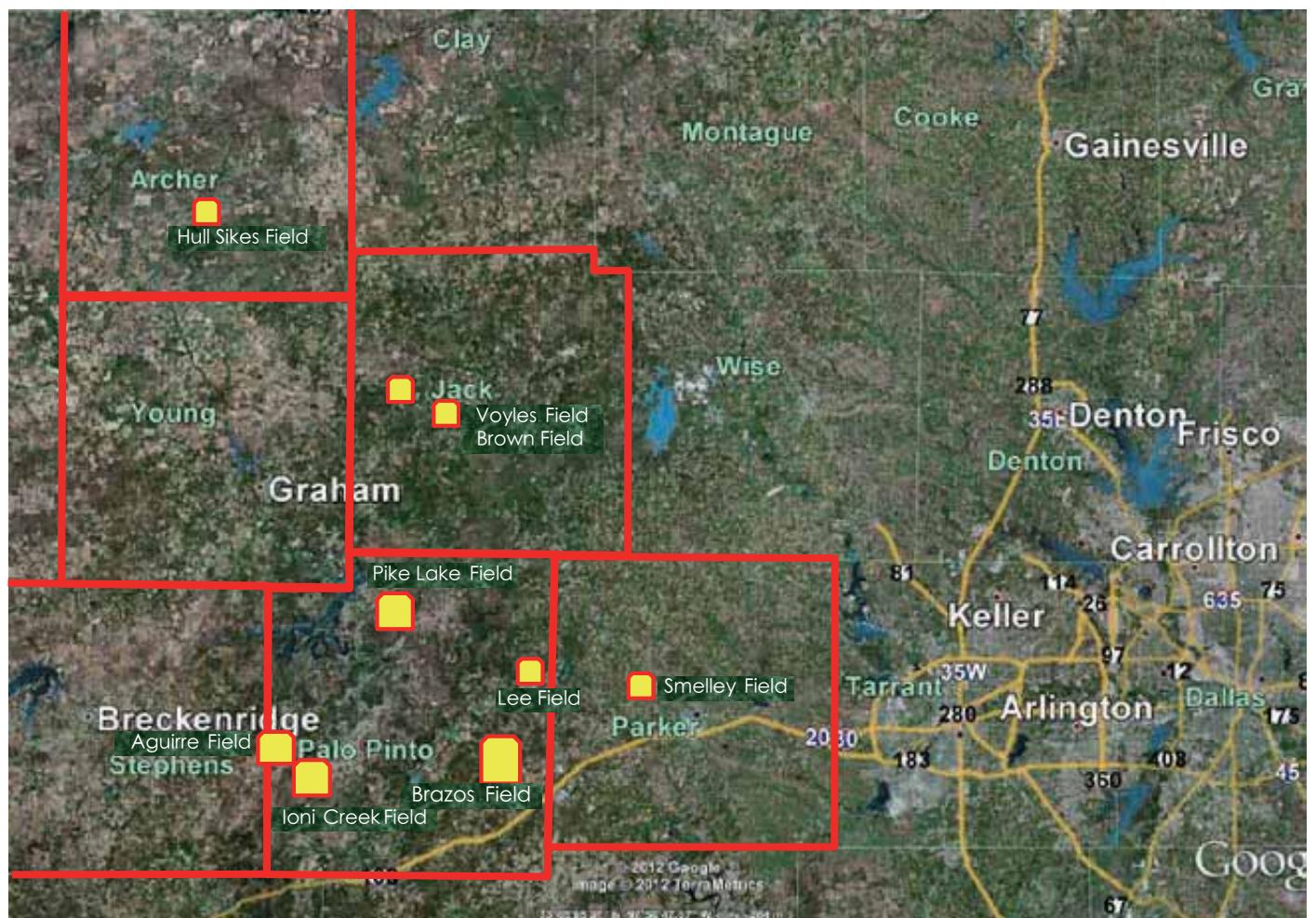
The working interest owners bear the cost and liability of developing the resource and receive the net benefit of production after deducting for costs and expenses of production and royalties to lessors and those persons holding overriding royalty interest in leases in the field or prospect being developed. Majority and minority working interest owners are co-tenants in the leasehold and have co-equal rights with respect to all operations, production and revenue on a ratable basis. Any working interest owner can propose operations to develop the leasehold resources and bears the cost of development ratably based on working interest ownership percentage. Typically the relationship between majority and minority working interest owners are governed by a joint operating agreement.

The exploration and development of oil and gas wells is a regulated activity. The United States Federal Government does not regulate most aspects of oil and gas development. Individual states have a state-level regulatory agency that regulates oil and gas development to protect human health and the environment, to assure the greater ultimate recovery of oil and gas, to prevent waste and to protect the correlative rights of all interested and affected parties. In Texas where the Assets are located, the applicable regulatory agency is the TRC.

To prevent waste, assure the greater ultimate recovery of oil and gas and protect correlative rights the TRC specifies certain rules, known as field pooling rules, relating to the number of wells that can be drilled into a common reservoir, the offset distance between wells, the number of acres that each well is deemed to drain of oil, gas and/or condensate, and rules for the process of drilling additional wells into the reservoir at later dates to maximise the recovery of hydrocarbons as set forth in a pro-rationing order issued by the TRC.

Summary of the Assets

The map below shows the location of the Assets in Texas, the U.S.:



The Assets had been acquired by Tempo over time since 2006. The Assets consist of oil and gas leases, portions of mineral rights owned in fee, wells, pipelines and other surface facilities and certain contracts rights including gas sales and marketing agreements. The Assets are situated in the prolific Fort Worth Basin, Texas, the U.S., covering (a) 20,847 gross acreage and 17,519 net acreage; and (b) oil, gas and/or condensate spreading over 368 Leases mainly located in the Palo Pinto County, the Young County, the Throckmorton County, the Coleman County, the Archer County and the Parker County (the “Areas”). Based on the geologic formations developed by the Assets wells, each oil well will support a 2 to 80 acre spacing unit and each natural gas well will support a 20 to 160 acre spacing unit. Each unit is governed by a TRC proration order describing the unit, the amount of acres being drained by the unit well and an orderly plan for the development of infield unit wells to assure complete and orderly development of the resource.

Tempo’s rights under the Leases are in certain cases subject to royalty interest of the owners of the surface estate of the leases on which the Assets wells are located, overriding royalty interest of third parties that provided services to enhance Assets value or previously owned a working interest and reserved an overriding royalty at the time of sale, and the working interest rights of other working interest owners under the Leases. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, such royalty and overriding royalty interest owners and other working interest owners are third parties independent of the Company and its connected persons.

Tempo’s interests in the Leases can be expressed in terms of “net acreage” (by reference to the area covered by the Leases) and “net revenue interest” (by reference to its share of production or sales proceeds generated from the Leases) as shown in the table below.

Tempo agreed to sell all its interest in the Assets under the Tempo Agreement to Woodland, which in turn agreed to sell ninety percent (90%) of such interest to ONG under the Woodland Agreement. Further information regarding these agreements is set out under section headed “The Woodland Agreement” and “The Tempo Agreement” below.

The following table lists a summary of the Leases as at the date of this announcement:

| Field | Gross acreage (Note 1) | Net acreage (Note 1) | Number of Leases | Number of wells | | Non- producing (Approx. %) | Net revenue interest (Note 2) | Condensate and LPG (mmbbl) | Net Reserve (Note 4) Gas (bcf) |
|---|------------------------------|----------------------------|---------------------|-----------------|-------------------|----------------------------------|--|----------------------------------|---|
| | | | | Producing | Non- producing | | | | |
| | | | | (Note 2) | (Approx. %) | | | | |
| Brazos/Vortt Gas Field, Palo Pinto County | 8,758 | 7,397 | 206 | 41 | 11 | 55-90 | 1.4440 | 14.6600 | |
| Pike Lake Field, Palo Pinto County | 2,521 | 2,521 | 5 | 16 | 1 | 80 | 0.2400 | 1.8800 | |
| Ioni Creek Field, Palo Pinto County | 1,440 | 1,440 | 12 | 19 | 11 | 74-77 | 0.1000 | 0.7400 | |
| Aguirre (north Ioni Creek) Field, Palo Pinto County | 1,020 | 1,020 | 2 | 5 | 3 | 77 | 0.1900 | 1.3400 | |
| Hull Sikes (Cowan-McKinney) Field, Archer County | 893 | 777 | 5 | 3 | 4 | 71-77 | 0.0100 | - | |
| Voyles Field, Jack County | 494 | 494 | 1 | - | 1 | 78 | 0.0100 | - | |
| Brown Field, Jack County | 160 | 160 | 1 | 1 | - | 77 | 0.0004 | 0.0042 | |
| Smalley Field, Parker County | 117 | 52 | 1 | 1 | - | 37 | 0.0100 | 0.0800 | |
| Lee Field, Palo Pinto County | 100 | 100 | 1 | 1 | - | 77 | 0.0100 | 0.0700 | |
| Others (Note 3) | 5,344 | 3,558 | 134 | 85 | 23 | 39.5- | 0.2945 | 2.4320 | |
| | | | | | | 81.25 | | | |
| Total | <u>20,847</u> | <u>17,519</u> | <u>368</u> | <u>172</u> | <u>54</u> | | <u>2.3089</u> | <u>21.2062</u> | |

Notes:

- (1) Gross acreage is the total amount of acreage under lease in the contract area. Net acreage represents that portion of the gross acreage owned by Tempo in the contract area. Net acreage is an oil and gas industry term-of-art to describe the subset of a whole lease owned by one of several parties in the contract area. When converted into a percentage of the gross acreage, the amount of net acreage equals the cost and liability bearing portion of the lease, also known as the working interest. The difference between gross acreage and Tempo's net acreage represents the amount of working interest owned by unrelated third parties.
- (2) The net revenue interest is the portion of production or sales proceeds remaining after deducting the share payable to royalty interests and any overriding royalty interests, and is allocated among the working interest owners on a proportionate basis.
- (3) Others in the above table mainly represent (a) the Barnett Shale gas covering 13,469 gross acreage and 11,520 net acreage; and (b) oil, gas and/or condensate, spreading over 134 Leases mainly located in the Young County and the Palo Pinto County.
- (4) The reserve is based on preliminary estimated potential values of proved plus probable reserves as prepared by an independent competent evaluator.
- (5) The Assets also include 12 non-producing wells with the Leases expired, details of which are not shown in the above table.

The Assets consist of a total of 226 existing wells and 170 future drilling locations and 12 possible recompletion opportunities. Of the 226 existing wells, 172 wells are currently producing marketable quantities of oil, gas and/or condensate, 41 wells are uneconomic to produce and are currently shut-in, 5 wells that had been capable of oil production have been converted to brine injection well, 1 well recently drilled is awaiting completion operations and 7 wells drilled for hydrocarbon storage are currently being produced to deplete the storage zone as at the date of this announcement.

The 226 wells are located in 6 counties in north Texas as follows: 3 producing wells, 3 shut-in wells and 1 brine disposal well in Archer County; 69 producing wells, 3 shut-in wells and 3 brine disposal wells in Coleman County; 1 producing well and 1 shut-in well in Jack County; 89 producing wells, 18 shut-in wells, 1 well drilled and waiting on completion, 1 brine disposal well and 7 wells drilled for hydrocarbon storage that is currently producing to deplete the storage zone are located in Palo Pinto County; 1 producing well is located in Parker County; and 9 producing wells and 16 shut-in wells are located in Young County, Texas.

There are also 36 proven recompletion opportunities in the existing wells as at the date of this announcement. Recompletion opportunities can be performed on wells that previously produced oil, gas and/or condensate to complete the well in another geologic interval by performing a well perforation operation and possibly conducting a stimulation treatment such as hydraulic fracturing to enhance production from a new target formation.

A ‘shut-in’ well is a well that is capable of producing oil, gas and/or condensate but is not currently in production. Wells may be shut-in for a variety of reasons, the most typical reasons include: the lack of pipelines and surface facilities such as a tank battery or compression, processing and treatment facilities; additional completion operations such as hydraulic fracture stimulation that would enhance greater ultimate production; water in the wellbore that requires extraction; the likelihood of future operations to a new depth, interval or target formation. Wells can also be ‘shut-in’ during periods of bad weather; low demand for oil, gas and/or condensate; lack of transportation and markets; and, low commodity prices that make producing the well uneconomic based on market conditions.

Brine injection wells are used for the onsite disposal of production water that is recovered with the oil, gas and condensate during production operations. Production water is hyper saline and often contains varying amounts of heavy metals and potentially low grade radioactive elements. Onsite disposal into a brine injection well is an environmentally safe and acceptable low cost disposal option and a meaningful use of a pre-existing well. Brine injection wells are subject to federal, state and local laws, rules and regulations.

Wells that are not capable of production are wells that are not able to produce oil, gas and/or condensate in “paying quantities.” Paying quantities is most commonly defined as the ability of a well to produce hydrocarbons in quantities where gross revenue from production is greater than production costs such that royalties are generated for the benefit of the lessor. A well does not have to be capable of recovering the full capital costs of drilling, equipment, completion and the construction of surface facilities such as pipelines, tank batteries, and/or compression, treatment and processing facilities.

Of the 170 identified future drilling locations, 104 locations have been identified to exploit proved undeveloped resources, including 8 locations that have been identified with at least 2 stacked pay zones, 58 locations have been identified as probable but unproved locations and 8 possible unproved locations have also been identified as at the date of this announcement.

A stacked pay zone is a unique geologic circumstance where multiple target formations capable of producing commercially viable quantities of oil, gas and/or condensate from a single wellbore completed in the multiple geologic intervals. Stacked pay zones increase the profitability of a well by increasing the number of producing intervals open to a well bore while reducing the total footage of drilled formation and installed surface, conductor and production casing.

The Assets also include the oil, gas and condensate development rights to 20,847 gross acres and 17,519 net acres of oil and gas leasehold rights or ownership of a severed mineral estate that includes oil, gas and condensate production rights and the right to enter upon the property to conduct oil, gas and condensate extraction activities. Of the 20,847 gross and 17,519 net acres, 13,469 gross acres and 11,520 net acres also include shale gas development rights to the Barnett Shale.

The leasehold or fee ownership mineral rights are held predominantly in Palo Pinto County with additional acreage in Jack, Parker, Archer, Young and Coleman counties in north Texas.

Most of the wells target oil, gas and condensate production from the Strawn/Conglomerate zones at intervals ranging between 2,000 feet to 4,500 feet below surface. In Coleman County there is a near surface oil bearing zone known as the Cook Sand zone at a depth of approximately 400 feet below surface that is capable of commercial production.

The Barnett Shale is known to underlie a significant portion of the leased acreage, including the acreage currently held by production and the remaining term leases. The Barnett Shale is a secondary target formation for future shale gas production potential.

Joint Operating Agreement

On Completion, the operator (being Woodland Operating LLC, a Wyoming limited liability company authorised to conduct business in Texas, doing business as WY Woodland Operating LLC and a wholly-owned subsidiary of Woodland) and the non-operators (being Woodland and ONG) will enter into the Joint Operating Agreement pursuant to which the operator will conduct, direct and have full control of all operations including but not limited to: drilling, equipment and completion operations on existing wells and all new wells proposed within the contract area defined in the Joint Operating Agreement; recompletions and work-over operations; secondary and tertiary recovery operations, if applicable; post-production enhancement of oil, gas and condensate; pipeline gathering system, metering station and compression facilities maintenance and operations, or arrangements for third-party compression agreements as applicable; oil tank batteries and collection terminals and lease road maintenance; lease maintenance, pre-drilling title examination and title curatives, division order title commitments; royalty, overriding and working interest revenue distributions; regulatory compliance related to well permitting, completion, recompletion, plugging and abandonment, well spacing and unit configuration, pro-rationing orders and forced integration, as applicable, and environmental and site conditions; and oil, gas and condensate sales and marketing on behalf of the non-operators.

Pursuant to the Joint Operating Agreement, all costs and liabilities incurred by the operator under the Joint Operating Agreement for the benefit of the non-operator working interest owners is borne and paid pro rata among the working interest owners, and all equipment and materials acquired during operations and all oil, gas and condensate production revenue shall be owned pro rata on a working interest ownership basis.

The Joint Operating Agreement preserves the co-equal ownership of the leasehold rights between majority and minority working interest owners. The Joint Operating Agreement contemplates that any working interest owner can propose a new well or maintenance operation on an existing well. If a working interest owner does not participate in the costs of conducting the operation, defined in the Joint Operating Agreement as a non-participating owner, the participating owner can proceed with the proposed operation, regardless of minority or majority working interest owner status. The participating working interest owner recoups out of the first production revenue generated by the well, its share of production costs, and, the non-participating working interest owner's share of production costs, and an additional 400% of the non-participating working interest owner's share of production costs. The participating working interest owner's right to receive its own share of production revenue and production revenue equal to 500% of the non-participating working interest owner's share of production costs is a financial incentive to conduct the operation and functions as a financial disincentive to refuse participation by either the majority or the minority working interest owners. After the participating working interest owner has recouped all of the costs of the operation and an additional 400% of those costs, future revenue from the well is disbursed on a pro rata working interest ownership basis.

It is customary in United States oil and gas field practice for the majority of the working interest owners to appoint the operator as specifically provided for the in industry standard AAPL Model Form 610 Joint Operating Agreement. The Joint Operating Agreement is based on the industry standard form. WY Woodland Operating, LLC is a sophisticated and competent operator with experience conducting oil and gas field operations in Texas and is familiar with the Assets, the regional and field specific geology, area specific operating practices, applicable federal, state and local laws, rules and regulations relating to the conduct of oil and gas field operations and the availability of markets in which it can market and sell oil, gas and condensate.

Pursuant to the Joint Operating Agreement, ONG may elect to replace the operator without cause and appoint a successor operator, including itself or a related entity, and in doing so assume full and complete operating responsibilities three years after the effective date of Completion.

Infrastructure

The infrastructure consists of pipeline gathering systems, metered and connected to regional natural gas sales lines. The oil is gathered through pipelines and stored in tank batteries.

Financial overview

Set out below is the unaudited financial information of the Assets and related liabilities prepared in accordance with International Financial Reporting Standards for the two years ended 31 December 2011.

| | For the year ended 31 December | | | |
|--|---------------------------------------|----------------------|----------------------|----------------------|
| | 2010 | 2011 | 2010 | 2011 |
| | <i>US\$' million</i> | <i>US\$' million</i> | <i>HK\$' million</i> | <i>HK\$' million</i> |
| Net profit before taxation and extraordinary items | 2.5 | 1.3 | 19.5 | 10.1 |
| Net profit after taxation and extraordinary items | 2.5 | 1.3 | 19.5 | 10.1 |

The unaudited net asset value attributable to the Assets amounted to approximately US\$18.0 million (equivalent to approximately HK\$140.4 million) as at 31 December 2011.

C. REASONS FOR THE ACQUISITION

The Group is principally engaged in the sourcing and trading of non ferrous metals, trading of petroleum related products, and petroleum exploration and production with its focus in the Mendoza oil project in Argentina. It is the Company's stated vision to become one of Asia's leading operators in the oil and gas industry by investing in oil and gas projects with good potentials and building a strong operation and management team to support its exploration, production and development work for our oilfield projects so as to maximize its value and to provide long-term and sustainable returns to the Shareholders.

As set out in the interim report of the Company for the six months ended 30 June 2012 under the section headed "1.1 Further development plan", the Group has continued to seek for opportunities on oil and gas exploration and production business and the Group is focused on the oil and gas field with stable production base, with proven reserve, with certain development opportunities, in those industrial-advanced countries, such as the U.S. The transactions contemplated under the Acquisition Agreement are therefore in line with the development plan of the Group.

Having taken into account that (i) the Acquisition, which is in line with the development plan of the Group, will enhance the Company's position in the petroleum exploration and exploitation business; (ii) the Acquisition will bring access to the petroleum market in the U.S.; and (iii) the income stream can be broadened, the Directors are of the view the terms of the Acquisition and the provision of the Completion Loan are fair and reasonable, and the Acquisition and the provision of the Completion Loan are in the interests of the Company and the Shareholders as a whole.

D. EFFECT ON SHAREHOLDING OF THE COMPANY

The following chart depicts the effects of the Acquisition and the conversion of the Convertible Bonds in full at the initial conversion price of HK\$0.19 per Conversion Share on the shareholding structure of the Company, assuming there being no other change in share capital and/or shareholding structure of the Company from the date of this announcement up to the date of conversion of the Convertible Bonds in full:

| | As at the date of this announcement | | Upon Completion and conversion in full of the Convertible Bonds | |
|---|-------------------------------------|------------|---|------------|
| | Number of Shares | Approx. % | Number of Shares | Approx. % |
| City Wise Investment Limited (<i>Note 1</i>) | 398,232,975 | 12.8 | 398,232,975 | 10.7 |
| City Smart International Investment Limited (<i>Note 2</i>) | 7,466,856 | 0.2 | 7,466,856 | 0.2 |
| The Vendor | – | – | 624,000,000 | 16.7 |
| Other public Shareholders | 2,699,177,757 | 87.0 | 2,699,177,757 | 72.4 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | <u>3,104,877,588</u> | <u>100</u> | <u>3,728,877,588</u> | <u>100</u> |

Notes:

1. City Wise Investment Limited is wholly-owned by South America Petroleum Investment Holdings Limited, a company beneficially wholly-owned by Mr. Wu Shaozhang.
2. City Smart International Investment Limited is a company beneficially wholly-owned by Mr. Wu Shaozhang.

E. INFORMATION ON THE TARGET AND ONG

The Target was incorporated in BVI and is wholly-owned by the Vendor as at the date of this announcement. The principal business of the Target is investment holding. Save as holding the entire interest in ONG, the Target does not have any other investment or operations.

ONG is an investment holding company incorporated in Texas, the U.S. and is wholly-owned by the Target. Save for the entering into of the Woodland Agreement, ONG does not have any other investment or operations.

Set out below is the unaudited consolidated financial information of the Target Group prepared in accordance with International Financial Reporting Standards for the period from 26 August 2011 (the date of incorporation) to 31 July 2012:

| | For the period from 26 August 2011 to 31 July 2012 | equivalent to approximately |
|--------------------------|---|--|
| | <i>US\$' million</i> | <i>HK\$' million</i> |
| Net loss before taxation | 0.1 | 0.8 |
| Net loss after taxation | 0.1 | 0.8 |

The unaudited net asset value attributable to the Target Group amounted to US\$1.0 million (equivalent to approximately HK\$7.8 million) as at 31 July 2012.

The Woodland Agreement

As of 14 May 2012, ONG and Woodland entered into the Woodland Agreement (as amended by the first amendment effective as of 26 September 2012), pursuant to which Woodland conditionally agreed to sell and ONG conditionally agreed to purchase 90% interest in the Assets and net revenue from the production accrued to Woodland's interests under the Tempo Agreement between 1 March 2011 and Woodland Closing for the consideration equivalent to the Tempo Price (subject to adjustments) plus a premium equivalent to 15% of the Tempo Price. The Tempo Price shall not in any event exceed US\$23.65 million (equivalent to approximately HK\$184.47 million). As at the date of this announcement, a deposit of US\$1.0 million (equivalent to approximately HK\$7.8 million) was paid to Woodland, which, in the event that the Woodland Agreement is terminated in accordance with the terms of Woodland Agreement, is to be immediately refunded to ONG together with interest accrued. Completion of the Woodland Agreement is subject to the fulfillment of the following conditions:

(a) in respect of ONG:

- (i) at the Woodland Closing, no suit, action or other proceeding pending before any court of governmental agency which attempts to prevent the occurrence of the transactions contemplated under the Woodland Agreement;
- (ii) all representations and warranties of Woodland contained in the Woodland Agreement being true and accurate in all material respects and not misleading at all times until the Woodland Closing as if such representations and warranties were made as of the date of Woodland Closing and Woodland having performed and satisfied in all material respects all covenants and fulfilled all conditions required by the Woodland Agreement to be performed and satisfied by Woodland at or prior to the Woodland Closing;

- (iii) a final, non-appealable judgement of a Texas state court or Federal court of proper jurisdiction declaring that the prior agreements entered into by Woodland and other third parties are terminated and of no force and effect having been obtained on or before the date of Woodland Closing;
- (iv) at the Woodland Closing, the Tempo Agreement having been amended by written agreement of Tempo and Woodland such that the Tempo Price specified in the Tempo Agreement shall not exceed the sum of US\$23.65 million (equivalent to approximately HK\$184.47 million); and
- (v) ONG having been reasonably satisfied with the results of such enquiries, investigations and due diligence reviews of the Assets conducted by Woodland or any of its officers, employees, agents, professional advisers or other agents as Woodland in its discretion deems necessary, desirable or appropriate to undertake before the date of Woodland Closing, with ONG's satisfaction with the aforesaid due diligence to be deemed to exist unless ONG notifies Woodland no later than fifteen (15) days prior to the date of Woodland Closing of ONG's dissatisfaction with the due diligence.

(b) in respect of Woodland:

- (i) at the Woodland Closing, no suit, action or other proceeding pending before any court or governmental agency which attempts to prevent the occurrence of the transactions contemplated under the Woodland Agreement; and
- (ii) all representations and warranties of Woodland contained in the Woodland Agreement being true and accurate in all material respects and not misleading at all times until the Woodland Closing as if such representations and warranties were made as of the date of Woodland Closing and Woodland having performed and satisfied in all material respects all covenants and fulfilled all conditions required by the Woodland Agreement to be performed and satisfied by Woodland at or prior to the Woodland Closing.

The Woodland Agreement may be terminated by either party if, among other things, the Woodland Closing does not occur by 31 December 2012. As at the date of this announcement, condition (iii) in respect of ONG on the above has been fulfilled.

The Tempo Agreement

The subject Assets to be acquired by ONG from Woodland under the Woodland Agreement comprise certain oil, gas and mineral properties and other assets to be acquired from Tempo under the Tempo Agreement.

As of 1 April 2011, Tempo and Woodland entered into the Tempo Agreement, pursuant to which Tempo conditionally agreed to sell and Woodland conditionally agreed to purchase all Tempo's interest in the Assets for the consideration of US\$23.0 million (equivalent to approximately HK\$179.4 million) (i.e. Tempo Price), which is subject to the upward and downward adjustments.

Adjustments to Tempo Price:

Assuming closing of the Tempo Agreement, the profits and losses of the Assets from 7:00 a.m. on 1 March 2011 (“Effective Time”) onwards will be enjoyed or borne by Woodland. The Tempo Price will be adjusted as follows:-

- (a) the Tempo Price will be adjusted upwards by value of merchantable production held on the Effective Time, operating costs and capital expenditures paid by or on behalf of Tempo after the Effective Time but before closing of the Tempo Agreement, outstanding non-delinquent accounts receivable, taxes paid by Tempo or allocable to Tempo’s interest in the Assets after the Effective Time and value imbalances of natural gas owed by third parties to Tempo prior to the Effective Time;
- (b) the Tempo Price will be adjusted downwards by any proceeds from the sale of production received by Tempo after Effective Time, unpaid operating costs and capital expenditures owed by Tempo before the Effective Time, unpaid taxes assessed against Tempo’s interest in the Assets for periods before the Effective Time, value of imbalances of natural gas owed by Tempo to third parties as of the Effective Time;
- (c) the Tempo Price will be adjusted downwards for interests to be excluded from the transaction contemplated under the Tempo Agreement due to the exercise of preferential rights by other holders of the working interests in the Assets, or for a reduction in value of the Assets in excess of fifteen percent (15%) of the base Tempo Price resulting from the occurrence of volcanic eruptions, acts of god, terrorist action, fire, explosion, earthquake, wind, storm, flood, drought, condemnation, exercise of any right of eminent domain, confiscation and/or seizure.

If Woodland notifies Tempo of a title defect or an adverse environmental condition within the prescribed timeframe and such defect is not remedied by the prescribed deadline, Tempo may at its option either refund the reduction in value of the affected Assets resulting from the relevant defect, or refund the allocated value to the affected Assets in exchange for Woodland’s re-assignment of the affected Assets to Tempo as of the Effective Time. Pursuant to the Joint Operating Agreement, any refunds from Tempo under the Tempo Agreement will be held in a jointly controlled suspense account to re-invest in the Assets.

Conditions to the Tempo Agreement

Completion of the Tempo Agreement is subject to the fulfillment of the following conditions:

(a) in respect of Woodland:

- (i) at the Tempo Closing, no suit, action or other proceeding pending before any court of governmental agency which attempts to prevent the occurrence of the transactions contemplated under the Tempo Agreement; and
- (ii) all representations and warranties of Woodland contained in the Tempo Agreement being true and accurate in all material respects and not misleading at all times until the Tempo Closing as if such representations and warranties were made as of the Tempo Closing Date and Woodland having performed and satisfied in all material respects all covenants and fulfilled all conditions required by the Tempo Agreement to be performed and satisfied by Woodland at or prior to the Tempo Closing.

(b) in respect of Tempo

- (i) at the Tempo Closing, no suit, action or other proceeding pending before any court of governmental agency which attempts to prevent the occurrence of the transactions contemplated under the Tempo Agreement; and
- (ii) all representations and warranties of Tempo contained in the Tempo Agreement being true and accurate in all material respects and not misleading at all times until the Tempo Closing as if such representations and warranties were made as of the date of Tempo Closing and Tempo having performed and satisfied in all material respects all covenants and fulfilled all conditions required by the Tempo Agreement to be performed and satisfied by Tempo at or prior to the Tempo Closing.

Tempo or Woodland may also elect to terminate the Tempo Agreement if, among other things, (i) the Tempo Closing does not occur; (ii) prior to Tempo Closing, a casualty occurs which results in a reduction in the value of the Assets in excess of fifteen percent (15%) of the Tempo Price. Tempo may also terminate the Tempo Agreement in the event that the aggregate of the value relating to the environmental defects and title defect values exceed twenty percent (20%) of the Tempo Price.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Woodland is an investment holding company and Woodland and its ultimate beneficial shareholders are third parties independent of the Company and its connected persons.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Tempo is an investment holding company and Tempo and its ultimate beneficial shareholders are third parties independent of the Company and its connected persons.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for the contractual relationship under the Tempo Agreement, Tempo and Woodland do not have any other relationship.

G. LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to approval by the Shareholders. The SGM will be convened to seek approval from the Shareholders for the transactions contemplated under the Acquisition Agreement (including the Acquisition and the issue of the Loan Note and the Convertible Bonds). No Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM regarding the transactions contemplated under the Acquisition Agreement.

A circular containing, among other things, details of the Acquisition and the transactions contemplated under the Acquisition Agreement, financial information of the Group and the Target Group and the Assets, a technical report (which includes both technical evaluation and valuation) on the Assets as required under Chapter 18 of the Listing Rules, and the notice of the SGM will be despatched to Shareholders on or before 30 November 2012, as more time is required to prepare the technical report (which includes both technical evaluation and valuation) on the Assets and financial information of the Target Group and Assets to be included therein.

H. GENERAL

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 27 September 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 11 October 2012.

I. DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

| | |
|-------------------------|---|
| “Acquisition” | the acquisition of the Sale Share and Shareholder’s Loan pursuant to the Acquisition Agreement |
| “Acquisition Agreement” | the agreement dated 26 September 2012 entered into between the Company and the Vendor in relation to the Acquisition |
| “Assets” | the oil, gas and mineral properties and other assets to be acquired by Woodland under the Tempo Agreement, information relating to which is included in the section headed “Information on the Assets” in this announcement |
| “Board” | the board of Directors |

| | |
|-----------------------------|--|
| “Business Day(s)” | mean any day (excluding a Saturday, Sunday and other public holidays) on which banks in Hong Kong are generally open for business throughout their normal business hours |
| “BVI” | the British Virgin Islands |
| “Company” | EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 689) |
| “Completion” | completion of the Acquisition Agreement |
| “Completion Loan” | the loan to be advanced by the Company to the Target to enable the simultaneous completion of the Woodland Agreement and the Tempo Agreement on Completion |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Convertible Bonds” | the convertible bonds in the principal amount of US\$15.2 million (equivalent to approximately HK\$118.6 million) to be issued by the Company to the Vendor or its nominee on Completion |
| “Conversion Share(s)” | the new Share(s) which to be issued to the holder(s) of the Convertible Bonds upon exercise of the conversion rights attached to the Convertible Bonds |
| “Cut-off Date” | 31 December 2012, or such other date the parties to the Acquisition Agreement may agree |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Joint Operating Agreement” | the joint operating agreement to be entered into between Woodland Operating, LLC (as operator) and Woodland and ONG (as non-operators) in respect of the operation of the Assets |
| “Last Trading Day” | 26 September 2012, being the last full trading day of the Shares on the Stock Exchange before the release of this announcement |

| | |
|----------------------|--|
| “Leases” | all the oil, gas and mineral leases located in the Areas (as defined in the section headed “Information on the Assets”) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Note” | the loan note in the principal amount of US\$20.7 million (equivalent to approximately HK\$161.5 million) to be issued by the Company in favour of the Vendor at Completion as part satisfaction of the consideration of the Acquisition |
| “LPG” | liquefied petroleum gas |
| “Mr. Chan” | Mr. Chan Chung Yin Victor |
| “ONG” | ONG Venture Limited, LLC, a Texas limited liability company and a wholly-owned subsidiary of the Target |
| “Purchaser” | Advanced Grade Investments Limited, a company incorporated in the BVI, a wholly-owned subsidiary of the Company |
| “Sale Share” | one ordinary share with a nominal value of US\$1.00 in the Target representing all the issued share of the Target |
| “SGM” | the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the transactions contemplated under the Acquisition Agreement (including the Acquisition and the issue of the Loan Note and the Convertible Bonds) |
| “Shares” | the ordinary share(s) of HK\$0.1 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of Shares |
| “Shareholder’s Loan” | the principal amount of the shareholder’s loan outstanding and owing as at Completion by the Target to the Vendor which shall not be less than US\$1.0 million (approximately HK\$7.8 million) and non-interest bearing and repayable on demand |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |

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|----------------------|---|
| “Target” | Current Wealthy Ltd, a company incorporated in the BVI with limited liability and beneficially owned by the Vendor as at the date of this announcement |
| “Target Group” | the Target and ONG |
| “Tempo” | Tempo Resources, Ltd., a Texas limited partnership and the owner of the Assets as at the date of this announcement |
| “Tempo Agreement” | the purchase and sale agreement dated 1 April 2011 entered into between Tempo (as seller) and Woodland (as buyer) in relation to the sale and purchase of all Tempo’s interests in the Assets |
| “Tempo Closing” | the closing of the Tempo Agreement |
| “Tempo Price” | the base purchase price of US\$23.0 million (equivalent to approximately HK\$179.4 million) as agreed under the Tempo Agreement and subject to the adjustments prior to the Tempo Closing |
| “TRC” | Texas Railroad Commission |
| “U.S.” | the United States of America |
| “Vendor” | Speed Good Limited, a company incorporated in the BVI |
| “Woodland” | Woodland Resources LLC, a Wyoming limited liability company |
| “Woodland Agreement” | the sale and purchase agreement dated 14 May 2012 (as amended by the first amendment effective as of 26 September 2012) entered into between Woodland (as seller) and ONG (as buyer) in respect of the sale and purchase of the undivided ninety percent (90%) of Woodland’s interest in the Assets |
| “Woodland Closing” | the closing of Woodland Agreement |
| “bcf” | billion cubic feet |
| “btu” | British thermal units |

“mmbbl”

million barrels

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“US\$”

United States dollars, the lawful currency of the U.S.

By order of the Board

EPI (Holdings) Limited

Chu Kwok Chi Robert

Executive Director & CEO

Hong Kong, 10 October 2012

For illustration purposes, all amounts denominated in US\$ in this announcement has been translated into HK\$ at the exchange rate of US\$1=HK\$7.8, and they do not form any representations or guarantees of any person that the aforesaid currency could be, have been, or will be converted into the other currency at the exchange rate used in this announcement.

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Chu Kwok Chi, Robert and Mr. Hong Kin Choy and three independent non-executive Directors, namely Mr. Cheung Yuk Ming, Mr. Qian Zhi Hui, and Mr. Zhu Tiansheng.