

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

**VERY SUBSTANTIAL ACQUISITION
PARTICIPATION IN THE BIDDING PROCESS FOR
THE CHAÑARES CONCESSION**

INTRODUCTION

References are made to Announcements in relation to the recent development relating to the Group's petroleum exploration and production business in the Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina. After due evaluation of the data and information relating to the Chañares Concession (which the CHE Concession area forms part), the Company intends, through the Company's indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process. The minimum and maximum amounts of the Bid under the Bidding Process are US\$25 million (approximately HK\$195 million) and US\$45 million (approximately HK\$351 million), respectively.

THE CHAÑARES CONCESSION

The Chañares Concession, being the 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 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.

* For identification purpose only

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 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 Competent Person's Report and the Valuation Report in respect of the Chañares Concession, both in compliance with the requirements of Chapter 18 of the Listing Rules; (iii) the notice of SGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 2 March 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 transaction contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

1. INTRODUCTION

References are made to the Announcements in relation to the recent development relating to the Group's petroleum exploration and production business in the Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina. After due evaluation of the data and information relating to the Chañares Concession (which the CHE Concession area forms part), the Company intends, through the Company's indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process.

2. THE BID

Set out below are the principal terms of the Bid:

2.1 Bid submission date

Bid submission date: 18 March 2020 (Argentina time) (or such later date as may be determined by the Hydrocarbons Department of Mendoza Province)

2.2 The target assets

The Chañares Concession, being the 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 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.

2.3 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 million); (ii) capital investment commitment (the “**Capital Investment Commitment**”), which is US\$20 million (approximately HK\$156 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) $1.5 \times (\text{intended Upfront Payment} / \text{minimum Upfront Payment of US\$5 million (approximately HK\$39 million)}) +$
- (b) $1.3 \times (\text{intended Royalty \%} / \text{minimum Royalty \% of 12\%}) +$
- (c) $1.1 \times (\text{intended Capital Investment Commitment} / \text{minimum Capital Investment Commitment of US\$20 million (approximately HK\$156 million)})$.

Based on the above, the minimum amount of the Bid under the Bidding Process will be US\$25 million (approximately HK\$195 million), which comprises the minimum Upfront Payment and Capital Investment Commitment. Meanwhile, it is intended that the maximum amount of the Bid under the Bidding Process will be US\$45 million (approximately HK\$351 million). Accordingly, the amount of the Bid will be in the region from US\$25 million (approximately HK\$195 million) to US\$45 million (approximately HK\$351 million).

The minimum amount of the Bid of US\$25 million (approximately HK\$195 million) is the sum of the minimum Upfront Payment of US\$5 million (approximately HK\$39 million) and minimum Capital Investment Commitment of US\$20 million (approximately HK\$156 million). The maximum amount of the Bid of US\$45 million (approximately HK\$351 million) is the sum of the maximum intended Upfront Payment of approximately US\$12.7 million (approximately HK\$99.1 million) and the Capital Investment Commitment of approximately US\$32.3 million (approximately HK\$251.9 million), and is calculated with reference to factors including:

- (i) the maximum amount of Capital Investment Commitment of approximately US\$32.3 million (approximately HK\$251.9 million) determined in accordance with 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**”) as set out in more details in the Competent Person’s Report to be contained in the Circular;

- (ii) the valuation of the Chañares Concession as indicated by GCA, the Competent Person, of approximately US\$16.6 million (approximately HK\$129.5 million) (after taking into account the cash outflows effect of the Upfront Payment and the Capital Investment Commitment) as set out in more details in the Competent Person’s Report to be contained in the Circular; and
- (iii) the maximum amount of the Bid of US\$45 million (approximately HK\$351 million) represents a discount of approximately 8% to the sum of (i) the maximum intended Capital Investment Commitment of approximately US\$32.3 million (approximately HK\$251.9 million) and (ii) the valuation of the Chañares Concession of approximately US\$16.6 million (approximately HK\$129.5 million) totalling approximately US\$48.9 million (approximately HK\$381.4 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 Valuation Report to be contained in the Circular. The Group intends to submit the Bid with the amount that is ranging from the minimum amount of US\$25 million (approximately HK\$195 million) to the maximum amount of US\$45 million (approximately HK\$351 million).

In determining the maximum and minimum amounts of the Bid, the Company 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 recoverable volume and quality of the Chañares Concession as compared with the relevant crude oil reserves of comparable estimated volume and quality in the market;
- (c) the risk-adjusted potential future cashflows from the Chañares Concession upon successful winning of the Bid and commencement of operation on the Chañares Concession according to the Development Plan; and

- (d) 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 in the Chañares Concession assuming the Group won the Bid and becomes the concessionaire of the Chañares Concession and operates on the concession according to the Development Plan.

2.4 Major milestones in relation to the Bid

According to the bidding document under the Bidding Process, set out below is the timeline of the major milestones in relation to the Bid:

Date (Argentina time)	Event
18 March 2020	Submission of the Bid under the Bidding Process
16 April to 28 April 2020	Decision on winner of the Bid
28 April to 28 May 2020	Publication of decree of granting the concession
11 June to 18 June 2020	Delivery of concession to the new concessionaire

3. 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 in 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 in the CHE Concession which regularly reports the petroleum operation to the Group. During the years ended 31 December 2016, 2017, 2018 and 2019, the crude oil produced from the CHE Concession were 120,091, 108,919, 92,792 and 63,222 barrels of oil respectively and the average price per barrel of the crude oil sold were US\$57.0 (approximately HK\$444.6), US\$52.4 (approximately HK\$408.7), US\$60.8 (approximately HK\$474.2) and US\$50.7 (approximately HK\$395.5) 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 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended
	2016	2017	2018	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
Sales revenue of the Group's petroleum exploration and production segment	51,320	42,914	43,998	12,581
Segment (loss) profit	(466)	24,319	(462)	(17,991)

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

	For the year ended 31 December			For the six months ended	For the year ended
	2016	2017	2018	30 June	31 December
				2019	2019
Volume of crude oil produced by the Group (barrels)	120,091	108,919	92,792	32,062	63,222
Average price of crude oil per barrel sold by the Group	US\$57.0 (approximately HK\$444.6)	US\$52.4 (approximately HK\$408.7)	US\$60.8 (approximately HK\$474.2)	US\$52.1 (approximately HK\$406.4)	US\$50.7 (approximately HK\$395.5)

4. 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 four years ended 31 December 2019 is presented as follows:

	For the year ended 31 December			
	2016	2017	2018	2019
Volume of crude oil produced from the Chañares Concession (cubic meter)	108,413	84,874	74,139	67,480
Volume of crude oil produced from the Chañares Concession (barrels)	681,896	533,840	466,319	424,436

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

Currently, there are four 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;
- (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; and
- (iii) Petrolera El Trebol S.A. (“**El Trebol**”), an independent third party to the Company, operated under a joint venture agreement entered into with Chañares. El Trebol has entitlement to the oil production from its wells drilled in the Chañares Herrados area.

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

Production status and recoverable volume 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 GCA based on the Development Plan, the Chañares Concession has net proved plus probable recoverable volume of approximately 4.23 million barrels as of 31 December 2019. As the petroleum rights of the Chañares Concession presently belong to the Mendoza Province, it is not possible to designate the estimated “recoverable volume” as “reserve(s)” to the entitlement of the Company. As such, the “recoverable volume” terminology used in this announcement represented as “reserve(s)” as if the Company is successful in the Bid to acquire the Chañares Concession. Further information regarding the recoverable volume value of Chañares Concession will be disclosed in the 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 Rio 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 Rio 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 Rio 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 Rio 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, the crude oil production attributable to the Chañares Concession was approximately 1,463 bbl/d, 1,278 bbl/d and 1,163 bbl/d, respectively.

The information referred to above in relation to the recoverable volume and historical production of the Chañares Concession is provided by GCA, a Competent Person qualified under Chapter 18 of the Listing Rules. The Competent Person's Report on the recoverable volume of the Chañares Concession prepared by GCA 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 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 in 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.

5. 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 Announcements, 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 (which the CHE Concession area forms part) has been made available for other investors to bid under the Bidding Process and the date of the bid submission is 18 March 2020 (Argentina time).

Before the successful bidder takes over the Chañares Concession, Chañares can continue to operate in 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 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 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 as well as to assess the drilling and exploration works of the oil reserve in the Chañares Concession.

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.

6. 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.

7. 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.
2. The Company has paid visits to the Department of Hydrocarbon 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 Department of Hydrocarbon 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 Department of Hydrocarbon 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) (as required under Rule 14.58(7) and the profit and loss statement on the exploitation right and the valuation of the Chañares Concession for the three preceding financial years (as required under Rule 14.69(4)(b)(i) of the Listing Rules) 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 2019 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 past two years historical net profits 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 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 four years ended 31 December 2019;
- (d) Number of barrels of oil produced under the Chañares Concession for the four years ended 31 December 2019;
- (e) Average crude oil price sold by the Group to YPF S.A. (an Argentina state-owned oil company) for the four years ended 31 December 2019;
- (f) The net proved plus probable recoverable volume 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.

8. GENERAL

A 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 Competent Person's Report and the Valuation Report in respect of the Chañares Concession, both in compliance with the requirements of Chapter 18 of the Listing Rules; (iii) the notice of SGM; and (iv) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 2 March 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:

“Announcements”	announcements of the Company dated 24 May 2019, 18 June 2019, 27 September 2019 and 19 November 2019
“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 organization that created this measure

“bbl/d”	barrels of oil per day
“Bid”	the bid offer for the Chañares Concession to be submitted by the Group under the Bidding Process on 18 March 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 of Argentina 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, which the CHE Concession area 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 Competent Person’s Report and the Valuation Report in respect of the Chañares Concession, both in compliance with the requirements of Chapter 18 of the Listing Rules; (iii) the notice of 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
“Competent Person’s Report”	the competent person’s report to be issued by GCA, in compliance with the requirements of Chapter 18 of the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	being the date following the publication of the decree awarding the concession to the new concessionaire which will be passed between 28 April 2020 (Argentina time) and 28 May 2020 (Argentina time) according to the bidding documents of the Bidding Process
“GCA”	Gaffney, Cline & Associates, the Competent Person and Competent Evaluator (which have the meanings ascribed to it under Chapter 18 of the Listing Rules) appointed by the Company in respect 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
“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
“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
“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
“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
“Valuation Date”	1 June 2020, being the reference date of the valuation of the Chañares Concession assuming the Group wins the Bid

“Valuation Report”

the valuation report to be issued by GCA on the Chañares Concession, in compliance with the requirements of Chapter 18 of the Listing Rules

“%”

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, 24 February 2020

At the date of this announcement, the Board comprises four Executive Directors, namely Mr. Liu Zhiyi (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Mr. Yiu Chun Kong and Mr. Chan Shui Yuen; one Non-executive Director, namely Mr. Suen Cho Hung, Paul; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.