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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in New Times Energy Corporation Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institutions in securities or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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### NEW TIMES ENERGY CORPORATION LIMITED

新時代能源有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 00166)

### (1) PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION AND (2) NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Donvex Capital Limited, the Independent Financial Adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 17 to 31 of this circular.

A notice convening the SGM of the Company to be convened and held at Unit 103, 1/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Friday, 6 July 2012 at 2:30 p.m. is set out on pages 44 to 46 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Adjustment Events”	the adjustment events set out in the section headed “Adjustment to the Exercise Price” and Appendix II of this circular
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	New Times Energy Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Warrant Subscription Agreement
“Completion Date”	the third Business Day after the date of the conditions precedent of the Warrant Subscription Agreement are fulfilled or such later date as the Subscriber and the Company may agree in writing
“Directors”	the directors of the Company
“Exercise Period”	a period of sixty (60) months commencing from the date of the issue of the Warrants
“Exercise Price”	HK\$1.05 (subject to adjustment upon occurrence of any of the Adjustment Events), being the exercise price per Warrant Share at which the holder of each Warrant may subscribe for one Warrant Share
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a board comprising all the independent non-executive Directors to advise the Independent Shareholders in relation to the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares)

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## DEFINITIONS

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“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares)
“Independent Shareholders”	any Shareholders, other than the Subscriber, its beneficial owners and their respective associates and those parties who are involved or are interested in the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares) and are required to abstain from voting under the Listing Rules and their respective associates
“Issue Price”	HK\$0.02, being the issue price per Warrant payable in full by cash at Completion under the Warrant Subscription Agreement
“Latest Practicable Date”	18 June 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	a special general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other things, the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of Specific Mandate and the allotment and issue of the Warrant Shares)
“Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the issued Share(s)

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## DEFINITIONS

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“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Independent Shareholders to satisfy the allotment and issue of the Warrant Shares upon the exercise of the subscription rights attaching to the Warrants after Completion of the Warrant Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Max Sun Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited. So far as known to the Directors, Chow Tai Fook Nominee Limited is in turn controlled by Dato’ Dr. Cheng Yu-Tung
“Substantial Shareholder”	has the meaning ascribed thereto under the Listing Rules
“Warrant(s)”	a total of 100,000,000 unlisted transferable warrants to be issued by the Company at the Issue Price of HK\$0.02, each in registered form conferring rights entitling its holder(s) to subscribe for up to HK\$105,000,000 in aggregate in cash for 100,000,000 Warrant Shares at the Exercise Price
“Warrant Instrument”	the deed poll constituting the Warrants to be executed by the Company
“Warrant Share(s)”	up to 100,000,000 new Shares to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the Warrants
“Warrant Subscription”	the subscription of 100,000,000 Warrants pursuant to the terms of the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the conditional warrant subscription agreement dated 29 May 2012 entered into between the Company and the Subscriber in relation to the Warrant Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*



**NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00166)**

*Executive Directors:*

Mr. Cheng Kam Chiu, Stewart (*Chairman*)  
Mr. Cheng Ming Kit (*Chief executive officer*)  
Mr. Sun Jiang Tian

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Directors:*

Mr. Wong Man Kong, Peter

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

Room 1007-08, 10/F  
New World Tower I  
18 Queen's Road Central  
Central, Hong Kong

*Independent non-executive Directors:*

Mr. Fung Siu To, Clement  
Mr. Chan Chi Yuen  
Mr. Chiu Wai On

21 June 2012

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS  
UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The Company announced that on 29 May 2012 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Warrants. Details of the Warrant Subscription are set out below.

As the Subscriber is a Substantial Shareholder and thus, a connected person of the Company, the Warrant Subscription constitutes a non-exempt connected transaction on the part of the Company under the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Independent Board Committee, comprising the three independent non-executive Directors, namely Mr. Fung Siu To, Clement, Mr. Chan Chi Yuen and Mr. Chiu Wai On, has been formed to advise the Independent Shareholders on whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable. Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Warrant Subscription; (ii) the letter of recommendation from the Independent Board Committee on the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares); (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders regarding the terms and conditions of the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares); and (iv) notice of the SGM to be convened and held for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve the connected transaction involving the Warrant Subscription pursuant to the terms and conditions contained in the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares) and the grant of the Specific Mandate.

### THE WARRANT SUBSCRIPTION AGREEMENT

Pursuant to the Warrant Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for an aggregate of 100,000,000 Warrants conferring the rights to subscribe for an aggregate of 100,000,000 Warrant Shares at the Exercise Price of HK\$1.05 per Warrant Share (subject to adjustment upon the occurrence of any of the Adjustment Events).

#### **Date**

29 May 2012 (after trading hours)

#### **Issuer**

The Company

#### **Subscriber**

Max Sun Enterprises Limited, being the Subscriber, is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Subscriber legally and beneficially owns 66,030,276 Shares, representing approximately 11.91% of the entire issued share capital of the Company. Accordingly, the Subscriber is a Substantial Shareholder and thus, a connected person of the Company.

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## LETTER FROM THE BOARD

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### Number of Warrants

A total of 100,000,000 Warrants conferring the right to subscribe for 100,000,000 Warrant Shares.

Upon exercise in full of the subscription rights attaching to the 100,000,000 Warrants, a maximum of 100,000,000 Warrant Shares will be allotted and issued, representing approximately 18.04% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 15.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares.

### Issue Price

The Issue Price is HK\$0.02 per Warrant. The gross proceeds from the Warrant Subscription of HK\$2,000,000 will be payable by the Subscriber and will be satisfied by payment of cash at Completion.

The Directors appointed LCH (Asia-Pacific) Surveyors Limited to issue a valuation report on the Warrants. According to the said valuation report, the per option value of the Warrant is approximately HK\$0.1987. However, in view of the fluctuation of the Hang Seng Index during the Review Period as described under the section headed “Comparison with other warrant subscriptions and review of historical price and trading liquidity” in the letter from Donvex Capital, where such fluctuation will significantly impact the per option value of the Warrant, the Directors do not consider it appropriate to compare the Issue Price to the theoretical value derived from the option pricing model.

Despite the theoretical value of the warrant being HK\$0.1987, with the Issue Price of the Warrants at HK\$0.02, it is fair and reasonable for the Board to hold the view that the Warrant Subscription, including the Issue Price, is fair and reasonable and in the interests of the Company and the Shareholders as a whole due to the following:

- (i) (a) the potential collapse of the European currency amid Greece’s potential exit from the European Union;
- (b) the cut in the forecast for China’s economic growth;
- (c) the economic growth slowdown in other emerging countries, including but not limited to Brazil, India and Russia; and
- (d) the uncertainty in the recovery of the economy of the United States of America, has severely impacted the stability of the global stock markets, including the Hong Kong stock market;
- (ii) investor appetite for equity and derivative securities has been curbed due to the market downturn;
- (iii) banks have tightened credit policies with respect to the granting of loans to corporations;

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## LETTER FROM THE BOARD

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- (iv) Oil prices have since dropped below US\$100 per barrel, spurred by the fresh worries over a deepening European currency crisis and slower global economic growth, which will have a material impact to the principal business of the Company;
- (v) the Warrant Subscription by the Subscriber, the substantial shareholder of the Company, demonstrates the continued support and confidence in the Company; and
- (vi) the Warrant Subscription by the Subscriber, the single substantial shareholder of the Company, demonstrates a positive message to public investors.

In consideration of the view of the Board, and the valuation report on the Warrants prepared by LCH (Asia-Pacific) Surveyors Limited, the Independent Board Committee holds the view that the Warrant Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Exercise Price**

The Exercise Price is HK\$1.05 per Warrant Share, subject to adjustment upon the occurrence of any of the Adjustment Events.

The aggregate of the Issue Price of HK\$0.02 per Warrant and the Exercise Price of HK\$1.05 per Warrant Share, i.e. HK\$1.07, represents:

- (i) a premium of approximately 3.88% over the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 5.94% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on 29 May 2012, being the date of the Warrant Subscription Agreement;
- (iii) a premium of approximately 10.08% over the average closing prices of HK\$0.972 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Warrant Subscription Agreement; and
- (iv) a premium of approximately 12.28% over the average closing price of HK\$0.953 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Warrant Subscription Agreement.

Both the Issue Price and the Exercise Price were determined after arm's length negotiations between the Company and the Subscriber, after considering the Group's existing financial position, liquidity of the Shares in the market, and the prevailing market price of the Shares. The Directors hold the view that the terms of the Warrant Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Exercise Price, it is expected that approximately HK\$105,000,000 will be raised. The aggregate amount of approximately HK\$105,000,000 is expected to be payable by the Subscriber satisfied by payment of cash.

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## LETTER FROM THE BOARD

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### **Adjustment to the Exercise Price**

The Exercise Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Warrant Subscription Agreement and the Warrants Instrument upon occurrence of, among other things, the following events:

- (1) alteration to the nominal amount of each of the Shares by reason of any subdivision or consolidation of Shares;
- (2) issue of Shares by way of capitalisation of profit or reserves;
- (3) capital distribution to all Shareholders or grant to Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
- (4) offer to the Shareholders new Shares for subscription by way of rights; or grant of any options or warrants to all Shareholders to subscribe for new Shares, at a price which is less than 80% of the market price;
- (5) issue for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares at less than 80% of the market price;
- (6) issue for cash any Shares at a price which is less than 80% of the market price; or
- (7) the repurchase of any Shares or securities convertible into Shares or any rights to acquire Shares by the Company.

The Company shall not allow any adjustment event if such would render the Exercise Price of the Warrants falling below the nominal value of the Shares.

Details of the above adjustment mechanisms are set out in Appendix II.

Every adjustment to the Warrant Shares and the Exercise Price will be certified either by the auditors of the Company or an approved independent merchant bank or other financial institutions as selected by the Company.

### **Exercise Period**

The subscription rights attaching to the Warrants will be exercisable at any time within sixty (60) months commencing from the date of issue of the Warrants. Upon expiry of the Exercise Period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

### **Completion**

Subject to the fulfilment of the conditions set out in the section headed “Conditions Precedent of the Warrant Subscription Agreement” of this circular, Completion of the Warrant Subscription Agreement shall take place on the Completion Date.

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## LETTER FROM THE BOARD

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### Information of the Warrants

The Warrants will be constituted by way of deed poll to be executed by the Company. The Warrants will rank *pari passu* in all respects among themselves.

The Warrants will be issued upon Completion in registered form. A Warrant certificate will be issued to the holder of the Warrants.

Each Warrant carries the right to subscribe for one (1) Warrant Share, subject to the condition that the minimum number of Warrants to be exercised upon the subscription rights attached to the Warrants each time shall not be less than 1,000,000 Warrant Shares (or an integral multiple thereof).

The Warrant Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the Shares in issue except that they will not be entitled to any rights for which the record date of the said rights precedes the date of the holders' name being registered in the register of members of the Company.

### Transferability

The Warrants can be freely transferred in integral multiples of 1,000,000 Warrants. In the event of a transfer of the Warrants to a connected person (as defined in the Listing Rules) of the Company, prior approval from the Company and the Stock Exchange shall be obtained. The Company undertakes to comply with the relevant Listing Rules and to make necessary announcement(s), where appropriate, if and when the Subscriber makes any transfer of the Warrants to other parties requiring disclosure.

### Conditions Precedent of the Warrant Subscription Agreement

Completion of the Warrant Subscription Agreement is conditional upon, among the other matters, the fulfillment of the following conditions on or before 5:00 p.m. on 20 July 2012 (or such later time and date as the Company and the Subscriber shall agree in writing):

- (i) the passing by the Independent Shareholders at a SGM of the Company to be convened and held, of the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares);
- (ii) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of Warrants either unconditionally or subject to conditions to which neither the Company nor Subscriber shall reasonably object and the satisfaction of such conditions;
- (iii) the Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Subscriber shall reasonably object) the listing of, and permission to deal in, the Warrant Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants;
- (iv) (if required) Bermuda Monetary Authority approving the issue of the Warrant Shares; and
- (v) any other approval as may be required for the Warrant Subscription.

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## **LETTER FROM THE BOARD**

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If any of the above conditions are not fulfilled at or before 5:00 p.m. on 20 July 2012 or such later time or date as may be agreed between the Company and the Subscriber in writing, the Warrant Subscription Agreement shall lapse and become null and void and the obligations of the Company and the Subscriber shall forthwith cease and terminate and neither the Company nor the Subscriber shall have any claim against the other party, save for any antecedent breach hereof.

### **Voting rights for the holders of the Warrants**

The holder of the Warrants shall not be entitled to attend or vote at any general meetings of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Rights of the holders of the Warrants on the liquidation of the Company**

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse, save for in the event of a voluntary winding-up, the holders of the Warrants shall be entitled to, at any time up to the close of business on the second Business Day before the special general meeting convened for the purpose of passing the necessary resolutions to approve the winding-up, to exercise the subscription rights attaching to the Warrants in accordance with the terms and conditions of the Warrants.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

## **REASONS FOR THE WARRANT SUBSCRIPTION AGREEMENT**

The principal activity of the Company is investment holding, and its subsidiaries are mainly engaged in general trading, oil exploration and exploitation, energy and natural resources related business.

The Board has considered other alternative fund raising methods such as debt financing, rights issue or open offers. The Board holds the view that that the Warrant Subscription is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that would be raised upon Completion of the Warrant Subscription, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board holds the view that the Warrant Subscription and the issue of the Warrant Shares provide opportunities for the Group to strengthen the Group's capital base and financial position to better equip the Group with the financial flexibility for development of the existing business or any other new business of the Group.

The Directors hold the view that the terms of the Warrant Subscription Agreement are fair and reasonable and the Warrant Subscription is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS

The gross proceeds from the Warrant Subscription will be HK\$2,000,000 (without taking into account of the exercise of the subscription rights attaching to the Warrants). The net proceeds from the Warrant Subscription, after taking into account the legal fees, printing expenses and other related expenses in relation to the Warrant Subscription, will be approximately HK\$1,700,000 (with a net issue price of approximately HK\$0.017 per Warrant). The Directors intend to apply the net proceeds as general working capital of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Exercise Price, it is expected that an additional gross amount of HK\$105,000,000 will be raised. The net proceeds (after deduction of all related expenses) of approximately HK\$105,000,000 (with a net exercise price of approximately HK\$1.05 per Warrant Share) will be applied as general working capital of the Group.

### FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The following are the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
7 September 2011 ( <i>note</i> )	Placing of unlisted warrants under general mandate	N/A	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities	N/A
20 January 2012	Placing of new shares under general mandate	Approximately HK\$47,200,000	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities

*Note:* The placing has been lapsed, details of which have been set out in the announcement of the Company dated 30 September 2011.

Save as and except for the above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

### CHANGES IN THE SHAREHOLDINGS STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has an authorised share capital of HK\$2,000,000,000 divided into 4,000,000,000 Shares of HK\$0.50 each, of which 554,462,087 Shares have been issued and are fully-paid.

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## LETTER FROM THE BOARD

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For illustration purpose only, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the full exercise of the subscription rights attaching to the Warrants are as follows:

<b>Name of Shareholders</b>	<b>As at the Latest Practicable Date</b>		<b>Immediately after the full exercise of the subscription rights attaching to the Warrants</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b>Substantial Shareholder</b>				
Subscriber ( <i>Note 1</i> )	66,030,276	11.91%	166,030,276	25.37%
<b>Directors' Interests</b>				
Mr. Cheng Ming Kit ( <i>Note 2</i> )	1,000	0.0002%	1,000	0.0002%
Mr. Fung Siu To, Clement ( <i>Note 2</i> )	30,000	0.0054%	30,000	0.0046%
<b>Existing Public Shareholders</b>	<u>488,400,811</u>	<u>88.09%</u>	<u>488,400,811</u>	<u>74.63%</u>
<b>Total</b>	<u><u>554,462,087</u></u>	<u><u>100.00%</u></u>	<u><u>654,462,087</u></u>	<u><u>100.00%</u></u>

*Notes:*

1. The Subscriber is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Dato' Dr. Cheng Yu-Tung were deemed to have interest in the shares held by the Subscriber for the purposes of SFO.
2. Mr. Cheng Ming Kit is an executive Director and Mr. Fung Siu To, Clement is an independent non-executive Director.

The table above illustrates that the shareholdings of the existing public Shareholders will decrease from approximately 88.09% as at the Latest Practicable Date to approximately 74.63% upon full exercise of the subscription rights attaching to the Warrants (assuming no other Shares are issued or repurchased by the Company from the Latest Practicable Date up to the date of the SGM).

Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 13.46%.

The Subscriber has no intention to, nor have it entered into any agreement, arrangement or understanding with any other person to, transfer, charge or pledge any of the Warrant Shares to be allotted and issued to the Subscriber upon exercise (in full or in part) of the subscription rights attaching to the Warrants.

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## LETTER FROM THE BOARD

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### **SPECIFIC MANDATE**

The Company will seek the Specific Mandate from the Independent Shareholders for the allotment and issue of the Warrant Shares. In this regard, the SGM will be convened and held to pass the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares).

### **ISSUE OF WARRANTS**

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date, except for the outstanding options granted by the Company pursuant to the share option scheme currently in force and adopted by the Company on 17 May 2011, the Company did not have other securities with subscription rights outstanding and not yet exercised.

Assuming full exercise of the subscription rights attaching to the Warrants, a maximum of 100,000,000 Warrant Shares (representing approximately 18.04% of the existing issued share capital of the Company as at the Latest Practicable Date) will be issued. Accordingly, the issue of the Warrants will be in compliance with the Rule 15.02(1) of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Warrant Shares to be issued upon the exercise of all Warrants, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of the Company.

### **LISTING RULES IMPLICATIONS**

By virtue of the Subscriber being a Substantial Shareholder of the Company interested in and was entitled to exercise control over the voting rights of 66,030,276 Shares, representing approximately 11.91% of the issued share capital of the Company as at the Latest Practicable Date, the Subscriber is a connected person of the Company and the Warrant Subscription constitutes a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Accordingly, the Warrant Subscription is subject to, among other things, reporting, announcement and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the Subscriber, its beneficial owners and their respective associates are required to abstain from voting in respect of the necessary resolutions approving the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares) at the SGM.

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## LETTER FROM THE BOARD

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### GENERAL

Pursuant to Chapter 14A of the Listing Rules, the Subscriber, its beneficial owners and their respective associates are required to abstain from voting in respect of the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares) at the SGM.

Mr. Cheng Ming Kit, the chief executive officer of the Company and shareholder by way of interest in and was entitled to exercise control over the voting rights of 1,000 Shares, representing approximately 0.0002% of the issued share capital of the Company, as at the Latest Practicable Date, has abstained from voting in the relevant board resolutions and shall abstain from voting at the SGM in respect of the Warrant Subscription.

Mr. Cheng Kam Chiu, Stewart, the chairman of the Company is considered to be an associate of the Subscriber and has therefore abstained from voting in the relevant board resolutions in respect of the Warrant Subscription. As at the Latest Practicable Date, Mr. Cheng Kam Chiu, Stewart is not interested in nor was entitled to exercise control over any voting rights in respect of the Shares of the Company and will abstain from voting at the SGM in respect of the Warrant Subscription, if applicable.

Save as disclosed, no Directors or other Shareholders have material interest in the Warrant Subscription and the transactions contemplated thereunder and are required to abstain from voting in respect of the approval of the Warrant Subscription and the transactions contemplated thereunder at the forthcoming SGM.

### SGM

The SGM will be convened at which, the relevant resolutions will be proposed at the SGM to seek approval of the Warrant Subscription Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants.

A notice convening the SGM to be convened and held at Unit 103, 1/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Friday, 6 July 2012 at 2:30 p.m. is set out on pages 44 to 46 of this circular. Whether or not you intend to attend the SGM of the Company in person, you are requested to complete the accompanying form of proxy, as enclosed with this circular, in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder at the SGM will be taken by poll and an announcement of the results of the SGM will be made by the Company following the SGM in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to:

- (1) the letter from the Independent Board Committee (comprising Mr. Chan Chi Yuen, Mr. Fung Siu To, Clement and Mr. Chiu Wai On, all being the independent non-executive Directors) set out on page 16 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders concerning whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable; and
- (2) the letter from the Independent Financial Adviser set out on pages 17 to 31 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders on whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole and the terms of the Warrant Subscription Agreement are fair and reasonable and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendations.

The Directors hold the view that the terms of the Warrant Subscription Agreement and the issue of the Warrants are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Warrant Independent Shareholders to vote in favour of the necessary resolutions as set out in the notice of the SGM to approve the Warrant Subscription Agreement and the transactions contemplated thereunder (including the issue of the Warrants, the grant of the Specific Mandate, and the allotment and issue of the Warrant Shares).

### FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the SGM.

By Order of the Board  
**New Times Energy Corporation Limited**  
**Cheng Kam Chiu, Stewart**  
*Chairman*



**NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00166)**

21 June 2012

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS  
UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION**

We refer to the circular of the Company to the Shareholders dated 21 June 2012 (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider (i) the connected transaction involving the Warrant Subscription pursuant to the terms and conditions contained in the Warrant Subscription Agreement together with the transactions contemplated thereunder (including the issue of the Warrants and the allotment and issue of the Warrant Shares); and (ii) the grant of the Specific Mandate (collectively, the “**Proposed Transactions**”) and to advise the Independent Shareholders as to whether, in our opinion, the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions.

We wish to draw your attention to the letter from the Board set out on pages 4 to 15 of the Circular which contains, among others, information on the Proposed Transactions as well as the letter from the Independent Financial Adviser set out on pages 17 to 31 of the Circular which contains its advice in respect of the Proposed Transactions.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, and the view of the Board in respect of the Warrant Subscription, we consider that the Proposed Transactions to be fair and reasonable, entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Proposed Transactions at the SGM.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
**Mr. Chan Chi Yuen**  
*Independent non-executive Directors*

**Mr. Fung Siu To, Clement**

**Mr. Chiu Wai On**

\* For identification purpose only

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## LETTER FROM DONVEX CAPITAL

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*The following is the text of a letter of advice from Donvex Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Warrant Subscription Agreement which has been prepared for the purpose of incorporation in this circular:*



Unit 1305, 13th Floor,  
Carpo Commercial Building  
18-20 Lyndhurst Terrace Central  
Hong Kong

21 June 2012

*To the Independent Board Committee and the Independent Shareholders of  
New Times Energy Corporation Limited*

Dear Sirs,

### **PROPOSED SUBSCRIPTION OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Warrant Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 June 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 May 2012 (after trading hours), the Company entered into the Warrant Subscription Agreement with the Subscriber in relation to the Warrant Subscription, pursuant to which, the Company has conditionally agreed to issue and allot to the Subscriber and the Subscriber has conditionally agreed to subscribe for an aggregate of 100,000,000 Warrants conferring the rights to subscribe for an aggregate of 100,000,000 Warrant Shares at the Exercise Price of HK\$1.05 per Warrant Share (subject to adjustment upon the occurrence of any of the Adjustment Events). Each Warrant carries the right to subscribe for one (1) Warrant Share subject to the condition that the minimum number of Warrants to be exercised upon the subscription rights attached to the Warrants each time shall not be less than 1,000,000 Warrant Shares (or an integral multiple thereof).

The subscription rights will be exercisable within sixty (60) months from the date of the issue of the Warrants. The aggregate number of the Warrant Shares to be issued will be 100,000,000 Shares, representing approximately 18.04% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.28% of the issued share capital of the Company as enlarged by the allotment and issue of such Shares.

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## LETTER FROM DONVEX CAPITAL

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By virtue of the Subscriber being a Substantial Shareholder of the Company interested in and was entitled to exercise control over the voting rights of 66,030,276 Shares, representing approximately 11.91% of the issued share capital of the Company as at the Latest Practicable Date, the Subscriber is a connected person of the Company and the Warrant Subscription constitutes a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Accordingly, the Warrant Subscription is subject to, among other things, reporting, announcement and the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Subscriber, its beneficial owners and their respective associates are required to abstain from voting in respect of the necessary resolutions to approve the Warrant Subscription and the transactions contemplated thereunder at the SGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on (i) whether the terms of the Warrant Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Warrant Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Warrant Subscription at the SGM. We, Donvex Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Warrant Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the

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## LETTER FROM DONVEX CAPITAL

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Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Donvex Capital is to ensure that such information has been correctly extracted from the relevant sources.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background of the Warrant Subscription

##### *Business and financial information on the Group*

As referred to in the Board Letter, the Group is principally engaged in investment holding, and its subsidiaries are mainly engaged in general trading, oil exploration and exploitation, energy and natural resources related business.

Tabularised below is a summary of the consolidated financial information on the Group as extracted from the annual report of the Company for the year ended 31 December 2011 (the “**Annual Report**”):

	<b>For the year ended 31 December 2011 (audited) HK\$'000</b>	<b>For the year ended 31 December 2010 (audited) HK\$'000</b>
Revenue	128,857	57,252
Loss before taxation	(121,509)	(73,837)
Loss for the year attributable to owners of the Company	(87,410)	(66,057)
	<b>As at 31 December 2011 HK\$'000 (audited)</b>	<b>As at 31 December 2010 HK\$'000 (audited)</b>
Cash and cash equivalents	41,030	114,061
Total equity	3,710,723	3,670,828
Gearing ratio (the total bank and other borrowings over the total assets)	4.18%	4.10%

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## LETTER FROM DONVEX CAPITAL

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As depicted by the table above, the revenue of the Group for the year ended 31 December 2011 was about HK\$128.86 million (31 December 2010: HK\$57.25 million), representing an increase of 125.07%. The Group recorded a loss attributable to shareholders of approximately HK\$87.41 million (31 December 2010: HK\$66.06 million). According to the Annual Report, the loss was mainly attributable to (i) impairment loss on exploration and evaluation assets; (ii) the increase in administrative expenses; and (iii) exchange losses arising from changes in foreign exchange rates as a portion of the Group's assets are denominated in Argentine peso, the value of which has gone down over the previous year.

As for the asset and liability position of the Group, the net asset value of the Group had remained relatively stable from 31 December 2010 to 31 December 2011. Nevertheless, there had been a substantial reduction in the Group's bank balances and cash of approximately 64.0% from approximately HK\$114.1 million as at 31 December 2010 to approximately HK\$41.0 million as at 31 December 2011.

According to the Directors, going forward, the Group will continue to devote significant resources on establishing and developing the Group's existing operations and at the same time, looking for valuable business opportunities around the globe. As such, it is reasonable to expect that the Group will have a timely funding need for such purposes.

### *Fund raising activities of the Company during the past 12 months*

The following are the equity fund raising activities conducted by the Group in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds
7 September 2011 <i>(note)</i>	Placing of unlisted warrants under general mandate	N/A	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities	N/A
20 January 2012	Placing of new shares under general mandate	HK\$47,200,000	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities	For the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities

*Note:* The placing has been lapsed, details of which have been set out in the announcement of the Company dated 30 September 2011.

Save as disclosed above, the Company has not conducted any other fund raising activities in the past twelve months before the Latest Practicable Date.

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## LETTER FROM DONVEX CAPITAL

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### *Reasons for the Warrant Subscription and the use of proceeds*

The principal activity of the Company is investment holding, and its subsidiaries are mainly engaged in general trading, oil exploration and exploitation, energy and natural resources related business.

In view of the loss for the two years ended 31 December 2011, the Board considered that it will be not practicable for the Company to obtain debt financing in a cost-effective manner. In addition, the Board has actually explored other alternative fund raising methods such as rights issue or open offers with prospective investors before entering into the Warrant Subscription Agreement. However, the Board has failed in obtaining a satisfactory price for such rights issue or open offer as before entering into the Warrant Subscription Agreement. Furthermore, the Board holds the view that the Warrant Subscription is a more appropriate means of fund raising for the Company as it does not have any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that would be raised upon completion of the Warrant Subscription, further capital would be raised upon exercise of the subscription rights attaching to the Warrants. The Board also holds the view that the Warrant Subscription and the issue of the Warrant Share provide opportunities for the Group to strengthen the Group's capital base and financial position to better equip the Group with the financial flexibility for development of the existing business or any other new business of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from an independent financial adviser) hold the view that the terms of the Warrant Subscription Agreement are fair and reasonable and the Warrant Subscription is in the interest of the Company and the Shareholders as a whole.

Upon our further enquiries with the Directors regarding the reasons for the Warrant Subscription, we were advised by the Directors that the Warrant Subscription is expected to be of added advantage to the Company since it would align the interest of the Subscriber, being a Substantial Shareholders of the Group, and thereby improving the Subscriber's incentive to manage the business of the Group.

The gross proceeds from the Warrant Subscription are estimated to be of approximately HK\$2.0 million. The Directors intend to apply such proceeds as general working capital of the Group. Assuming the full exercise of the subscription rights attaching to the Warrants, additional estimated gross proceeds of approximately HK\$105 million will be raised and the Directors intend to apply such additional net proceeds as general working capital of the Group, including the exploration of the concessions in Argentina as stated in the annual report for the year ended 31 December 2011 of the Company. Upon completion of the placement in early 2012, the Group has cash at bank of approximately HK\$88 million, which is insufficient for the continuous investment in the development of the concessions in Argentina. Exploration work of concessions in Argentina in 2012 may require additional fund, which should be satisfied by the fund raising from the Warrant Subscription.

In light of (i) the above reasons for and benefits of the Warrant Subscription; and (ii) the future possible capital requirement of the Group, we concur with the Directors that the Warrant Subscription is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM DONVEX CAPITAL

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### 2. Principal terms of the Warrant Subscription Agreement

#### *The Warrant Subscription Agreement*

The Warrant Subscription Agreement was entered into between the Company and the Subscriber on 29 May 2012 (after trading hours). Pursuant to the Warrant Subscription Agreement, the Company has conditionally agreed to issue and allot to the Subscriber and the Subscriber has conditionally agreed to subscribe for an aggregate of 100,000,000 Warrants conferring the rights to subscribe for an aggregate of 100,000,000 Warrant Shares at the Exercise Price of HK\$1.05 per Warrant Share (subject to adjustment upon the occurrence of any of the Adjustment Events).

#### *Number of Warrants*

A total of 100,000,000 warrants conferring the right to subscribe for 100,000,000 Warrant Shares, subject to adjustment upon the occurrence of any of the Adjustment Events. Upon exercise in full of the subscription rights attaching to the 100,000,000 Warrants at the Exercise Price of HK\$1.05, a maximum of 100,000,000 Warrant Shares will be allotted and issued, representing approximately 18.37% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 15.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares.

#### *Issue Price*

The Issue Price is HK\$0.02 per Warrant. The gross proceeds from the Warrant Subscription of approximately HK\$2.0 million will be payable by the Subscriber and will be satisfied by payment of cash at Completion.

#### *Exercise Period*

The subscription rights attaching to the Warrants may be exercised at any time within sixty (60) months commencing from the date of issue of the Warrants. Upon expiry of the Exercise Period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

#### *Completion*

Subject to the fulfilment of the conditions set out in the Board Letter, Completion of the Warrant Subscription Agreement shall take place on the Completion Date.

#### *Exercise Price*

The Exercise Price is HK\$1.05 per Warrant Share, subject to adjustment upon the occurrence of any of the Adjustment Events.

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## LETTER FROM DONVEX CAPITAL

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The aggregate of the Issue Price of HK\$0.02 per Warrant and the Exercise Price of HK\$1.05 per Warrant Share, i.e. HK\$1.07 (the “**Aggregate Price**”), represents:

- (i) a premium of approximately 3.88% over the closing price of HK\$1.03 per Shares as quoted on Stock Exchange as at Latest Practicable Date;
- (ii) a premium of approximately 5.94% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on 29 May 2012, being the date of the Warrant Subscription Agreement;
- (iii) a premium of approximately 10.08% over the average closing price of HK\$0.972 per Share as quoted on the Stock Exchange for the last five consecutive trading days for the Shares up to and including the date of the Warrant Subscription Agreement;
- (iv) a premium of approximately 12.28% over the average closing price of HK\$0.953 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Warrant Subscription Agreement; and
- (v) a discount of approximately 84.5% to the audited NAV of approximately HK\$6.90 per Share as of 31 December 2011.

Assuming the full exercise of the subscription rights attaching to the Warrants at the Exercise Price, it is expected that approximately HK\$105,000,000 will be raised. The aggregate amount of approximately HK\$105,000,000 is expected to be payable by the Subscriber satisfied by payment of cash.

As advised by the Directors, both the Issue Price and the Exercise Price were determined after arm’s length negotiations between the Company and the Subscriber, after considering the Group’s existing financial position, liquidity of the Shares in the market, and the prevailing market price of the Shares.

The Directors has considered whether it is appropriate to compare the Issue Price and Exercise Price to the theoretical value derived from option pricing model, hence, they have appointed LCH (Asia-Pacific) Surveyors Limited to issue a valuation report on the Warrants (“**Warrants Valuation Report**”). According to the Warrants Valuation Report, the per option value of the Warrant is approximately HK\$0.1987. However, in view of the fluctuation of the Hang Seng Index during the Review Period as defined under the section named “Comparison with other warrant subscriptions and review of historical price and trading liquidity”, where such fluctuation will significantly impact the per option value of the Warrant, it may not be appropriate to make such comparison. As such, we are of the view that it is not appropriate to assess the fairness and reasonableness of the Issue Price and the Exercise Price by the use of option pricing model.

The Directors hold the view that the terms of the Warrants are fair and reasonable and in the interests of the Company and the Shareholders as a whole, which we agree with their view point.

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## LETTER FROM DONVEX CAPITAL

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### *Other terms of the Warrant Subscription Agreement*

Further information of the major terms of the Warrant Subscription Agreement is set out in the section headed “The Warrant Subscription Agreement” of the Board Letter. We have also reviewed and consulted the legal adviser to the Company regarding those other major terms of the Warrant Subscription Agreement, in particular to the followings:

1. The conditions precedent of the Warrant Subscription Agreement including, amongst other, (a) the passing by the Independent Shareholders at a SGM of the Company to be convened and held, of the necessary resolutions to approve the Warrant Subscription Agreement and the transactions contemplated thereunder; (b) (if required) the Listing Committee of the Stock Exchange shall have approved the issue of Warrants either unconditionally or subject to conditions to which neither the Company nor Subscriber shall reasonable object and the satisfaction of those conditions; (c) the Listing Committee of the Stock Exchange shall have granted the listing of, and permission to deal in, the Warrant Shares which fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants; (d) (if required) Bermuda Monetary Authority approving the issue of the Warrant Shares; and (e) any other approval as may be required for the Warrant Subscription; and
2. The voting rights for the holders of the Warrants shall not (a) be entitled to attend or vote at any general meetings of the Company by virtue of them being holders of the Warrant; and (b) have the rights to participate in any distributions and/or offers of further securities made by the Company; and
3. The Adjustment Event, which we are aware that (a) every adjustment to the Issue Price will be certified either by the auditors of the Company or an approved independent merchant bank or other financial institution as selected by the Company; and (b) the Company shall not allow any adjustment event if such would render the Exercise Price of the Warrant falling below the nominal value of the Shares.

In view of the above analysis, we are not aware of any terms (including the Adjustment Events being monitored by the independent third party upon its occurrence) which are uncommon to normal market practice. Consequently, we are of the view that the terms of the Warrant Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. Comparison with other warrant subscriptions and review of historical price and trading liquidity**

The share price and volume data used within this section includes 12 months preceding the date of the Warrant Subscription Agreement up to the Latest Practicable Date (the “**Review Period**”). During the Review Period, catastrophic events such as the European sovereign-debt crisis and the downgrade of credit rating of the United States of America happened to give severe impacts to global stock markets, including the Hong Kong stock market. Under such a situation, we are of the view that the length of period is appropriate as such catastrophic events would have

## LETTER FROM DONVEX CAPITAL

given the market an opportunity to re-evaluate the fairness of equity value and to investigate the risk factors underneath. As such, the valuation of stock prices is believed to be rational and representative within the period.

### *Comparison with other warrant subscription exercises*

We have conducted a market comparison for recent warrant subscription exercises in order to assess the fairness and reasonableness of the Issue Price and the Exercise Price. Since the recent warrant subscription exercises were determined under similar market conditions and sentiments as the Warrant Subscription, we believe that they will reflect the updated trend of subscription of warrants in the open market. To perform such comparison, we have identified those warrant subscription exercises within the Review Period as announced by companies listed on the Stock Exchange (the “**Comparables**”). To the best of our knowledge and as far as we are aware of, we found 10 transactions which met these criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies in warrant subscription exercises. Summarised below is our relevant finding:

Date of announcement	Company name	Stock code	Warrant issue price HK\$	Premium/ (Discount) of the warrant issue price over/ (to) the latest audited net asset value	Warrant exercise price HK\$	Premium/ (Discount) of the warrant exercise price over/(to) the latest audited net asset value	The aggregate of the warrant issue price and the exercise price	Premium/ (Discount) of the aggregate of the warrant issue price and the exercise price over/(to) closing price on the last trading day prior to the date of relevant announcements
				date of relevant announcements		%		date of relevant announcements
29-Apr-12	Global Energy Resources International Group Limited	8192	0.005	211	0.15	9234	0.155	5.44
27-Mar-12	Focus Media Network Limited	8112	0.01	(97)	0.8	180	0.81	6.58
7-Mar-12	Sino Prosper State Gold Resources Holdings Limited	766	0.01	(99)	0.72	(64)	0.73	15.9
29-Feb-12	Co-Prosperity Holdings Limited	707	0.14	(61)	0.02	(94)	0.16	1.27
10-Jan-12	Finet Group Limited	8317	0.02	(88)	0.402	149	0.422	5.5
17-Nov-11	China Agrotech Holdings Limited	1073	0.01	(99)	0.4	(73)	0.41	12.3
29-Aug-11	Kingworld Medicines Group Limited	1110	0.01	(99)	1.4	93	1.41	(7.09)
28-Jul-11	Zhongtian International Limited	2379	0.01	(98)	0.64	26	0.65	8.33
8-Jul-11	Sino Haijing Holdings Limited	1106	0.002	(99)	0.35	27	0.352	10
15-Jun-11	Ming Fung Jewellery Group Limited	860	0.02	(93)	0.97	221	0.99	2.02
<b>Maximum</b>				211		9234		<b>15.87</b>
<b>Minimum</b>				(99)		(94)		<b>(7.09)</b>
<b>Average</b>				(93)		52		<b>6.03</b>
<b>Median</b>				(97)		60		<b>6.04</b>
<b>29-May-11</b>	<b>The Company</b>	<b>166</b>	<b>0.02</b>	<b>(99.7)</b>	<b>1.05</b>	<b>(84.8)</b>	<b>1.07</b>	<b>5.94</b>

(Source: Hong Kong Exchanges and Clearing Limited)

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## LETTER FROM DONVEX CAPITAL

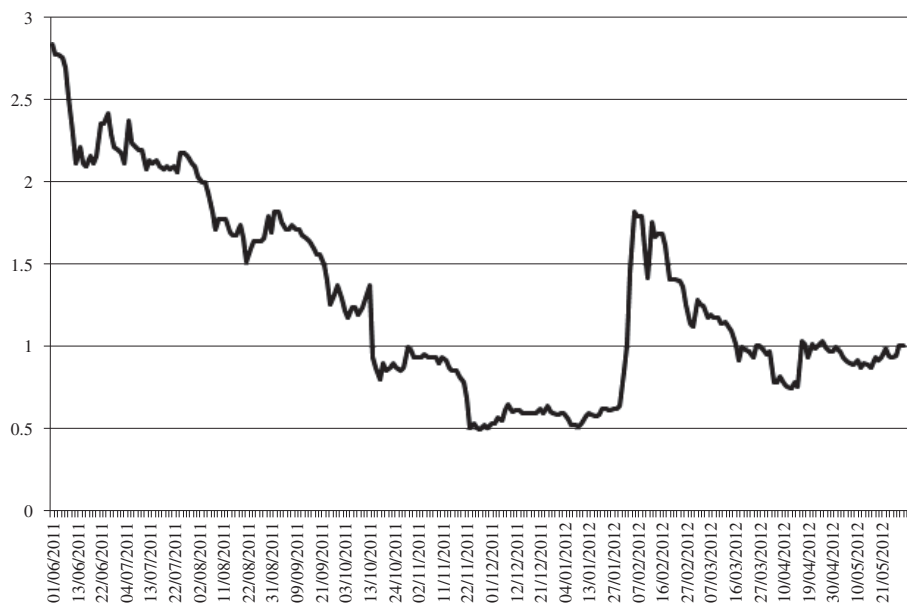
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The Issue Price of HK\$0.02 and the Exercise Price of HK\$1.05 are of a discount of 99.7% and a discount of 84.8% respectively to the audited NAV of approximately HK\$6.90 per Share as of 31 December 2011. As shown by the above table, given that i) the discount of the Issue Price to the NAV per Share is within the range of premium or discount to their corresponding NAV per share of the Comparables, and ii) the discount of the Exercise Price to the NAV per Share is within the range of premium or discount to their corresponding NAV per share of the Comparables, we are of the view that the Exercise Price is fair and reasonable.

As shown by the above table, the aggregate of the warrant issue price and the exercise price of the Comparables ranged from a discount of approximately 7.09% to a premium of approximately 15.87% to/over the respective closing prices of their shares on the last trading days prior to the release of the relevant warrant subscription announcements. In average, the aggregate of the warrant issue price and the exercise price is of a premium of 6.03% over their corresponding closing price on the last trading day prior to the date of relevant announcements. The Aggregate Price, which represents a premium of approximately 5.94% over the closing price of the Shares as at the date of the Warrant Subscription Agreement, is hence within the said market range and similar to market average. Given the foregoing, we are of the view that the Aggregate Price is acceptable.

### *Review on historical Share prices*

The share price performance within the Review Period of the Company is shown as follows:



(Source: Hong Kong Exchanges and Clearing Limited)

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## LETTER FROM DONVEX CAPITAL

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The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the Review Period are shown as follows:

<b>Month</b>	<b>Highest closing price (HK\$)</b>	<b>Lowest closing price (HK\$)</b>	<b>Average daily closing price (HK\$)</b>	<b>No. of trading days in each month</b>
<b>2011</b>				
June	2.84	2.1	2.37	21
July	2.38	2.06	2.15	20
August	2.10	1.52	1.77	23
September	1.82	1.26	1.59	20
October	1.38	0.80	1.04	20
November	0.96	0.50	0.79	22
December	0.65	0.54	0.60	20
<b>2012</b>				
January	0.64	0.52	0.59	18
February	1.82	0.86	1.46	21
March	1.29	0.92	1.08	22
April	1.04	0.75	0.90	18
May ( <i>Note</i> )	1.01	0.88	0.94	20

*Note:* up to and including the date of the Warrant Subscription Agreement

*(Source: Hong Kong Exchanges and Clearing Limited)*

During the Review Period, the closing price of the Shares ranged from the lowest of HK\$0.5 to the highest of HK\$2.84 per Share and has been following a downward moving trend as shown in the share price performance chart. The Aggregate Price of HK\$1.07 is within the said range of the closing prices of the Shares and is above the average daily closing prices of the Shares in April 2011 and May 2012.

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## LETTER FROM DONVEX CAPITAL

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### *Review on trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date are tabulated as follows:

<b>Month</b>	<b>Number of trading days</b>	<b>Average daily trading volume (the "Average Volume")</b>	<b>% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date</b> <i>(Note 1)</i>	<b>% of the Average Volume to total number of issued Shares as at the Latest Practicable Date</b> <i>(Note 2)</i>
<b>2011</b>				
June	21	21,164,339	4.33%	3.82%
July	20	19,481,700	3.99%	3.51%
August	23	22,076,662	4.52%	3.98%
September	20	11,966,388	2.45%	2.16%
October	20	65,402,095	13.39%	11.80%
November	22	13,112,259	2.68%	2.36%
December	20	442,340	0.09%	0.08%
<b>2012</b>				
January	18	372,151	0.08%	0.07%
February	21	24,523,261	5.02%	4.42%
March	22	9,557,628	1.96%	1.72%
April	18	14,041,306	2.87%	2.53%
May <i>(Note 3)</i>	20	4,289,695	0.88%	0.77%

*Note:*

1. based on 488,400,811 Shares held in public hands as at the Latest Practicable Date.
2. based on 554,462,087 Shares in issue as at the Latest Practicable Date.
3. up to and including the up to the date of the Warrant Subscription Agreement

*(Source: Hong Kong Exchanges and Clearing Limited)*

The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period. Save as and except for October 2011 and February 2012, the trading average of the Shares was below 5% of the total number of issued Shares held by the public as at the Latest Practicable Date. As such, the Shares were illiquid in the open market.

## LETTER FROM DONVEX CAPITAL

In view of (i) the prevailing loss making position of the Group for the year ended 31 December 2011, which restricted the Group to obtain debt financing and secure Shareholders to subscribe for the rights issue or open offer to be proposed by the Group; (ii) the result of the market comparison as set forth in the section headed “Comparison with other warrant subscription exercises” above; (iii) the general downward moving trend of the market price of the Shares during the Review Period; (iv) the inactive trading of the Shares in the open market during the Review Period may not attract any investors for the placement of the Shares in view of the lapse of the warrants placement announced on 7 September 2011 and the difficulties in securing investors for the third party after taking into account the inactive trading of Shares, which has not been improved even with the two placements within the last 2 years, we consider that the Aggregate Price is fair and reasonable so far as the Independent Shareholders are concerned.

#### 4. Dilution effect on the shareholding interests of the existing public Shareholders

As at the Latest Practicable Date, the Company has an authorised share capital of HK\$2,000,000,000 divided into 4,000,000,000 Shares of HK\$0.50 each, of which 554,462,087 Shares have been issued and are fully-paid.

For illustration purpose only, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the full exercise of the subscription rights attaching to the Warrants are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the full exercise of the subscription rights attaching to the Warrants	
	<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
<b>Substantial Shareholder</b>				
Subscriber ( <i>Note 1</i> )	66,030,276	11.91%	166,030,276	25.37%
<b>Directors' Interests</b>				
Mr. Cheng Ming Kit ( <i>Note 2</i> )	1,000	0.0002%	1,000	0.0002%
Mr. Fung Siu To, Clement ( <i>Note 2</i> )	30,000	0.0054%	30,000	0.0046%
Existing Public Shareholders	<u>488,400,811</u>	<u>88.09%</u>	<u>484,000,811</u>	<u>74.63%</u>
Total	<u>554,462,087</u>	<u>100.00%</u>	<u>654,462,087</u>	<u>100.00%</u>

*Notes:*

- The Subscriber is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Dato' Dr. Cheng Yu-Tung were deemed to have interest in the shares held by the Subscriber for the purposes of Securities and Futures Ordinance.
- Mr. Cheng Ming Kit is an executive Director and Mr. Fung Siu To, Clement is an independent non-executive Director.

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## LETTER FROM DONVEX CAPITAL

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Having considered (i) reasons for the Warrant Subscription and the use of proceeds; (ii) the fairness and reasonableness of the Exercise Price in the section headed “Principal Terms of the Warrant Subscription Agreement”; (iii) the issuance of the Warrant Shares will strengthen the Company’s capital base and enhance the Group’s net asset position; (iv) the Exercise Price represents a premium over the recent trading price; and (v) no immediate dilution effect on the shareholding of the existing Shareholders, we consider the dilution effects on shareholdings of the Company upon completion of the Warrant Subscription is acceptable, fair and reasonable.

### **5. Possible financial effects of the Warrant Subscription**

#### *Effect on net asset value and gearing*

As extracted from the Annual Report, the audited consolidated net asset value and the gearing ratio (calculated as the total bank borrowings over the total assets) of the Group were approximately HK\$3,710.7 million and approximately 4.18% respectively as at 31 December 2011. As confirmed by the Directors, the Group’s net asset value and total assets are expected to increase by the net proceeds from the Warrant Subscription of approximately HK\$1.7 million upon completion of the Warrant Subscription. In the event that the subscription rights attaching to the Warrants are exercised in full, the Group’s net asset value and the total assets are expected to further increase by the gross proceeds therefrom in the maximum amount of approximately HK\$105 million. Since the Warrant Subscription would not lead to any change in the total bank borrowings of the Group while the total assets of the Group are expected to increase, the gearing ratio of the Group is expected to drop due to the Warrant Subscription.

#### *Effect on working capital*

As confirmed by the Directors and aforementioned, the Company intends to apply the entire net proceeds from the Warrant Subscription as well as the possible full exercise of the subscription rights attaching to the Warrants as general working capital of the Group. Therefore, the Group’s working capital position would be strengthened as a result of the Warrant Subscription.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Warrant Subscription and the exercise of the subscription rights attaching to the Warrants in the future.

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## LETTER FROM DONVEX CAPITAL

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### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Warrant Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Warrant Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Warrant Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Doris Sy**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

*Long positions of Directors' interests in shares of the Company and underlying shares of the Company*

Name of Directors	Nature of interest	Number of ordinary Shares held	Number of share options held	Total interests	Approximate percentage of total issued share capital
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	—	4,500,000	4,500,000	0.81%
Mr. Cheng Ming Kit	Beneficial owner	1,000	3,000,000	3,001,000	0.54%
Mr. Wong Man Kong, Peter	Beneficial owner	—	450,000	450,000	0.08%
Mr. Chan Chi Yuen	Beneficial owner	—	450,000	450,000	0.08%
Mr. Fung Siu To, Clement	Beneficial owner	30,000	450,000	480,000	0.09%
Mr. Chiu Wai On	Beneficial owner	—	450,000	450,000	0.08%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Shareholders</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>% of the Company's issued share capital</b>
Max Sun Enterprises Limited	(i)	Beneficially owned	66,030,276	11.91%
Chow Tai Fook Nominee Limited	(i)	Interest in a controlled corporation	66,030,276	11.91%

*Note:*

- (i) The Subscriber is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Dato' Dr. Cheng Yu-Tung were deemed to have interest in the shares held by the Subscriber for the purposes of SFO.

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no Director of the Company is a director or employee of Max Sun Enterprises Limited or Chow Tai Fook Nominee Limited.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

#### 4. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualification</b>
Donvex Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

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

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

#### 5. INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and Donvex Capital have, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

#### 6. COMPETING INTERESTS

As at the Latest Practicable Date, None of the directors or the initial management shareholders or their respective associates had an interest in any business that competes with or is likely to compete with the business of the Group.

#### 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, the date to which the latest published audited financial statements of the Company were made up.

#### 8. GENERAL

In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection at the office of the Company at Room 1007–08, 10/F, New World Tower I, 18 Queen’s Road Central, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (a) the Warrant Subscription Agreement;
- (b) the written consent from Donvex Capital as referred to in the paragraph headed “Expert and consent” in this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 16 in this circular;
- (d) the letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders respectively, the text of which is set out on pages 17 to 31 in this circular; and
- (e) this circular.

Set out below are the details of the adjustment mechanisms under the Warrant Instrument in relation to the events which give rise to the adjustments to the Exercise Price.

### 1. ADJUSTMENTS TO THE EXERCISE PRICE

- (A) Subject as hereinafter provided, the Exercise Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (1) to (7) inclusive of this sub-clause (A) it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
- (1) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective, provided that, where the date (the “**Subscription Date**”) in respect of a particular exercise of any of the subscription rights attaching to the Warrants to convert such Warrants into the Warrant Shares (the “**Subscription Rights**”) shall fall on or before the said business day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the holder of the Warrants exercising the said Subscription Rights, be deemed to have become effective before such Subscription Date.
  - (2) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Exercise Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation, provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Exercise Price shall be adjusted in such manner as an approved independent merchant bank or the auditors of the Company (the “**Auditors**”) or other financial institutions (at the option of the Company) shall certify to be appropriate, having regard to the relative interests of the persons affected thereby taken as a whole and such other matters as the approved independent merchant bank or the Auditors or other financial institutions consider relevant. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.
  - (3) If and whenever the Company shall make any Capital Distribution (as defined in sub-clause (B)) to holders (in their capacity as such) of Shares (whether on a reduction or redemption of capital, share premium account or capital redemption reserve fund or

otherwise) or shall grant to such holders rights to acquire for cash assets of the Group, the Exercise Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the closing price of one Share on the Stock Exchange on the business day on which the Capital Distribution or, as the case may be, the grant is publicly announced (whether or not such Capital Distribution or grant is subject to the approval of the holders of Shares or other persons) or (failing any such announcement) immediately preceding the date of the Share is traded ex the Capital Distribution or, as the case may be, of the grant (or where there is no closing price on such dealing day on which there was a closing price immediately preceding the relevant date); and
- B is the fair market value on the day of such announcement or (as the case may require) the immediately preceding day of the Share is traded ex the Capital Distribution or as the case may be, the grant, as determined in good faith by an approved independent merchant bank, or the Auditors or other financial institutions (at the option of the Company) of the portion of the Capital Distribution or of such rights which is attributable to one Share or as the case may be, in the grant of such rights,

PROVIDED THAT:

- (a) if in the opinion of the relevant approved independent merchant bank or the Auditors or other financial institutions (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed accordingly) the amount of the said closing price which should properly be attributed to the value of the Capital Distribution or rights; and
- (b) the provisions of this paragraph (3) shall not apply in relation to the issue of Shares credited as fully paid or partly paid out of profits or reserves and issued in lieu of a cash dividend nor to a purchase by the Company of its own Shares in accordance with the provisions of the Listing Rules, the Companies Act and the bye-laws of the Company.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

- (4) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price at the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to approval of the holders of Shares or other persons), the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the date of such announcement;
- B is the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price; and
- C is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant provided that no adjustment shall take effect in accordance with this clause should such offer or grant fail to become effective.

- (5) (a) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares and the total Effective Consideration per Share (as defined in subparagraph (A)(5)(c) below) initially receivable for such securities is less than 80 per cent. of the market price at the date of the announcement of the terms of issue of such securities, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the date of the issue of such securities;

- B is the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price (exclusive of any disbursements incurred in connection therewith); and
- C is the maximum number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the business day immediately preceding whichever is the earlier of the date on which the issue is announced (whether or not subject to approval of holders of Shares or other persons) and the date on which the issuer determines the conversion or exchange rate or subscription price, provided that no adjustment shall take effect in accordance with this clause should such issue fail to become effective.

- (b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as mentioned in section (a) of this paragraph (5) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange rate or subscription price would purchase at the market price at the date of the announcement of such proposal and of which the denominator is the number of Shares in issue immediately before such date of modification plus the maximum number of Shares to be issued upon full conversion or exchange of or the exercise in full of the subscription rights conferred by, such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange or subscription terms.
- (c) For the purposes of this paragraph (5), the “**total Effective Consideration**” receivable for the securities issued shall be deemed to be the consideration receivable by the issuer for any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the conversion or exchange thereof or the exercise in full of such subscription rights and the “**total Effective Consideration**” per Share

initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise in full of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (6) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees, including Directors holding executive office, of the Group, or their personal representatives, pursuant to any share option scheme adopted by the Shareholders and such any other scheme(s) or plan(s) approved in general meeting by the Shareholders for the issue or grant to Directors and/or employees of the Group or their personal representatives or other participants specified in or determined in accordance with such scheme(s) or plan(s) of Shares or options to subscribe for Shares) at a price per Share which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective (if appropriate retroactively) on the date of the issue, provided that no adjustment shall take effect in accordance with this clause should such issue fails to become effective.
- (7) If and whenever the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) and the Directors cancel such Shares, securities convertible into Shares or rights to acquire Shares, the Directors may if they consider it appropriate make an adjustment to the Exercise Price PROVIDED THAT the Directors shall have appointed either the Auditors or an approved independent merchant bank or other financial institutions to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Exercise Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if the Auditors or such approved independent merchant bank or other financial institutions shall consider in its opinion that it is appropriate to make an adjustment to the Exercise Price, the Directors shall make an adjustment to the Exercise Price in such manner as the Auditors or such approved independent merchant bank or other financial institutions shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which such purchases by the Company are made.

(B) For the purposes of sub-clause (A) above:

“**announcement**” shall include the releases of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Stock Exchange or in accordance with the rules or regulations of the Stock Exchange and “**date of announcement**” shall mean the date on which the announcement is first so released, delivered or transmitted;

“**Capital Distribution**” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution PROVIDED THAT any such dividend shall not automatically be so deemed if:

- (1) it is paid out of the aggregate of the net profits (less losses) and/or contributed surplus attributable to the holders of Shares for all financial periods after that ended 31 December 2011 as shown in the audited consolidated profit and loss account of the Group for each such financial period or out of the retained earnings or profits of the Group as at 31 December 2011; or
- (2) to the extent that paragraph (1) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Auditors appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially;

“**issue**” shall include allot;

“**market price**” means the average of the closing prices of one Share on the Stock Exchange in respect of dealings in board lots for the five consecutive business days ending on the last business day preceding the day on or as of which the market price is to be ascertained;

“**reserves**” includes unappropriated profits; and

“**rights**” includes rights in whatsoever form issued.

“**Shares**” includes, for the purposes of Shares comprised in any issue, distribution, offer or grant pursuant to paragraphs (3), (4), (5), (6) or sub-clause (A) of this clause 1, any such shares of the Company as, when fully paid or credited as fully paid, will be Shares;

- (C) The provisions of paragraphs (2), (3), (4), (5) and (6) of sub-clause (A) of this clause 1 shall not apply to:
- (1) an issue of fully paid Shares upon the exercise of any conversion rights attached to the securities convertible into Shares (including the Warrants) or upon exercise of any rights (including the Subscription Rights) to acquire Shares;
  - (2) an issue of Shares or other securities of the Company or any Subsidiary wholly or partly convertible into, or rights to acquire, Shares pursuant to the Share Option Scheme;
  - (3) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110 per cent. of the amount of the dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “**market value**” of a Share shall mean the average of the closing prices on the Stock Exchange for five (or more) consecutive business days on each of which there is a closing price ending on the last such business day immediately preceding the day on or as of which the holders of Shares may, pursuant to such scrip dividend scheme, elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
  - (4) an issue by the Company of Shares or any other subsidiary (meaning ascribed thereto in the Listing Rules) of securities wholly-partly convertible into or rights to acquire Shares, in any case in consideration or part consideration for the acquisition of any other securities, assets or business; or
  - (5) the issue of the Warrants.
- (D) Any adjustment to the Exercise Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Exercise Price. In addition to any determination which may be made by the Directors every adjustment to the Exercise Price shall be certified either (at the option of the Company) by the Auditors or by an approved independent merchant bank or other financial institutions.
- (E) Notwithstanding anything contained in the Warrant Instrument or the Warrant certificates, no adjustment shall be made to the Exercise Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this clause 1 would be less than one cent and any adjustment that would otherwise then be required to be made shall not be carried forward. Notwithstanding anything contained in the Warrant Instrument or the Warrant certificates, no adjustment shall be made to the Exercise Price, if as a result of such adjustment, the Exercise Price shall fall below the then nominal value of each Share.
- (F) If the Group shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint either the Auditors or an

approved independent merchant bank or other financial institutions to consider whether any adjustment to the Exercise Price is appropriate and if the Auditors or such approved independent merchant bank or other financial institutions, when acting reasonably, shall certify that any such adjustment is appropriate, the Exercise Price shall be adjusted accordingly and the provisions of paragraphs (D), (E) and (H) of this clause 1 shall apply.

- (G) Notwithstanding the provisions of sub-clause (A) of this clause 1, in any circumstances where the Directors shall consider that an adjustment to the Exercise Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Exercise Price should be made notwithstanding that no such adjustment is required under the said provisions, the Directors may at the Company's cost appoint an approved independent merchant bank or the Auditors or other financial institutions to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved independent merchant bank or the Auditors or other financial institutions, when acting reasonably, shall certify that this should be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) as shall be certified by such approved independent merchant bank or the Auditors or other financial institutions.
- (H) Whenever the Exercise Price is adjusted as herein provided the Company shall give notice to the holder of the Warrants that the Exercise Price has been adjusted (setting forth the event giving rise to the adjustment, the Exercise Price in effect prior to such adjustment, the adjusted Exercise Price and the effective date thereof) and shall at all times thereafter so long as any of the Subscription Rights remains exercisable make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the Auditors or (as the case may be) of the relevant approved independent merchant bank or other financial institutions and a certificate signed by a Director of the Company setting out the brief particulars of the event giving rise to the adjustment, the Exercise Price in effect prior to such adjustment, the adjusted Exercise Price and the effective date thereof and shall, on request, send a copy thereof to any holder of the Warrants at no charge.



**NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00166)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (“**SGM**”) of New Times Energy Corporation Limited (the “**Company**”) will be convened and held at Unit 103, 1/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong on Friday, 6 July 2012 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the connected transaction constituted by the entering into of the conditional subscription agreement dated 29 May 2012 (the “**Warrant Subscription Agreement**”, a copy of which has been produced to this meeting marked “**A**” and initialed by the chairman of this meeting for the purpose of identification) between Max Sun Enterprises Limited (the “**Subscriber**”) as subscriber and New Times Energy Corporation Limited (the “**Company**”) as issuer in relation to the subscription of 100,000,000 unlisted warrants (the “**Warrants**”) to be issued by the Company at the issue price of HK\$0.02 per Warrant subject to and upon other terms and conditions contained in the Warrant Subscription Agreement together with the transactions contemplated thereunder and all other matters thereof and incidental thereto or in connection therewith including (without limitation) the creation and issue of the Warrants by the Company conferring rights to subscribe for new ordinary shares (each a “**Share**”) of par value of HK\$0.50 each in the capital of the Company exercisable at any time within 60 months commencing from the date of the issue of the Warrants (that is, the date of completion of the Warrant Subscription Agreement) at an initial exercise price of HK\$1.05 per Share, subject to adjustment and to the terms and conditions set out in the warrants instrument (the “**Warrants Instrument**”) (a draft of which has been produced to this meeting marked “**B**” initialed by the chairman of this meeting for the purpose of identification) and the allotment and issue of such Shares (the “**Warrant Shares**”) upon exercise of the subscription rights attaching to the Warrants be and they are hereby generally and unconditionally approved in all respects and that the Warrant Shares shall, when allotted, issued and fully paid, rank *pari passu* in all respects with all other Shares in issue at the date of such allotment and issue;

\* For identification purpose only

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## NOTICE OF SGM

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- (b) the directors (the “**Directors**”) of the Company (or a duly authorised committee thereof) be and they are hereby generally and specifically authorised to allot and issue such number of Shares (the “**Specific Mandate**”) as may be required to cover the Warrant Shares that may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants subject to and upon the terms and conditions set out in the Warrants Instrument. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and
- (c) the Directors (or a duly authorised committee thereof) be and they are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.”

By Order of the Board  
**New Times Energy Corporation Limited**  
**Cheng Kam Chiu, Stewart**  
*Chairman*

Hong Kong, 21 June 2012

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

Room 1007–08, 10/F  
New World Tower I  
18 Queen’s Road Central  
Central, Hong Kong

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Notes:*

1. A shareholder of the Company entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his/her stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one such person may vote at the meeting, either personally or by proxy, in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

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## NOTICE OF SGM

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3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be delivered to the office of the Company's branch share registrars, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. A form of proxy for use at the SGM is being despatched to the shareholders of the Company together with a copy of this notice.