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If you are in any 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 **Sunshine Oilsands Ltd.**, you should at once hand this circular together with the accompanying form of Proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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



阳光油砂

SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

*(a corporation incorporated under the Business Corporations Act
of the Province of Alberta, Canada with limited liability)*

(HKEX: 2012)

(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE (2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON AND (3) NOTICE OF SGM

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



Donvex Capital Limited
富域資本有限公司

Unless the context otherwise requires, all capitalised terms used in this circular have meanings set out in the section headed "Definitions" of this circular.

A notice convening the SGM to be convened and held at Unit 8504A, 85/F International Commerce Centre, 1 Austin Road West Kowloon, Hong Kong on August 4, 2017 at 10:00 a.m. (Hong Kong time) is set out on pages 52 to 54 of this circular. A form of Proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the form of Proxy in accordance with the instructions printed thereon and deposit the same with at the Corporation's principal share registrar in Canada, being Alliance Trust Company, at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3, or at the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during regular business hours at least 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of Proxy shall not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* For identification purposes only

July 7, 2017

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DEFINITIONS

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

“Announcement”	the announcement made by the Corporation dated June 5, 2017 (Hong Kong time)/June 5, 2017 (Calgary time) regarding the Subscription and the Specific Mandate
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Beneficial Shareholder”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (d) Proxy Information for Beneficial Shareholders” in the “Letter from the Board”
“Board”	the board of Directors of the Corporation
“Broadridge”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (d) Proxy Information for Beneficial Shareholders” in the “Letter from the Board”
“CDN\$”	Canadian dollars, the lawful currency of Canada
“Closing Date”	the date on which completion of the Subscription take place subject to the fulfilment or wavier (as the case may be) of the conditions of the Subscription Agreement
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Connected Subscriber”	Prime Union
“Corporation”	Sunshine Oilsands Ltd., a corporation incorporated under the Business Corporations Act of the Province of Alberta, Canada, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Cross Strait”	has the meaning ascribed to it in the paragraph headed “7. Litigation” in the “General Information” set out in the appendix to this circular
“Directors”	the directors of the Corporation
“Donvex Capital” or “Independent Financial Adviser”	Donvex Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription by the Connected Subscriber
“ESSP”	has the meaning ascribed to it in the paragraph headed “4. Reasons for and Benefits of the Subscription and Use of Proceeds” in the “General Information” in the “Letter from the Board”
“Group”	the Corporation and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising certain of the INEDs, namely Ms. Joanne Yan, Mr. Raymond Shengti Fong, Mr. Yi He (David) and Mr. Jeff Jingfeng Liu
“Independent Shareholders”	the Shareholders other than the Connected Subscriber and its respective associates
“INEDs”	the independent non-executive Directors
“Intermediary”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (d) Proxy Information for Beneficial Shareholders” in the “Letter from the Board”
“Latest Practicable Date”	June 28, 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“Listing Committee”	the listing sub-committee of the board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Meeting Materials”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (d) Proxy Information for Beneficial Shareholders” in the “Letter from the Board”
“Mr. Sun”	Mr. Kwok Ping Sun, the Executive Chairman and a substantial shareholder of the Corporation, who is interested in 1,323,881,500 Shares (including share options), representing approximately 23.82% of the issued and outstanding Shares of the Corporation as at the Latest Practicable Date
“Objecting Beneficial Shareholders”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (d) Proxy Information for Beneficial Shareholders” in the “Letter from the Board”
“PRC”	the Peoples’ Republic of China, for the purpose of this circular, not including Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan

DEFINITIONS

“Prime Union”	Prime Union Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which is directly wholly owned by Mr. Sun as at the Latest Practicable Date. Prime Union is engaged in investment holding
“Proxy”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (c) Proxy Information for Registered Shareholders — Appointment of Proxy Holder” in the “Letter from the Board”
“Registered Shareholder”	has the meaning ascribed to it in the paragraph headed “11. General Proxy Information — (c) Proxy Information for Registered Shareholders” in the “Letter from the Board”
“Senior Secured Notes”	the US\$200 million principal amount of senior secured notes issued by the Corporation, the details of which are set out in the announcement of the Corporation dated August 5, 2014
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Corporation to be convened and held for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Share(s)”	the Class “A” common voting share(s) in the issued share capital of the Corporation
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issue of the Subscription Shares to the Subscriber upon Completion, which will take place fourteen days after the day of SGM, i.e. on or before August 24, 2017
“Subscriber”	the Connected Subscriber
“Subscription”	the Subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the Subscription Agreement dated June 5, 2017 entered between the Corporation and the Subscriber in connection with the Subscription
“Subscription Price”	HK\$0.234 (approximately CDN\$0.041) per Subscription Share
“Subscription Shares”	455,074,788 new Shares to be issued by the Corporation to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“US\$” United States dollar, the lawful currency of the United States of America

“%” per cent

For the purpose of this circular, unless otherwise stated, translations of HK\$ into CDN\$ are made for illustration purposes only and are based on the Bank of Canada’s nominal noon exchange rate (as at June 2, 2017, being the last trading day prior to the date of the Subscription Agreement) of CDN\$1.00 = HK\$5.7699.

LETTER FROM THE BOARD



阳光油砂

SUNSHINE OILSANDS LTD.

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陽光油砂有限公司*

*(a corporation incorporated under the Business Corporations Act
of the Province of Alberta, Canada with limited liability)*
(HKEX: 2012)

Executive Directors:

Mr. Kwok Ping Sun (*Chairman*)
Mr. Hong Luo
Mr. Qiping Men
Ms. Gloria Pui Yun Ho

Non-Executive Directors:

Mr. Michael John Hibberd (*Vice-Chairman*)
Ms. Xijuan Jiang
Ms. Linna Liu

Independent Non-Executive Directors:

Mr. Raymond Shengti Fong
Mr. Jeff Jingfeng Liu
Ms. Joanne Yan
Mr. Yi He

Registered Office:

Suite 4000, 421 — Seventh Avenue S.W.
Calgary, Alberta
Canada T2P 4K9

Place of Business in Hong Kong:

Unit 8504A, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

July 7, 2017

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF NEW SHARES BY A CONNECTED PERSON AND
(3) NOTICE OF SGM**

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LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement in which the Board announced that on June 5, 2017, the Corporation entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber have conditionally agreed to subscribe for, and the Corporation has conditionally agreed to allot and issue, the 455,074,788 Subscription Shares in cash at the Subscription Price of HK\$0.234 (approximately CDN\$0.041) per Subscription Share.

The Independent Board Committee has been established to consider and advise the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Subscription; (ii) a letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders in relation to the Subscription by the Connected Subscriber; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription by the Connected Subscriber as well as voting at the SGM; and (iv) the notice of SGM to the Shareholders together with the Proxy to the Independent Shareholders to consider and if thought fit, to approve the Subscription and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, which shall take place fourteen days after the day of SGM, i.e. on or before August 24, 2017.

2. SUBSCRIPTION AGREEMENT

Date:

June 5, 2017

Parties:

- (i) the Corporation, as issuer; and
- (ii) the Subscriber, as subscriber of the Subscription Shares.

Subscription Shares:

455,074,788 Subscription Shares, representing approximately 8.19% of the Corporation's existing issued share capital as at the Latest Practicable Date and approximately 7.57% of its issued share capital as enlarged by the Subscription.

Subscription Price:

The Subscription Price of HK\$0.234 (approximately CDN\$0.041) per Subscription Share:

- (a) represents a discount of approximately 8.24% to the closing price of HK\$0.255 (approximately CDN\$0.05) per Share on the Hong Kong Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (b) represents a discount of approximately 14.74% to the closing price of HK\$0.285 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange on the last trading day (being June 2, 2017) prior to the date of the Subscription Agreement;
- (c) represents a discount of approximately 18.75% over the average closing price of HK\$0.288 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (d) represents a discount of approximately 16.82% over the average closing price of HK\$0.281 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (e) represents a discount of approximately 66.62% to the audited net asset value of approximately HK\$0.701 (approximately CDN\$0.12) per Share as at December 31, 2016 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$3,507,991,880. (approximately CDN\$607,455,000) as at December 31, 2016 and 5,002,601,358 Shares in issue as at December 31, 2016)⁽¹⁾.

Note:

1. Based on the Bank of Canada's nominal noon exchange rate (as at December 30, 2016) of CDN\$1.00 HK\$5.7749

The Subscription Price was determined on an arm's length basis between the Corporation and with the Subscriber with reference to the prevailing market price of the Shares. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and in light of the recent weakening price performance and liquidity of the Shares.

Based on recent 12 months' equity private placements under general mandate (altogether nine times from June 2016 to June 2017), the discount given to independent third party investors have been 18–19.9%. Therefore the Board of Directors considers that the discount given to the Subscription to be fair and reasonable as it is within the abovementioned range.

Fund raising has been increasingly difficult due to overall market conditions including weak global oil prices, and continuous underperformance by industry partners in the oil sands sector, as well as the financial conditions of the Corporation. For the year ended December 31, 2016 (Date of latest audited financial statements) net loss was CDN\$73.3m; net cashflow from operations was -CDN\$13.6m. And the Corporation had a net current liabilities of CDN\$49.9m. Market liquidity has also been deteriorating: average 3-year and 1-year daily trading volume was 24.5 million and 23.0 million shares respectively versus 16.1 million shares in the average 1-month. In terms of price performance, share price of the Corporation has dropped by 31% and 70% in the recent 1 and 3 years. The Directors consider the Subscription Price to be fair and reasonable. Regarding the methods that the Corporation has exhausted to obtain financing and the results, please refer to section "Reasons for and Benefits of the Subscription and Use of Proceeds" in Page 9.

LETTER FROM THE BOARD

For the analysis of the trading price trend of the Shares, please refer to the Letter from Donvex Capital from pages 28 to 46 of this circular for further details.

Specific Mandate to issue the Subscription Shares:

The Subscription Shares will be issued under the Specific Mandate to be put forward for approval by the Independent Shareholders at the SGM. The Specific Mandate, if approved at the SGM, will be valid until the completion of the Subscription (fourteen days after the day of SGM i.e. on or before August 24, 2017). If the Subscription is not completed on or before August 24, 2017, further shareholders' approval will be sought.

Ranking:

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with all existing Shares presently in issue and at the time of issue and allotment of the Subscription Shares and in particular shall rank in full for all dividends and other distributions declared made or paid hereafter.

Conditions of the Subscription:

Completion of the Subscription Agreement are subject to the fulfillment (or waiver) of the following conditions:

- (a) the approval of the following resolutions at the SGM of the Shareholders in relation to, among other things, the Subscription Agreement, the Subscription and the transactions contemplated thereunder:
 - (i) the Specific Mandate for the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement and/or the Subscription; and
 - (ii) the Subscription Agreement and the transactions contemplated thereunder; and
- (b) the listing of, and permission to deal in, all the Subscription Shares to be allotted and issued under the Subscription Agreement and/or the Subscription being granted by the Hong Kong Stock Exchange and such listing and permission not subsequently being revoked prior to the date of closing of the Subscription Agreement.

Furthermore, the obligations of the Corporation and the Subscriber under the Subscription Agreement are subject to acceptance of the terms of the Subscription by the Hong Kong Stock Exchange and all other required regulatory approvals.

In the event that closing of the Subscription does not occur by the Closing Date (as defined below), the Subscription Agreement will immediately and automatically terminate, the obligations of the Corporation and the Subscriber under the Subscription Agreement shall immediately cease and be null and void and the subscription monies in respect of the Subscription will be returned to the Subscriber.

LETTER FROM THE BOARD

Completion of Subscription:

Subject to the fulfilment or wavier (as the case may be) of the conditions of the Subscription Agreement, completion of the Subscription will take place within fourteen business days after the date of the SGM i.e. on or before August 24, 2017 (or such other later date as the Corporation or the Subscriber may agree in writing) (the “**Closing Date**”). Further Shareholders’ approval should be sought if the Subscription cannot be completed on or before August 24, 2017.

Undertaking by the Subscriber:

The Subscriber undertakes that it shall not trade in the Subscription Shares within four months and a day after the Closing Date. The 4-month holding period is a voluntary clause in the Subscription Agreement that has been mutually agreed between the Corporation and the Subscriber. This is also in line with the subscription of Prime Union in May 2015. The holding period of 4 months is a mandatory requirement for private placement of shares of the Corporation (as a reporting issuer of Canada) only to Canadian investors based on Canadian securities laws.

3. APPLICATION FOR LISTING

Application will be made by the Corporation to the Listing Committee of the Hong Kong Stock Exchange for the grant of an approval for the listing of, and permission to deal in, the Subscription Shares.

4. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since March 1, 2012. The Corporation is focused on the development of its significant holdings of oil sands leases in the Athabasca oil sands region. The Corporation owns interests in approximately one million acres of oil sands and petroleum and natural gas leases in the Athabasca region. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells project has an initial production target of 5,000 barrels per day.

Prior to exploring the possibility of the Subscription, the Corporation has exhausted all available methods of raising funds over the last several months but none of which seemed to be successful. These methods included high yield debt issuance, bank loan and other equity financing possibilities such as rights issue or open offer.

The Corporation was previously engaged in discussions with various fixed income investors in the North America and Asia market. Feedback from these investors have been negative due to (i) uncertainties about the Corporation’s ability to service debt interests and principal payments given its current financial conditions and recent public disclosures regarding forbearances of the Senior Note issued previously in 2014; (ii) credit risk mitigates that the Corporation could offer are limited as its assets were pledged to the Senior Notes. In terms of bank credit facilities, the Corporation was not able to secure any bank loans over the past 12 months given its continuously loss-making performance; net current liability position and lack of positive cashflow as the West Ells project is still at its early stage of production. For the year ended 31 December 2016 (date of latest audited financial statements) net loss was CDN\$73.3m; net cashflow from operations was -DN\$13.6m. And the Corporation had a net current liabilities of CDN\$49.9m. With respect to equity financing, the Corporation has also explored with several financial institutions regarding the possibilities of a right

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issue or open offer, the feedback from the financial institutions after their market assessments was either: (i) decline due to insufficient interests or (ii) advised that it may be possible only with an extremely deep price discount of 30% or above and underwriting by the major shareholder due to weak demand (the financial institutions are unwilling to underwrite the transaction). The Directors considered such deep price discount suggested by the financial institution to be valid based on the price discount offered in right issues open offer in the recent 12 months by Main Board listed comparable companies (i.e. with market capitalization equal or smaller than the current market capitalization of the Corporation and with net loss position in the latest audited financial year). In the recent 12 months, average price discount in the rights issue of these comparable companies was 36.7% versus closing price of the day of announcement of the issue. 28.5% versus average closing price of the last 5 consecutive trading days prior to announcement of the issue. For open offer, the average price discount was 49.2% versus closing price of the day of announcement of the issue. 39.3% versus average closing price of the last 5 consecutive trading days prior to announcement of the issue. This agrees with the 30% discount or above as suggested by the financial institutions that the Corporation have previously discussed with. The Directors consider that the rights issue/open offer transactions in the recent 12 months as a sufficient reference, as the stock market conditions, macroeconomic and industry dynamics changes with time and would be materially different beyond the 12 months period.

Rights Issue of the recent 12 months for Main Board comparable companies of the Corporation in terms of market capitalization and financial condition:

Stock Code	Company Name	Date of Circular	Subscription Price	Price discount versus closing price of the day of announcement of the issue	Price discount versus average closing price of the last 5 consecutive trading days prior to the announcement	Acceptance Rate ¹	Latest audited financial condition
1380	CHI KINGSTONE	2017/6/8	HK\$0.12	44.70%	46.57%	N/A	Net Loss
1225	LERADO FIN	2016/8/24	HK\$0.2	63.60%	65.7%	39.61%	Net Loss
91	INT'L STD RES	2017/3/6	HK\$0.09	43.75%	51.30%	19.40%	Net Loss
2324	CAPITAL VC	2017/2/17	HK\$0.20	50%	48.05%	23.00%	Net Loss
736	CHINA PPT INV	2016/7/14	HK\$0.141	42.21%	42.21%	45.61%	Net Loss
1340	HUI SHENG INTL	2017/1/9	HK\$0.5	5.66%	7.06%	41.17%	Net Loss
197	HENG TAI	2016/12/15	HK\$0.24	17.20%	16.10%	73.74%	Net Loss
1046	UNI INTL FIN	2016/9/8	HK\$0.6	25%	24.24%	100%	Net Loss
263	GT GROUP HLDG	2016/9/13	HK\$0.25	32.43%	8.09%	73.76%	Net Loss
897	WAI YUEN TONG	2016/9/5	HK\$0.43	48.81%	49.41%	95.27%	Net Loss
913	UNITY INV-NEW	2016/7/19	HK\$0.25	25.37%	28.57%	17.00%	Net Loss
619	SOUTH CHINA FIN	2016/7/20	HK\$0.066	41.07%	52.38%	95.24%	Net Loss
Average Value			36.7%	28.5%	52.4%		

LETTER FROM THE BOARD

Open Offer of the recent 12 months for Main Board comparable companies of the Corporation in terms of market capitalization and financial condition:

Stock Code	Name	Date of Circular	Subscription Price	Price discount	Price discount	Acceptance Rate ¹	Latest audited financial condition
				versus closing price of the day of announcement of the issue	versus average closing price of the last 5 consecutive trading days prior to the announcement		
482	SANDMARTIN INTL	28/6/2017	HK\$0.10	41.50%	42.00%	N/A	Net Loss
431	G CHINA FIN	26/5/2017	HK\$0.10	58.70%	58.80%	42.70%	Net Loss
612	CHINA INV FUND	19/5/2017	HK\$0.56	20.00%	20.00%	76.30%	Net Loss
117	TIANLI HOLDINGS	18/1/2017	HK\$1.5	31.20%	33.70%	66.47%	Net Loss
865	FIRST MOBILE	30/9/2016	HK\$0.13	92.30%	N/A	77.41%	Net Loss
362	C ZENITH CHEM	28/09/2016	HK\$0.1	5.66%	7.41%	66.97%	Net Loss
2309	BIRMINGHAM INTL	05/08/2016	HK\$0.08	94.03%	N/A	41.58%	Net Loss
585	IMAGI INT'L	2016/5/8	HK0.185	21.61%	24.37%	53.90%	Net Loss
1323	NEWTREE GROUP	25/7/2016	HK\$0.164	56.84%	57.84%	37.59%	Net Loss
515	TC ORI LIGHT	29/06/2016	HK\$0.1	70.15%	70.50%	78.62%	Net Loss
Average Value			49.2%	39.3%	60.2%		

Note:

- 1) The acceptance rate is adjusted to 100% for cases with over-subscriptions.

Furthermore, the Board has scrutinized the results of rights issue and open offer for the recent 12 months. Average acceptance rate was 52.4% and 60.2% respectively. These results reflected that the market is not very active or supportive to rights issue open offer transactions over the past 12 months. The Corporation believes that given such market conditions, as well as the weak share price performance of the Corporation (dropped by 31% and 70% in the last 1 and 3 years respectively), the above advice from the financial institutions is valid and that the underwriter of a pre-emptive issue by a company similar to the Corporation in terms of market capitalization and financial conditions would need to absorb substantial amount of shares given the low acceptance rates.

The Board is aware that minority shareholders' stake would be diluted in the Subscription. However, on balance, it is of a view that the benefits outweigh the costs of the transaction due to the following reasons:

- 1) The Subscription represents a much quicker source of financing — whilst a pre-emptive equity issuance would take much longer time (at least 2–3 months), the Subscription would take approximately 1 month to complete. Given that the Corporation's cash balance is approximately CDN\$2.4m at the Latest Practicable Date versus an immediate need of cash to continue with the operation including approximately HK\$18m per month

LETTER FROM THE BOARD

for normal operations (exclude any contingencies) and approximately HK\$5.7m for road repair work. Therefore, the 1–2 months' time lag would be very significant to the Corporation given the magnitude of the monthly operating expenses and the fact that the operations and production at West Ells could not be halted as the production facilities and the oil wells need to be continuously running and heated up, failure to do so would result in sharp decline in production level which will then take several months and large amount of capital to recoup.

- 2) The Subscription provides a relatively larger funding size of HK\$106,487,500.4 to support its operations and immediate funding needs — Although the Corporation has conducted several equity private placements over the last 12 months, the size of each was small. As the share price continuously decline, the Corporation is also seeing declining interests in these placements.
- 3) The costs of financing is much lower than pre-emptive issues — the price discount of 18.75% in the Subscription is in line with the range of price discount of 18–19.9% given to independent third parties in private equity placement over the past 12 months. This is substantially lower than discount of 30% or above based on market assessment by financial institutions and validated by the Board of Directors as presented above in Pages 10–11. Moreover, the Subscription does not involve any sales commission or fees as in the case of pre-emptive issues.
- 4) Dilution effect — the Subscription would result in 7.57% dilution for the existing minority shareholders. However, given the market reaction towards rights issue/open offer in the recent 12 months as discussed in Pages 10–11, and the weak share price performance of the Corporation (dropped by 31% and 70% in the last 1 and 3 years respectively), if the Corporation were to do a pre-emptive issue, the underwriter, in which case would be the Subscriber (if he agrees to do so at a similar price discount as the Subscription), would need to absorb substantial amount of the unsubscribed shares. As such the pre-emptive issue could also result in dilution effect although the impact could not be accurately quantified.

Mr. Sun is interested in approximately 23.82% of the total issued Shares (including share options) as at the Latest Practicable Date. He joined the Board as a non-executive Director on May 27, 2015 and was appointed executive Chairman on June 28, 2015. The Corporation believes that the Subscriber has been a significant support to the Corporation in the following aspects:

- (i) He brings significant business experience to the Corporation.
- (ii) Mr. Sun represents the most ready, cost effective and best available source of funding at a material size for the Corporation. In 2015, Mr. Sun has extended his support to the Corporation through a significant direct equity investment of HK\$387 million of shares subscription at a fair and reasonable discount. Now that as the Corporation faces frustration in its recent financing efforts, Mr. Sun continues with his financial support to the Corporation.

The Directors believe that the price discount given in the Subscription represent a fair and reasonable treatment to the Corporation, the Subscriber, existing and prospective investors of the Corporation as it is in line with the price discount range of 18–19.9% given to independent third parties in private placements over the recent 12 months. The Directors believe that the Subscriber would continue to be a ready source of funding, if required in the future.

LETTER FROM THE BOARD

In support of the Corporation's immediate operational need of funds (see below for proceeds usage plan), and funds required to support ongoing production ramp-up of the West Ells Phase 1 project, the Board considers that the Subscription is the best available choice for the Corporation.

Under applicable Canadian securities laws, Mr. Sun could not efficiently increase his ownership in the Corporation over 20%, except through a subscription of new Shares in the Corporation. The Subscription by Mr. Sun will not have any take-over bid implication under Canadian securities laws.

The Directors consider that: (i) the Subscription Agreement have been entered into on normal commercial terms; (ii) the terms thereof (including the Subscription Price) are fair and reasonable; and (iii) the Subscription is in the interests of the Corporation and the Shareholders as a whole.

The aggregate gross proceeds from the Subscription are expected to be HK\$106,487,500.4 (approximately CDN\$18,455,668.2). After deducting related fees and expenses, the aggregate net proceeds from the Subscription are expected to be approximately HK\$105,955,062.9 (approximately CDN\$18,363,389.8). The net price per Subscription Share after deducting related fees and expenses is approximately HK\$0.233 (approximately CDN\$0.040) per Subscription Share.

The Corporation intends to apply the net proceeds from the Subscription as follow:

- (i) approximately HK\$80.0 million (approximately CDN\$14 million) for the operating costs (including on-site labor costs, fuel costs for steam and power generation, water treatment and oil treatment costs, costs for diluent and chemicals, transportation, workovers and the costs for other consumable materials for equipment maintenance) to keep the current operations and to ramp up production from currently c3,000 bbl/day to 5,000 bbl/day for West Ells project Phase 1 over the next few months;
- (ii) approximately HK\$26.3 million (approximately CDN\$4.3 million) for general working capital of the Group (including general and administrative costs such as salary and bonus for office personnel and related consultants, office rental, travel, legal and related general expenses); and

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An estimated breakdown for use of proceeds in the immediate 6 months on Completion is as follows:

West Ells Operating Costs	<i>HKD'000</i>
Transportation	15,997
Diluent Purchase	15,529
Property, Plant and Equipment spending	1,800
Site Manpower	14,391
Natural Gas and Electricity	16,653
West Ells Road Maintenance	5,700
Trucking	5,953
Maintenance, Parts, and Labour	700
Chemical and Treating	2,799
Consumables	500
Other	—
Total	80,022
General and Administrative Costs	
Salaries	17,100
Rent	7,524
Legal & audit fees	500
Regulatory	1,200
Other	—
Total	26,324

The Corporation expects the use of proceeds will be evenly spread over the 6 months' period except for an urgent West Ells road maintenance will take place the earliest by this month due to recent road failure as a result heavy rain, we expect to the work to be completed in 3 months' time at total costs approximately HK\$5.7m.

The Subscription, which will be completed without any placement fees and commissions, is intended to ensure full coverage of the operations costs related to the current production of the West Ells Phase 1 project. In addition, the proceeds from the Subscription will cover general and administration costs of the project and working capital needs of the Corporation. The Corporation expects to have its cash profile substantially improved as it ramps up and further expand into Phase 2 of the West Ells project, which will then gradually reduce the reliance of externally financing. As the Corporation actively seeks joint development partners for its expansion through to Phase 2, the Board expects that the possibility for a significant capital raising for the expansion is small and that the Subscription proceeds are expected to be an adequate resources for the Phase 1 ramp-up. This is currently the funding arrangement for West Ells project. The Corporation has no present intention/solid plan for further equity fundraising in the meantime.

However, further equity raising may be required if (and not limited to): (1) the ramp-up progress of West Ells Phase 1 is slower-than-expected; (2) unforeseen failure which requires significant repair and maintenance spending; (3) further forbearance of the Senior Notes is not

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possible upon maturity on August 1, 2017 or would require partial repayments to do so; (4) Severe decline in market conditions e.g. oil price which then the Corporation would need additional funds to sustain its operations apart from its oil production.

5. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Corporation had 5,558,336,358 Shares in issue. The shareholding structure of the Corporation: (i) as at the Latest Practicable Date; and (ii) immediately after the Completion (assuming that there will be no further changes in the number of total issued Shares prior to the Completion), are as follows:

Name of Shareholder	As at the date of this Announcement		Immediately after Completion	
	Number of Shares ²⁾	Approx. % of Shares	Number of Shares ²⁾	Approx. % of Shares
Sun Kwok Ping ¹⁾	1,277,202,500	22.98%	1,732,277,288	28.81%
Bright Hope Global Investment Limited	267,353,088	4.81%	267,353,088	4.45%
China Life Insurance (Overseas) Co., Ltd	201,941,600	3.63%	201,941,600	3.36%
Tseung Hok Ming	295,893,656	5.32%	295,893,656	4.92%
Sinopec Century Bright Capital Investment Limited	239,197,500	4.30%	239,197,500	3.98%
Other public shareholders	<u>3,214,237,014</u>	<u>57.83%</u>	<u>3,214,237,014</u>	<u>53.45%</u>
Total	<u>5,558,336,358</u>	<u>100</u>	<u>6,013,411,146</u>	<u>100</u>

Notes

- 1) Prime Union, which is the Subscriber under the Subscription Agreement, is wholly and directly owned by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in the Shares subscribed by Prime Union under the Subscription Agreement.
- 2) Exclude interests in share options.

6. EQUITY FUND RAISING ACTIVITY IN THE PAST 12 MONTHS

The Corporation has conducted the following equity fund raising activity in the 12 months preceding the date of the Announcement.

Date of announcement	Fund raising activity	Approximate net proceeds raised	Intended use of the net proceeds		Actual use of the net proceeds
June 3, 2016	Private placement of Common Shares under Specific Mandate	HK\$9,900,000 (approximately CDN\$1,666,387.80 ⁽¹⁾)	(i)	for general working capital of the Corporation; and	HK\$9,900,000 (approximately CDN\$1,666,387.80 ⁽¹⁾)
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	used as intended

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Date of announcement	Fund raising activity	Approximate net proceeds raised	Intended use of the net proceeds		Actual use of the net proceeds
June 23, 2016	Private placement of Common Shares under Specific Mandate	HK\$29,900,000 (approximately CDN\$4,940,945.10 ⁽²⁾)	(i)	for general working capital of the Corporation; and	HK\$29,900,000 (approximately CDN\$4,940,945.10 ⁽²⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
June 22, 2016	Private placement of Common Shares under General Mandate	HK\$19,615,817.20 (approximately CDN\$3,240,570 ⁽³⁾)	(i)	for general working capital of the Corporation; and	HK\$19,615,817.20 (approximately CDN\$3,240,570 ⁽³⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
July 21, 2016	Private placement of Common Shares under Specific Mandate	HK\$72,200,000 (approximately CDN\$12,139,274.80 ⁽⁴⁾)	(i)	for general working capital of the Corporation; and	HK\$72,200,000 (approximately CDN\$12,139,274.80 ⁽⁴⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
July 31, 2016	Private placement of Common Shares under Specific Mandate	HK\$113,900,000 (approximately CDN\$19,144,084.20 ⁽⁵⁾)	(i)	for general working capital of the Corporation; and	HK\$113,900,000 (approximately CDN\$19,144,084.20 ⁽⁵⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
October 24, 2016	Private placement of Common Shares under Specific Mandate	HK\$9,900,000 (approximately CDN\$1,700,255.70 ⁽⁶⁾)	(i)	for general working capital of the Corporation; and	HK\$9,900,000 (approximately CDN\$1,700,255.70 ⁽⁶⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
October 24, 2016	Private placement of Common Shares under General Mandate	HK\$45,962,004.00 (approximately CDN\$7,893,756 ⁽⁶⁾)	(i)	for general working capital of the Corporation; and	HK\$45,962,000.00 (approximately CDN\$7,893,756 ⁽⁶⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	

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Date of announcement	Fund raising activity	Approximate net proceeds raised	Intended use of the net proceeds		Actual use of the net proceeds
October 31, 2016	Private placement of Common Shares under General Mandate	HK\$7,840,000.00 (approximately CDN\$1,353,264 ⁽⁷⁾)	(i)	for general working capital of the Corporation; and	HK\$7,840,000.00 (approximately CDN\$1,353,264 ⁽⁷⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
December 2, 2016	Private placement of Common Shares under Specific Mandate	HK\$73,740,001 (approximately CDN\$12,673,841.45 ⁽⁸⁾)	(i)	for general working capital of the Corporation; and	HK\$73,740,001 (approximately CDN\$12,673,841.45 ⁽⁸⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
December 14, 2016	Private placement of Common Shares under General Mandate	HK\$15,929,625.00 (approximately CDN\$2,694,511.8 ⁽⁹⁾)	(i)	for general working capital of the Corporation; and	HK\$15,929,625.00 (approximately CDN\$2,694,511.8 ⁽⁹⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
January 24, 2017	Private placement of Common Shares under General Mandate	HK\$15,602,100.00 (approximately CDN\$2,673,123.6 ⁽¹⁰⁾)	(i)	for general working capital of the Corporation; and	HK\$15,602,100.00 (approximately CDN\$2,673,123.6 ⁽¹⁰⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
March 24, 2017	Private placement of Common Shares under General Mandate	HK\$69,475,049.6 (approximately CDN\$11,925,809.1 ⁽¹¹⁾)	(i)	for general working capital of the Corporation; and	HK\$69,475,049.6 (approximately CDN\$11,925,809.1 ⁽¹¹⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	
March 28, 2017	Private placement of Common Shares under General Mandate	HK\$11,599,985 (approximately CDN\$1,996,485 ⁽¹²⁾)	(i)	for general working capital of the Corporation; and	HK\$11,599,985 (approximately CDN\$1,996,485 ⁽¹²⁾) used as intended
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	
April 13, 2017	Private placement of Common Shares under General Mandate	HK\$33,950,634 (approximately CDN\$5,861,054.36 ⁽¹³⁾)	For settlement of indebtedness		HK\$33,950,634 (approximately CDN\$5,861,054.36 ⁽¹³⁾) used as intended

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Date of announcement	Fund raising activity	Approximate net proceeds raised	Intended use of the net proceeds		Actual use of the net proceeds
June 7, 2017	Private placement of Common Shares under General Mandate	HK\$15,880,106 (approximately CDN\$2,742,669 ⁽¹⁴⁾)	(i)	for general working capital of the Corporation; and	HK\$15,880,106 (approximately CDN\$2,742,669 ⁽¹⁴⁾)
			(ii)	as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project.	used as intended
Total fund raised		HK\$545,395,321.80 (approximately CDN\$92,646,031.9)			

Notes

- (1) Based on the Bank of Canada's nominal noon exchange rate (as at June 2, 2016) of CDN\$1.00 = HK\$5.9410.
- (2) Based on the Bank of Canada's nominal noon exchange rate (as at June 22, 2016) of CDN\$1.00 = HK\$6.0515.
- (3) Based on the Bank of Canada's nominal noon exchange rate (as at June 21, 2016) of CDN\$1.00 = HK\$6.0532.
- (4) Based on the Bank of Canada's nominal noon exchange rate (as at July 21, 2016) of CDN\$1.00 = HK\$5.9476.
- (5) Based on the Bank of Canada's nominal noon exchange rate (as at July 29, 2016) of CDN\$1.00 = HK\$5.9496.
- (6) Based on the Bank of Canada's nominal noon exchange rate (as at October 21, 2016) of CDN\$1.00 = HK\$5.8227.
- (7) Based on the Bank of Canada's nominal noon exchange rate (as at October 31, 2016) of CDN\$1.00 = HK\$5.7934.
- (8) Based on the Bank of Canada's nominal noon exchange rate (as at December 1, 2016) of CDN\$1.00 = HK\$5.8183.
- (9) Based on the Bank of Canada's nominal noon exchange rate (as at December 14, 2016) of CDN\$1.00 = HK\$5.9118.
- (10) Based on the Bank of Canada's nominal noon exchange rate (as at 24 January 2017) of CDN\$1.00 = HK\$5.8367.
- (11) Based on the Bank of Canada's nominal noon exchange rate (as at March 24, 2017) of CDN\$1.00 = HK\$5.8256.
- (12) Based on the Bank of Canada's nominal noon exchange rate (as at March 28, 2017) of CDN\$1.00 = HK\$5.8102.
- (13) Based on the Bank of Canada's nominal noon exchange rate (as at April 5, 2017) of CDN\$1.00 = HK\$5.7936.
- (14) Based on the Bank of Canada's nominal noon exchange rate (as at June 6, 2017) of CDN\$1.00 = HK\$5.7900.

The funds from the previous fundraising activities had been used as follows:

West Ells Operating Costs	CDN\$'000
Transportation	5,613
Diluent Purchase	8,173
Property, Plant and Equipment spending	11,678
Site Manpower	10,099
Natural Gas and Electricity	5,843
West Ells Road Maintenance	3,385
Trucking	2,321
Maintenance, Parts, and Labour	1,555
Chemical and Treating	1,228
Consumables	410
Other	188
Total	50,493

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General and Administrative Costs	<i>CDN\$'000</i>
Salaries	7,668
Rent	2,166
Legal & audit fees	1,752
Regulatory	1,373
Other	<u>2,506</u>
Total	<u>15,465</u>
Bond interest and principal repayment	<i>CDN\$'000</i>
Bond Interest and Yield Maintenance Payment	21,201
Bond Principal	1,835
Financing Costs e.g. commissions	<u>3,652</u>
Total	<u>26,688</u>
Grand Total	<u>92,646</u>

7. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Prime Union is a company directly wholly owned by Mr. Sun, the executive Chairman of the Corporation. Mr. Sun is also a substantial shareholder of the Corporation beneficially interested in approximately 22.98% of the Corporation's issued Shares (exclude share options) as at the Latest Practicable Date.

The Connected Subscriber is a connected person of the Corporation under the Listing Rules and accordingly, the Subscription by the Connected Subscriber constitute connected transactions for the Corporation and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Corporation will seek the Independent Shareholders' approval for the Subscription Agreement entered into with the Connected Subscriber and the granting of the Specific Mandate at the SGM.

Mr. Sun and his associates of the Corporation have abstained from voting on the board resolutions approving the Subscription due to their interests in the Subscription.

8. SGM

A notice convening the SGM to be held at Unit 8504A, 85/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong on Friday, August 4, 2017 at 10:00a.m. (Hong Kong time) is set out in this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Subscription Agreement and the transaction contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, which will take place fourteen days after the day of the SGM, i.e. on or before August 24, 2017.

The ordinary resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares, the full text of which is set out in paragraph 10 below, will be determined by way of poll by the Shareholders.

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In view of the Subscriber's material interests in the Subscription as at the Latest Practicable Date, the Subscriber and its respective associates (to the extent they have an existing interest in the Shares) will abstain from voting on the resolutions at the SGM. To the best of the Directors' knowledge, information and belief, except for the Subscriber, no other Shareholder is required to abstain from voting on the relevant resolutions at the SGM.

A form of Proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of Proxy in accordance with the instructions printed thereon and return the same as soon as possible to the Corporation's principal share registrar in Canada, being Alliance Trust Company, at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3, or the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, during regular business hours and 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 shall not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

9. RECORD DATE

All Registered Shareholders as at 4:30 p.m. on June 28, 2017 (Hong Kong time) and 2:30 a.m. on June 27, 2017 (Calgary time), as the case may be, being the record date, may vote in person at the SGM or any adjournments thereof, or they (including a Beneficial Shareholder) may appoint another person (who need not be a Shareholder) as their proxy to attend and vote in their place.

10. RESOLUTION

At the SGM, the Independent Shareholders will be asked to approve the following ordinary resolutions:

“BE IT RESOLVED THAT:

- (a) the Subscription (as defined in the Circular) in relation to 455,074,788 new class “A” common voting shares (the “**Subscription Shares**”) of the Corporation at a price of HK\$0.234 per Subscription Share by the Subscriber (as defined in the Circular) under the Subscription Agreement (as defined in the Circular), a copy of the Subscription Agreement has been produced to the special general meeting of the Corporation (“**SGM**”) marked “A” and signed by the chairman of the SGM for the purpose of identification, be and are hereby approved;
- (b) the execution of the Subscription Agreement and any other agreements, documents and actions taken or to be taken in connection with the Subscription (including the allotment and issue by the Corporation of the Subscription Shares) by any director of the Corporation (“**Director**”), notwithstanding any interest he may have in any matters in connection with the Subscription, be and are hereby approved, confirmed and ratified; and
- (c) any Director be and is hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she may determine to be appropriate, necessary or desirable to give effect to or in connection with the Subscription and the allotment and issue of the Subscription Shares and, subject to and in accordance with the applicable law and

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regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating to the Subscription in the interests of the Corporation and its shareholders as a whole; and

- (d) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares; and (ii) the fulfillment of other conditions precedent as set out in the Subscription Agreement, the unconditional specific mandate granted to the Directors to exercise the powers of the Corporation to allot, issue and deal with the Subscription Shares pursuant to the Subscription Agreement be and is hereby confirmed and approved.”

11. GENERAL PROXY INFORMATION

(a) Solicitation of Proxies

This circular is furnished in connection with the solicitation of proxies by or on behalf of the management of the Corporation for use at the SGM or any adjournments thereof for the purposes set out in the notice of SGM accompanying this circular.

The cost of this solicitation of proxies is borne by the Corporation. It is expected that the solicitation will be primarily by mail, but proxies or votes or voting instructions may also be solicited personally or by telephone, facsimile, e-mail, or other means of communication by the Directors, officers and regular employees of the Corporation.

(b) Voting at the SGM

Registered Shareholders are invited to attend the SGM and vote their Shares at the SGM or appoint another person (who need not be a Shareholder) to act as their proxy and vote in their place, as described below under the paragraph headed “Proxy Information for Registered Shareholders”. Beneficial Shareholders are invited to attend the SGM, but in order to vote their Shares they must follow the procedures described below under the paragraph headed “Proxy Information for Beneficial Shareholders”.

(c) Proxy Information for Registered Shareholders

If you hold Shares in your own name, you are a registered shareholder of the Corporation (“**Registered Shareholder**”). As a Registered Shareholder, if you are unable to attend the SGM in person and wish to ensure that your Shares are voted at the Meeting, you must complete, date and sign the enclosed form of Proxy and deliver it in accordance with the instructions set out in the form of proxy and in this circular. Such form of Proxy is also published on the HKExnews’ website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Corporation at www.sunshineoilsands.com.

Appointment of Proxy Holder

A proxy is a document that authorizes someone else to attend the SGM and cast the votes for a Registered Shareholder. The persons named in the accompanying form of proxy (the “**Proxy**”) are officers and/or directors of the Corporation. **If you are a Registered Shareholder, you have the right to appoint a person or company other than the persons designated in the Proxy, who need not be a Shareholder, to attend and act on your**

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behalf at the SGM. You may do so either by inserting the name of that other person or company in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.

A Proxy must be in writing and must be executed by you as Registered Shareholder, or by your attorney authorized in writing, or if the Registered Shareholder is a corporation or other legal entity, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the Proxy will vote or withhold from voting the Shares represented thereby in accordance with your instructions on any ballot that may be called. If you specify a choice with respect to any matter to be acted upon, your Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified;
- (ii) any amendment to or variation of any matter identified therein; and
- (iii) any other matter that properly comes before the SGM.

In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Shares represented by the Proxy for the approval of such matter.

Voting by Proxy Holder

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the SGM in person.

Registered Shareholders who received this circular and other accompanying materials of the SGM from the Corporation's branch share registrar in Hong Kong, and who elect to submit a Proxy may do so by completing, dating and signing the accompanying Proxy and returning it to the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong, ensuring that the Proxy is received during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Hong Kong (i.e. 10:00 a.m. on August 2, 2017 (Hong Kong time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used.

Registered Shareholders who received this circular and other accompanying materials of the SGM from the Corporation's principal share registrar in Canada, and who elect to submit a Proxy may do so by completing, dating and signing the accompanying Proxy and returning it to the Corporation's principal share registrar in Canada, being Alliance Trust Company at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3 ensuring that the Proxy is received during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 8:00 p.m. on August 1, 2017 (Calgary time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used.

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(d) Proxy Information for Beneficial Shareholders

If your Shares are held in an account with a brokerage firm or an intermediary (i.e. a broker, investment firm, clearing house or a similar entity), you are a beneficial shareholder of the Corporation (“**Beneficial Shareholder**”). Beneficial Shareholders should follow the instructions set out in the voting instructions form or other form of proxy provided by your intermediaries to ensure that your Shares will be voted at the SGM.

The information set out in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Shares in their own name. Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the SGM are those deposited by Registered Shareholders.

Only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at the SGM. Many Shareholders of the Corporation are Beneficial Shareholders because the Shares they own are not registered in their own names, but are instead registered in the name of the brokerage firm, bank, trust company or clearing house through which they purchased the Shares. Shares beneficially owned by a Beneficial Shareholder are registered either:

- (i) in the name of an intermediary (an “**Intermediary**”) that the Beneficial Shareholder deals with in respect of the shares of the Corporation (Intermediaries include, among others, banks, trust companies, securities dealers, securities brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSAs and similar plans); or
- (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited or HKSCC Nominees Limited) of which the Intermediary is a participant.

In accordance with applicable securities law requirements, the Corporation will have distributed copies of the notice of SGM, this circular, and the Proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for distribution to Beneficial Shareholders.

Intermediaries are required to forward the Meeting Materials to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Shareholders. Every intermediary or service company has its own mailing procedures and provides its own return instructions to clients. Please note that the Corporation’s management does not intend to pay for Intermediaries to forward the Meeting Materials and voting instruction request forms to those Beneficial Shareholders who have objected to their Intermediary disclosing ownership information about them pursuant to Canadian securities legislation (“**Objecting Beneficial Shareholders**”). Consequently, if you are an Objecting Beneficial Shareholder, you will not receive these materials unless the Intermediary holding Shares on your account assumes the cost of delivery.

You should carefully follow the instructions of your broker or intermediary in order to ensure that your Shares are voted at the SGM. The form of proxy supplied to you by your broker will be similar to the Proxy provided by the Corporation to its Registered Shareholders. However, its purpose is limited to instructing the intermediary on how to vote on your behalf.

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In Canada, most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge mails a voting instruction form in lieu of a Proxy provided by the Corporation. The voting instruction form will name the same persons as the Corporation’s Proxy to represent you at the SGM. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than the persons designated in the voting instruction form, to represent you at the SGM. To exercise this right, you should insert the name of the desired representative in the blank space provided in the voting instruction form. The completed voting instruction form must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the SGM. If you receive a voting instruction form from Broadridge, you cannot use it to vote Shares directly at the SGM. The voting instruction form must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the SGM in order to have the Shares voted.

Although as a Beneficial Shareholder you may not be recognized directly at the SGM for the purposes of voting Shares registered in the name of your broker, you, or a person designated by you, may attend at the SGM as proxy holder for your broker and vote your Shares in that capacity. If you wish to attend at the SGM and indirectly vote your Shares as proxy holder for your broker, or have a person designated by you do so, you should enter your own name, or the name of the person you wish to designate, in the blank space on the voting instruction form provided to you and return the same to your broker in accordance with the instructions provided by such broker, well in advance of the SGM. Alternatively, you can request in writing that your broker send you a legal proxy which would enable you, or a person designated by you, to attend at the SGM and vote your Shares.

(e) Revocation of Proxy

A Shareholder who has submitted a Proxy may revoke it at any time prior to the exercise thereof. In addition to revocation in any other manner permitted by law, a Shareholder who has given a Proxy may revoke it by:

- (i) executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the Shareholder or such person’s authorized attorney in writing or, if such person is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to the Corporation’s principal share registrar in Canada, being Alliance Trust Company at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3, or the Corporation’s branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong, as applicable, or at the address of the registered office of the Corporation at Suite 4000, 421 — Seventh Avenue S.W., Calgary, Alberta, Canada T2P 4K9, during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 8:00 p.m. on August 1, 2017 (Calgary time) or 10:00 a.m. on August 2, 2017 (Hong Kong time) as the case may be) before the SGM, or any adjournment thereof, at which the Proxy is to be used, or to the chairman of the SGM on the day of the SGM or any reconvening thereof, or in any other manner provided by law; or
- (ii) personally attending the SGM and voting the such person’s Shares at the SGM.

LETTER FROM THE BOARD

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

12. INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed in this circular, management of the Corporation is not aware of any material interest of any Director or executive officer or anyone who has held office as such since the beginning of the Corporation's last financial year or of any associate or affiliate of any of the foregoing in any matter to be acted on at the SGM.

13. RECOMMENDATION

An Independent Board Committee has been established to advise the Independent Shareholders, and Donvex Capital has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement entered into with the Connected Subscriber and the transactions contemplated thereunder.

The Directors are of the opinion that the Subscription are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Corporation and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions set out in the notice of SGM enclosed to this circular.

14. AUDITOR

The auditor of the Corporation is Deloitte LLP. Deloitte LLP has acted as the auditors of the Corporation since February 28, 2008.

15. GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from Donvex Capital and the additional information set out in the appendix to this circular and the notice of SGM.

Additional information relating to the Corporation is available on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2016. Documents affecting the rights of security holders, along with other information relating to the Corporation, may be found on the Corporation's website at www.sunshineoilsands.com.

16. APPROVAL OF THE DIRECTORS

The contents and sending of this circular have been approved by the Board.

By Order of the Board of
Sunshine Oilsands Ltd.
Kwok Ping Sun
Executive Chairman



阳光油砂

SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

*(a corporation incorporated under the Business Corporations Act
of the Province of Alberta, Canada with limited liability)*

(HKEX: 2012)

July 7, 2017

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
(2) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF NEW SHARES BY A CONNECTED PERSON AND
(3) NOTICE OF SGM**

We refer to the circular dated July 7, 2017 issued by the Corporation to its Shareholders (the “Circular”), of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, being independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the Subscription by the Connected Subscriber and the transactions contemplated thereunder are in the interests of the Corporation and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Subscription are set out in the letter from the Board contained in the Circular. None of the members of the Independent Board Committee have any direct or indirect interest in the Subscription.

Donvex Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription by the Connected Subscriber. We wish to draw your attention to the letter from Donvex Capital to the Independent Board Committee and the Independent Shareholders which contain its advice in respect of the Subscription by the Connected Subscriber and as set out in the Circular. Your attention is also drawn to the general information set out in the Circular.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by Donvex Capital and its conclusion and advice, we are of the opinion that the Subscription by the Connected Subscriber and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Corporation and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions thereunder to be proposed in the SGM approving the Subscription and the transactions contemplated.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Joanne Yan

Raymond Shengti Fong

Yi He (David)

Jeff Jingfeng Liu

Independent Non-Executive Directors

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscription by the Connected Subscriber for the purpose of inclusion in this circular.



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

July 7, 2017

*The Independent Board Committee and the Independent Shareholders of
Sunshine Oilsands Ltd.*

Dear Sirs,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES BY A CONNECTED PERSON

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Corporation dated July 7, 2017 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On June 5, 2017, the Corporation entered into the Subscription Agreement with the Connected Subscriber pursuant to which the Connected Subscriber has conditionally agreed to subscribe for, and the Corporation has conditionally agreed to allot and issue, an aggregate of 455,074,788 Subscription Shares at the Subscription Price of HK\$0.234 (approximately CDN\$0.041) per Subscription Share for an aggregate cash consideration of HK\$106,487,500.4.

With reference to the Letter from the Board, Prime Union, the Connected Subscriber, is a company directly and wholly-owned by Mr. Sun, the executive chairman of the Corporation and a substantial shareholder of the Corporation beneficially interested in approximately 23.82% of the issued Shares as at the Latest Practicable Date, the Connected Subscriber is therefore a connected person of the Corporation under the Listing Rules and accordingly, the Subscription by the Connected Subscriber constitutes connected transaction for the Corporation and is subject to the announcement, reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Corporation will seek the Independent Shareholders’ approval for the Subscription Agreement entered into with the Connected Subscriber and the granting of the Specific Mandate in respect of allotment and issue of the Subscription Shares to the Connected Subscriber at the SGM.

The Independent Board Committee, comprising Mr. Raymond Shengti Fong, Mr. Jeff Jingfeng Liu, Ms. Joanne Yan and Mr. Yi He, all being the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription

LETTER FROM DONVEX CAPITAL

Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription by the Connected Subscriber is in the interests of the Corporation and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the SGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years, we, Donvex Capital Limited, have not acted as an independent financial adviser to the then independent board committee and independent shareholders of the Corporation for any transaction. We are independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give an independent advice in respect of the Subscription. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Corporation.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Corporation. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Corporation and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the SGM.

The Directors have jointly and severally 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 reviewed sufficient information to reach an informed view regarding the Subscription, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group nor have we carried out any in-depth research on the Group. 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 Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Subscription, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

LETTER FROM DONVEX CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions in respect of the Subscription by the Connected Subscriber, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Subscription by the Connected Subscriber

Information on the Group

The Corporation is engaged in the development of its oil sands assets for production of bitumen in the Athabasca oil sands region in Alberta, Canada. The Corporation owns interests in approximately one million acres of oil sands and petroleum and natural gas leases in the Athabasca region and currently focuses on executing milestone undertakings in the West Ells project area. The West Ells Phase 1 is operational and has an initial production target rate of 5,000 barrels per day.

The table below sets forth a summary of the consolidated financial information of the Corporation for the three months ended March 31, 2017 and the two years ended December 31, 2015 and 2016 as extracted from the Corporation's quarterly results announcement for the three months ended March 31, 2017 and annual report for the year ended December 31, 2016 (the "**2016 Annual Report**") respectively:

	For the three months ended March 31, 2017 CDN\$'000 (unaudited)	For the year ended December 31, 2016 CDN\$'000 (audited)	2015 CDN\$'000 (audited)
Revenue and Other Income			
Petroleum sales, net of royalties	2,985	—	—
Other income	5	48	1,024
	<u>2,990</u>	<u>48</u>	<u>1,024</u>
Expenses	<u>(24,159)</u>	<u>(73,358)</u>	<u>(407,159)</u>
Loss before income taxes	(21,169)	(73,310)	(406,135)
Net loss and comprehensive loss for the period/year attributable to the Shareholders	(21,169)	(73,310)	(406,135)
	As at March 31, 2017 CDN\$'000 (unaudited)	As at December 31, 2016 CDN\$'000 (audited)	2015 CDN\$'000 (audited)
Unrestricted cash	12,876	13,635	6,545
Total assets	1,000,484	997,590	973,181
Total liabilities	396,904	390,135	369,083

According to the 2016 Annual Report, the Corporation had a net loss of approximately CDN\$73.3 million for the year ended December 31, 2016 compared to approximately CDN\$406.1 million in 2015. The net loss was mainly attributable to the general administrative costs of approximately CDN\$13.2 million and the finance costs of approximately CDN\$62.5 million, offset by a foreign exchange gain of approximately

LETTER FROM DONVEX CAPITAL

CDN\$6.8 million. Regarding the financial position of the Group, we note that as at December 31, 2016, the Group's unrestricted cash was increased by approximately CDN\$7.1 million from approximately CDN\$6.5 million as at December 31, 2015 to approximately CDN\$13.6 million as at December 31, 2016 as a result of certain financing activities.

With reference to the quarterly results announcement of the Corporation for the three months ended March 31, 2017, the Group recorded dilbit revenue of approximately CDN\$3.0 million, which included CDN\$1.1 million of added diluent and resulted in realised bitumen revenue of CDN\$1.9 million, as a result of its commencement of bitumen production in the West Ells Phase 1. The Group reported a net loss of approximately CDN\$21.6 million for the three months ended March 31, 2017, which was mainly attributable to the general administrative costs of approximately CDN\$4.3 million and the finance costs of approximately CDN\$14.5 million. The Group remained unrestricted cash of approximately CDN\$12.9 million as at March 31, 2017.

Information on the Connected Subscriber

The Connected Subscriber, Prime Union, is a company directly and wholly-owned by Mr. Sun, the executive chairman of the Corporation and a substantial shareholder of the Corporation beneficially interested in approximately 23.82% of the issued Shares as at the Latest Practicable Date.

Financing alternatives available to the Group

The Corporation has conducted the following equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date:

Date of initial announcement	Fund raising activity	Approximate net proceeds raised	Intended use of proceeds	Actual use of proceeds
July 21, 2016	Private placement of common Shares under specific mandate	HK\$72,200,000.0 (approximately CDN\$12,139,274.8 ⁽¹⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$72,200,000.0 (approximately CDN\$12,139,274.8 ⁽¹⁾) used as intended
July 31, 2016	Private placement of common Shares under specific mandate	HK\$113,900,000.0 (approximately CDN\$19,144,084.2 ⁽²⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$113,900,000.0 (approximately CDN\$19,144,084.2 ⁽²⁾) used as intended
October 24, 2016	Private placement of common Shares under specific mandate	HK\$9,900,000.0 (approximately CDN\$1,700,255.7 ⁽³⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$9,900,000.0 (approximately CDN\$1,700,255.7 ⁽³⁾) used as intended

LETTER FROM DONVEX CAPITAL

Date of initial announcement	Fund raising activity	Approximate net proceeds raised	Intended use of proceeds	Actual use of proceeds
October 24, 2016	Private placement of common Shares under general mandate	HK\$45,962,004.0 (approximately CDN\$7,893,756.0 ⁽⁴⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$45,962,004.0 (approximately CDN\$7,893,756.0 ⁽⁴⁾) used as intended
October 31, 2016	Private placement of common Shares under general mandate	HK\$7,840,000.00 (approximately CDN\$1,353,264.00 ⁽⁵⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$7,840,000.00 (approximately CDN\$1,353,264.00 ⁽⁵⁾) used as intended
December 2, 2016	Private placement of common Shares under specific mandate	HK\$73,740,001.0 (approximately CDN\$12,673,841.5 ⁽⁶⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$73,740,001.0 (approximately CDN\$12,673,841.5 ⁽⁶⁾) used as intended
December 14, 2016	Private placement of common Shares under general mandate	HK\$15,929,625.0 (approximately CDN\$2,694,511.8 ⁽⁷⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$15,929,625.0 (approximately CDN\$2,694,511.8 ⁽⁷⁾) used as intended
January 24, 2017	Private placement of common Shares under general mandate	HK\$15,602,100.0 (approximately CDN\$2,673,123.6 ⁽⁸⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$15,602,100.0 (approximately CDN\$2,673,123.6 ⁽⁸⁾) used as intended
March 24, 2017	Private placement of common Shares under general mandate	HK\$69,475,049.6 (approximately CDN\$11,925,809.1 ⁽⁹⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$69,475,049.6 (approximately CDN\$11,925,809.1 ⁽⁹⁾) used as intended
March 28, 2017	Private placement of common Shares under general mandate	HK\$11,599,985.0 (approximately CDN\$1,996,485.0 ⁽¹⁰⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$11,599,985.0 (approximately CDN\$1,996,485.0 ⁽¹⁰⁾) used as intended
April 13, 2017	Private placement of common Shares under general mandate	HK\$33,950,634.0 (approximately CDN\$5,861,054.4 ⁽¹¹⁾)	for settlement of indebtedness of the Group	HK\$33,950,634.0 (approximately CDN\$5,861,054.4 ⁽¹¹⁾) used as intended

LETTER FROM DONVEX CAPITAL

Date of initial announcement	Fund raising activity	Approximate net proceeds raised	Intended use of proceeds	Actual use of proceeds
June 7, 2017	Private placement of common Shares under general mandate	HK\$15,880,106.0 (approximately CDN\$2,742,669.0 ⁽¹²⁾)	(i) for general working capital of the Corporation; and (ii) as funds for future development of the existing business of the Corporation, including funding the development and operation costs of the West Ells project	HK\$15,880,106.0 (approximately CDN\$2,742,669.0 ⁽¹²⁾) used as intended

Notes

- (1) Based on the Bank of Canada's nominal noon exchange rate (as at July 20, 2016) of CDN\$1.00 = HK\$5.9476.
- (2) Based on the Bank of Canada's nominal noon exchange rate (as at July 29, 2016) of CDN\$1.00 = HK\$5.9496.
- (3) Based on the Bank of Canada's nominal noon exchange rate (as at October 21, 2016) of CDN\$1.00 = HK\$5.8227.
- (4) Based on the Bank of Canada's nominal noon exchange rate (as at October 24, 2016) of CDN\$1.00 = HK\$5.8227.
- (5) Based on the Bank of Canada's nominal noon exchange rate (as at October 31, 2016) of CDN\$1.00 = HK\$5.7934.
- (6) Based on the Bank of Canada's nominal noon exchange rate (as at December 1, 2016) of CDN\$1.00 = HK\$5.8183.
- (7) Based on the Bank of Canada's nominal noon exchange rate (as at December 14, 2016) of CDN\$1.00 = HK\$5.9118.
- (8) Based on the Bank of Canada's nominal noon exchange rate (as at January 24, 2017) of CDN\$1.00 = HK\$5.8367.
- (9) Based on the Bank of Canada's nominal noon exchange rate (as at March 24, 2017) of CDN\$1.00 = HK\$5.8256.
- (10) Based on the Bank of Canada's nominal noon exchange rate (as at March 28, 2017) of CDN\$1.00 = HK\$5.8102.
- (11) Based on the Bank of Canada's nominal noon exchange rate (as at April 5, 2017) of CDN\$1.00 = HK\$5.7936.
- (12) Based on the Bank of Canada's nominal noon exchange rate (as at June 6, 2017) of CDN\$1.00 = HK\$5.7900.

Save as and except the above, the Corporation had not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

With reference to the Letter from the Board, the funds from the previous fund raising activities had been used as (i) West Ells operating costs (including manpower, natural gas, diluent purchase, transportation, etc.) of approximately CDN\$50.5 million; (ii) general and administrative costs (including salaries and bonus for office personnel and related consultants, office rental, travel, legal and related general expenses) of approximately CDN\$15.5 million; and (iii) bond interest and principal repayment of approximately CDN\$26.7 million. Based on the breakdowns provided by the Corporation, we are of the view that all proceeds from the fundraising activities conducted in the past twelve months have been fully utilised and there was no material unused balance for the Corporation as at the Latest Practicable Date.

LETTER FROM DONVEX CAPITAL

Rights issue and open offer

For our due diligence purpose, we have made enquires towards the management of the Corporation and are advised that the Directors would exercise due and careful consideration when choosing the best financing method available to the Group. We note that a rights issue or an open offer will give an opportunity to all Shareholders to participate in the subscription for new Shares to be issued by the Corporation. However, the Directors advised us that due to the existing loss position of the Corporation and the thin trading volume of the Shares, the Corporation encountered difficulties in finding an independent underwriter in Hong Kong which is interested to fully underwrite a rights issue or an open offer of the Corporation for raising the proposed amount of funds. In addition, it would incur additional costs in underwriting commissions and possibly require a relatively longer time to complete, which may lead to the Group failing to finance the business development or future payment commitment in a timely manner.

We have reviewed the financial information of the Corporation and noted the cash position of the Corporation has been at a relatively low level for the two years ended December 31, 2016. We are of the view that the Subscription is more preferable for the Corporation based on the following:

- (i) Given the continuous loss-making performance incurred for the Corporation for the two years ended December 31, 2016 and the low trading volume of the Shares as stated under the section headed “Review on trading liquidity of the Shares”, Shareholders may not be encouraged in participating in a rights issue or open offer;
- (ii) A rights issue or open offer may involve a relatively long timeframe, as compared to and placement and subscription, which usually require two or three months. In this regard, it would not satisfy the funding requirements for the West Ells project in a timely manner;
- (iii) The Corporation has explored with several financial institutions and found that the discounts they offered are higher than the one in the Subscription; and
- (iv) Corporation’s previous fund raising activities from the independent third parties offered higher discount as compared to the discount offered in the Subscription.

Placement

Regarding the viability of placement of new Shares in Hong Kong to independent investors, the Directors advised us that given the recent placing activities of the Group, independent investors may find the placement of new Shares less attractive after having several equity fund raising activities carried out in the past twelve months immediately prior to the Latest Practicable Date. As such, having considered the independent investors have decreased in the interests in equity private placement, we concur with the management that the Corporation is getting more difficult to find a commercial placing agent in Hong Kong for a placement of new Shares with acceptable placing fee and on fully underwritten basis.

LETTER FROM DONVEX CAPITAL

Debt financing

Apart from equity financing, the Directors also consider other financing alternatives such as debt financing and bank borrowings. We are advised that given the Corporation reported net loss for the three months ended March 31, 2017 with limited revenue generation as the Project is still in the early stage of bitumen production, it may not be feasible for the Group to obtain any bank borrowings. Moreover, debt financing shall inevitably impose interest payment obligations on the Group and it may be subject to lengthy due diligence and negotiations with banks or financial institutions for provision of loans to the Group.

Taking into account the above, in particular, the difficulties for the Corporation (i) to secure loan facility from financial institutions at favourable financing terms given its consistent loss-making performance and deteriorating net current asset position; and (ii) to procure underwriter(s) for the pre-emptive issues, or even if such an independent underwriter was identified, the rights issue or open offer would possibly incur costly underwriting commission and time, we concur with the Directors' view that the Subscription is more preferable method of fund raising for the Group.

Reasons for and benefits of the Subscription by the Connected Subscriber

With reference to the Letter from the Board, the Corporation is a Calgary based public corporation, listed on the Hong Kong Stock Exchange since March 1, 2012. The Corporation is focused on the development of its significant holdings of oil sands leases in the Athabasca oil sands region. The Corporation owns interests in approximately one million acres of oil sands and petroleum and natural gas leases in the Athabasca region. The Corporation is currently focused on executing milestone undertakings in the West Ells project area. West Ells has an initial production target rate of 5,000 barrels per day.

As advised by the management of the Corporation, we note that the Corporation will continue to require cash investment to ramp up the production of the West Ells Phase 1 project (the "**Project**") to its nameplate capacity of 5,000 barrels and to sustain its operation. Therefore, the Directors are of the view that the fund from the Subscription is crucial for the day-to-day operations and production ramp-up of the Project.

We are of the view that the Subscription will provide an incentive to retain or otherwise maintain ongoing relationships with the Connected Subscriber, as Mr. Sun, being the executive Chairman of the Corporation and the key support for the business expansion of the Corporation, will continue to contribute significant business experience to the Corporation. Additional benefit from the Subscription is that Mr. Sun continues to provide his financial support to the Corporation when the Corporation is currently having financial difficulties. Given that the discount of approximately 14.74% offered to Mr. Sun in the Subscription is lower than the range of the discounts (18.00% to 19.90%) for the private placements under general mandate conducted over the past 12 months, we consider the Subscription will be beneficial to the long-term growth and development of the Group.

Business update on the development and operation of the Project

According to the announcement of the Corporation dated January 3, 2017 in relation to the development of the Project, the West Ells Phase 1 has reached a production volume of 2,200 barrels per day on January 3, 2017, which marked a key

LETTER FROM DONVEX CAPITAL

milestone for the Corporation. We further noted that the daily production volume of the Project has exceeded 3,800 barrels per day on May 15, 2017 as announced by the Corporation, which represented a more than 73.00% increase from the production level in January 2017. The management of the Corporation expects the Project to reach full production by the third quarter end of 2017.

Upon our enquiry, we are given to understand that the Corporation is a development stage company, which its continued existence is dependent on the ability to maintain capital funding for further development and to meet financial obligations. In the event that such capital is not readily available to the Corporation, it may result in delaying and potentially losing business opportunities and cause potential impairment to recorded exploration assets. As at March 31, 2017, the Corporation had invested approximately CDN\$1.26 billion in oil sands leases, drilling operations, project engineering, procurement and construction of its oil sands assets and had achieved satisfactory progress in terms of bitumen production volume from the Project.

The aggregate gross proceeds from the Subscription are expected to be HK\$106,487,500.4 (approximately CDN\$18,455,668.2). After deducting related fees and expenses, the net proceeds from the Subscription are expected to be approximately HK\$105,955,062.9 (approximately CDN\$18,363,389.8). The net price per Subscription Share after deducting related fees and expenses is approximately HK\$0.233 (approximately CDN\$0.040) per Subscription Share.

The Corporation intends to apply the net proceeds from the Subscription as follows:

- (i) approximately HK\$80.0 million (approximately CDN\$14 million) for the operating costs (including on-site labor costs, fuel costs for steam and power generation, water treatment and oil treatment costs, costs for diluent and chemicals, transportation, workovers and the costs for other consumable materials for equipment maintenance), as illustrated in the table below, to keep the current operations and to ramp up production from currently 3,000 barrels per day to 5,000 barrels per day for West Ells project Phase 1 over the next few months; and

West Ells Operating Costs	HKD'000
Transportation	15,997
Diluent Purchase	15,529
Property, Plant and Equipment spending	1,800
Site Manpower	14,391
Natural Gas and Electricity	16,653
West Ells Road Maintenance	5,700
Trucking	5,953
Maintenance, Parts, and Labour	700
Chemical and Treating	2,799
Consumables	500
Other	—
Total	80,022

LETTER FROM DONVEX CAPITAL

- (ii) approximately HK\$26.3 million (approximately CDN\$4.3 million) for general working capital of the Group (including general and administrative costs such as salary and bonus for office personnel and related consultants, office rental, travel, legal and related general expenses) as illustrated in the table below.

General and Administrative Costs	HKD'000
Salaries	17,100
Rent	7,524
Legal & Audit Fees	500
Regulatory	1,200
Other	—
Total	26,324

Based on the above information provided by the Corporation, we understand that (i) all the expenses are directly related to the operating costs in connection with the West Ells project; and (ii) the estimated use of proceeds is in line with Corporation's business plan which requires further capital investment in the West Ells project. As such, we are of the view that the estimated use of proceeds for the Subscription is justifiable and in the interests of the Corporation and the Independent Shareholders as a whole.

Save as the scheduled development of West Ells project, the Corporation has not identified any specific opportunities or developed any plans for other future development of the existing business.

Having considered (i) the Corporation has commenced its bitumen production from West Ells Phase 1 and growing production rate is expected upon completion of Phase 2 to bring more revenue into the Group; (ii) it is the Corporation's strategy from time to time issues Shares and adjusts its capital spending so as to manage current working capital deficiency levels during the development stage of production in the West Ells project; (iii) the Subscription is the most appropriate fund raising method currently available to the Group as explained under the paragraph headed "Financing alternatives available to the Group" above; and (iv) the majority of the proceeds from the Subscription will be utilised for funding the development and operating costs of the West Ells project as aforementioned, we are of the view that the reasons for the Subscription by the Connected Subscriber are justifiable and fair and reasonable, and the Subscription is in the interests of the Corporation and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

The table below summarises the major terms of the Subscription Agreement:

Date:

June 5, 2017

Parties:

- (i) the Corporation
- (ii) the Connected Subscriber

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Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber agreed to subscribe for an aggregate of 455,074,788 Subscription Shares, representing:

- (i) approximately 8.19% of the existing issued Shares; and
- (ii) approximately 7.57% of the issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no other changes in the issued Shares between the Latest Practicable Date and the completion of the Subscription).

Subscription Price

The Subscription Price of HK\$0.234 (approximately CDN\$0.041) per Subscription Share:

- (i) represents a discount of approximately 8.24% to the closing price of HK\$0.255 (approximately CDN\$0.05) per Share on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (ii) represents a discount of approximately 14.74% to the closing price of HK\$0.285 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange on the last trading day (being June 2, 2017) prior to the date of the Subscription Agreement (the “**Last Trading Day**”);
- (iii) represents a discount of approximately 18.75% over the average closing price of HK\$0.288 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) represents a discount of approximately 16.82% over the average closing price of HK\$0.281 (approximately CDN\$0.05) per Share as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (v) represents a discount of approximately 66.62% to the audited net asset value of approximately HK\$0.701 (approximately CDN\$0.12) per Share as at December 31, 2016 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$3,507,991,880 (approximately CDN\$607,455,000) as at December 31, 2016 and 5,002,601,358 Shares in issue as at December 31, 2016)^(note)

Note: Based on the Bank of Canada’s nominal noon exchange rate (as at December 30, 2016) of CDN\$1.00 = HK\$5.7749.

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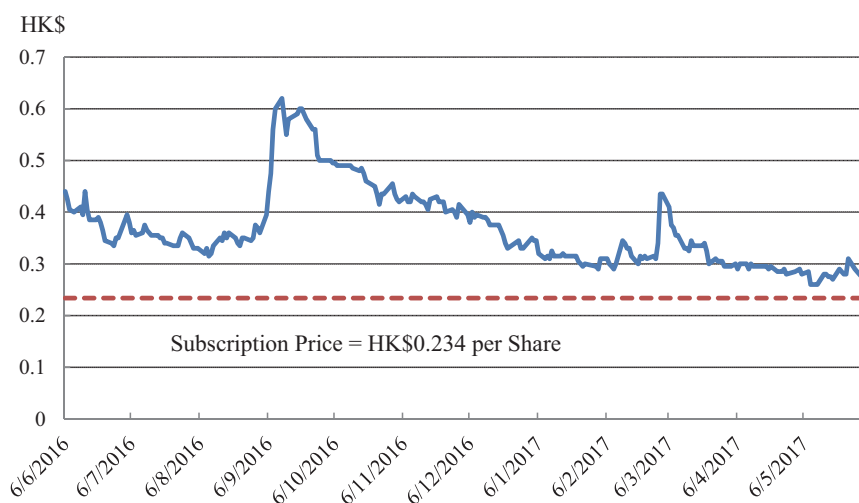
As advised by the Directors, the Subscription Price was determined on an arm's length basis between the Corporation and the Subscriber with reference to the prevailing market price of the Share. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and in light of the recent weakening price performance and the liquidity of the Shares.

To further assess the fairness and reasonableness of the Subscription Price, we set out the following analyses for illustrative purposes:

Review of Share prices

The chart below demonstrates the daily closing price of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing from 6 June 2015 up to and including the Last Trading Day (the “**Review Period**”), being approximate one year period prior to and including the Last Trading day. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices of the Shares and the Subscription Price given that the Review Period is subject to similar market sentiments and conditions with the upward trend of Hang Seng Index from approximately 21,030 in June 2016 to approximately 25,670 in June 2017.

Historical daily closing price per Share



Source: the website of the Hong Kong Stock Exchange

Note: Trading in the Shares was halted with effect from 9:00 a.m. on September 13, 2016 to 4:00 p.m. on September 13, 2016.

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange were HK\$0.260 per Share recorded during the period from May 9, 2017 to May 12, 2017; and HK\$0.620 per Share recorded on September 12, 2016, respectively. The daily average and median closing prices of the Shares for the Review Period were HK\$0.368 and HK\$0.350, respectively. As illustrated in the chart above, the Subscription Price of HK\$0.234 represents a discount of approximately 36.40% and 33.10% to the daily average and median closing prices per Share. The Shares had been traded above the Subscription

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Price during the Review Period and the closing prices of the Shares showed a downward trend from September 2016 to mid of March 2017, it reached to around HK\$0.300 per Share and remained relatively stable since April 2017.

We are of the view that the Subscription Price of HK\$0.234 is fair and reasonable and is in the interests of the Corporation and the Independent Shareholders as a whole despite that the Subscription Price represents (i) a discount of approximately 36.40% and 33.10% to the daily average and median closing prices per Share during the Review Period and (ii) a discount of approximately 35.90% to the average closing prices of HK\$0.365 per Share since September 2016 up to the Last Trading Day, after considering the followings:

- (a) the downward trend of the Share price during September 2016 to April 2017;
- (b) the need of increasing the attractiveness of the Subscription to the Subscriber;
- (c) it is a common practice that the subscription price represents a discount to the prevailing market prices of the relevant shares so as to encourage the Subscriber to participate in it; and
- (d) the discounts represented by the Subscription Price to all the closing price of the Shares falls within the relevant range of the comparable issues, details of which are shown in the section headed “**Market comparison with other share subscription exercises**”.

Review on trading liquidity of the Shares

The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period:

Month	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period
2016				
June	315,407,017	21	15,019,382	0.34%
July	221,684,000	20	11,084,200	0.24%
August	961,911,883	22	43,723,267	0.93%
September	1,012,788,467	20	50,639,423	1.08%
October	417,802,300	19	21,989,595	0.45%
November	168,798,833	22	7,672,674	0.16%
December	209,611,739	20	10,480,587	0.21%
2017				
January	338,379,583	19	17,809,452	0.35%
February	366,433,692	20	18,321,685	0.36%
March	1,119,237,705	23	48,662,509	0.91%

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Month	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period
April	192,647,020	17	11,332,178	0.21%
May	396,614,714	20	19,830,736	0.36%
June (up to and including the Last Trading Day)	58,023,654	3	19,341,218	0.35%
Maximum	1.08%			
Minimum	0.16%			

Source: the website of the Hong Kong Stock Exchange

With the same reason as stated under the section headed “Review of Share prices”, we consider that the Review Period from June 2016 to June 2017 (up to and including the Last Trading Day) is reasonable and meaningful so as to show the trading liquidity of the Shares. As illustrated in the table above, the average daily trading volume of the Shares during the Review Period was thin. Save for September 2016, the volume of Shares traded during the entire Review Period was below 1.00% of the total number of issued Shares as at the end of the month/period. It means the trading of the Shares is not considered as active therefore setting the Subscription Price at a discount could encourage more interests for the Subscriber to participate in the Subscription. As such, we are of the view that it is reasonable to set the Subscription Price at discount to the latest Share prices to balance the low liquidity of the Shares during the Review Period.

Market comparison with other share subscription exercises

As part of our analysis to assess the fairness and reasonableness of the terms of the Subscription, we have identified an exhaustive list of 19 transactions in relation to the subscription of new shares under specific mandate for cash announced by companies listed on the Hong Kong Stock Exchange during the twelve-month period from 6 June 2016 up to the date of the Subscription Agreement and had proceeded to completion on or before the date of the Subscription Agreement (the “**Market Comparables**”) (excluding transactions involving (i) H-share companies whose share capital structure is different from the Corporation; (ii) whitewash waiver application under the Takeovers Code; (iii) general offer obligations pursuant to the Takeovers Code; and (iv) listed issuers that are under receivership, which are different from the Corporation’s circumstance and the structure of the Subscription to avoid misalignment).

We consider that a review period of twelve months prior and up to the date of the Subscription Agreement is appropriate to capture the recent market practice because the Market Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the subscription price under other subscription as compared to the relevant prevailing market share prices under the recent market conditions and sentiments. However, given the differences between the Market Comparables and the Corporation in terms of business nature, market

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capitalization, financial performance, financial position as well as use of proceeds, we consider the Market Comparables might not constitute close reference with the Subscription, but just a market general reference for the recent market practice in relation to the subscription price under other subscriptions as compared to the relevant prevailing market share prices.

Given that (i) the Market Comparables is an exhaustive list; and (ii) the Market Comparables are under similar market condition and sentiment and they might be able to reflect the recent trend of subscription, we believe that such exhaustive list of Market Comparables is sufficient and representative sample to be taken as a general reference of the recent market practices in relation to subscription of new shares under specific mandate. Summarised below is our relevant findings:

Date of announcement	Company name	Stock code	Premium/ (discount) of the subscription price over/(to) closing price per share on the last trading day prior to/on the date of announcement/ agreement in relation to the respective subscription of shares (%)	Market Capitalization as at the announcement (HK\$ million)	Net Proceeds (HK\$ million)	Intended Use of Proceeds
July 18, 2016	Luxey International (Holdings) Limited	8041	(45.95)	943	30	Business expansion and general working capital
August 5, 2016	Ground Properties Company Limited	989	(18.03)	6,227	170	General working capital
August 17, 2016	Alltronics Holdings Limited	833	(50.17)	747	78	(i) Business expansion; (ii) investment in future business; (iii) repayment of bank borrowings; and (iv) general working capital
September 5, 2016	Digital China Holdings Limited	861	(16.59)	7,812	550	Working capital for future business development
September 19, 2016	New Sports Group Limited	299	(47.46)	1,813	755	Financing of the acquisition and general working capital
September 21, 2016	United Photovoltaics Group Limited	686	(20.36)	3,533	1,259	Redemption of the bonds of the company
October 2, 2016	Ngai Shun Holdings Limited	1246	6.95	1,211	517	Consideration of the acquisition
October 12, 2016	Global Mastermind Holdings Limited	8063	(8.50)	421	111	(i) Repayment of the bank borrowings; (ii) business expansion; and (iii) general working capital

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Date of announcement	Company name	Stock code	Premium/ (discount) of the subscription price over/(to) closing price per share on the last trading day prior to/on the date of announcement/ agreement in relation to the respective subscription of shares (%)	Market Capitalization as at the announcement (HK\$ million)	Net Proceeds (HK\$ million)	Intended Use of Proceeds
October 17, 2016	Global Mastermind Capital Limited	905	(4.26)	237	88	Investment of financial instrument in Hong Kong financial market
October 31, 2016	Alltronics Holdings Limited	833	(47.16)	705	35	(i) Repayment of bank borrowings; (ii) general working capital
November 25, 2016	Beijing Capital Juda Limited	1329	(23.91)	306	1,477	(i) Repayment of development costs; (ii) repayment of bank loans; and (iii) renovation and leasing for tenants for the project
December 1, 2016	IRC Limited	1029	(44.70)	2,062	197	Project finance facility
December 14, 2016	Winshine Science Company Limited	209	(10.90)	602	122	(i) Business development; (ii) investment in new projects; and (iii) working capital
December 19, 2016	Honghua Group Limited	196	(20.62)	3,144	1,617	Repayment of debts and general working capital
December 22, 2016	See Corporation Limited	491	(10.38)	469	190	Business development and potential investment
January 9, 2017	Ground International Development Limited	989	(20.00)	3,452	565	Future potential acquisition
February 24, 2017	C Cheng Holdings Limited	1486	(36.83)	618	144	(i) Potential acquisition; (ii) expansion of offices; and (iii) enhancement of infrastructure and working capital
March 20, 2017	Jinchuan Group International Resources Company Limited	2362	(31.62)	5,090	384	General working capital

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Date of announcement	Company name	Stock code	Premium/ (discount) of the subscription price over/(to) closing price per share on the last trading day prior to/on the date of announcement/ agreement in relation to the respective subscription of shares (%)	Market Capitalization as at the announcement (HK\$ million)	Net Proceeds (HK\$ million)	Intended Use of Proceeds
May 17, 2017	China Financial Services Holdings Limited	605	(6.85)	2,766	165	Cash consideration of the acquisition
	Maximum		6.95			
	Minimum		(50.17)			
	Average		(24.07)			
	The Corporation		(14.74)	1,537	106	Operating costs for the project and general working capital

We have reviewed each of the Market Comparables, and noted that there is an outlier in the Market Comparables, namely Ngai Shun Holdings Limited (stock code: 1246) (“**Ngai Shun**”), which issued its shares at a premium over closing price per share on the last trading day prior to/on the date of announcement/agreement, as a result of the sharp decrease in the closing price of the shares of Ngai Shun prior to the date of the subscription agreement of Ngai Shun. As the Subscription Price represents a discount to the closing price of the Shares on the Last Trading Day, the precedent case above has been, for our analysis purposes, removed from the Market Comparables. Other than the aforementioned case, no other outliers should be removed from the Market Comparables.

Based on the table above, the subscription prices of the Market Comparables ranged from a discount of approximately 4.26% to a discount of approximately 50.17% to the respective closing prices of their shares on the last trading day prior to/on the date of the announcement/agreement in relation to the respective subscription of shares. Despite the fact that the wide range of subscription discount from the Market Comparable may be affected by their different principal activities, market capitalization, funding size and use of proceeds; we consider that it is fair and reasonable that the subscription discount of the Market Comparables could be used to compare with the discount of the Subscription after taking into account that (i) the Review Period is sufficient for the Market Comparables to reflect the recent market trend, and (ii) the Market Comparables might be a market general reference for the recent market practice in relation to the subscription price under other subscriptions as compared to the relevant prevailing market share prices.

Besides, the average of the discount of the Market Comparables is approximately 25.79%. We note that the Subscription Price is at a lower discount rate than that of the Market Comparables, which is in the interests of the Corporation and the Shareholders as a whole.

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After taking into account (i) the Subscription Price is at a lower discount rate than the average of the discount of the subscription price of the Market Comparables; (ii) the discount of the Subscription Price is within the range of the discount of the subscription price of the Market Comparables; (iii) 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 particular, after having several equity fund raising activities carried out in the past twelve months immediately prior to the Latest Practicable Date; and (iv) the result of the market comparison as set out in the section above, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Comparison with the net asset value per Share

The Subscription Price represents a discount of approximately 66.62% to the audited net asset value of approximately HK\$0.701 (approximately CDN\$0.12) per Share as at December 31, 2016 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$3,507,991,880 (approximately CDN\$607,455,000) as at December 31, 2016 and 5,002,601,358 Shares in issue as at December 31, 2016). According to the 2016 Annual Report of the Corporation, we note that the major assets of the Corporation are the properties, plant and equipment, in particular processing facilities etc., which are not at a high degree of liquidity in the market. As such, we consider that the net asset value per Share is not a relevant and reliable reference to assess the fairness of the Subscription Price.

Undertaking by the Subscriber

With reference to the Letter from the Board, the Connected Subscriber undertakes that he shall not trade in the Subscription Shares within four months and a day after the Closing Date. Given that, we concur with the Directors that the lock-up period would limit the negative impact of the issuance of new Shares on the market price of the Shares.

Having considered the above, we are of the view that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Corporation and the Shareholders as a whole.

3. Dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed “Shareholding Structure” of the Letter from the Board, upon completion of the Subscription (including the Subscription by the Connected Subscriber), the shareholding interests of the existing public Shareholders would be diluted by approximately 7.57%. Nonetheless, in view of (i) the reasons for the Subscription by the Connected Subscriber and the possible benefits to be brought into the Corporation, details of which are set out under the section under “Reasons for and benefits of the Subscription by the Connected Subscriber” of this letter; and (ii) the terms of the Subscription Agreement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

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On the balance of the genuine funding needs of proceeds from the Subscription and the inherent dilutive nature of the Subscription, it is reasonable to justify the interests of the Corporation and the Independent Shareholders as a whole given the fact after Completion of the Subscription, the liquidity position of the Group will be improved which is beneficial to its development of oil sands business, rather than just to consider the possible dilution effect to the Shareholders. As such, we consider that the current proposed structure of Subscription with a reasonable discount represented by the Subscription Price is still in the interests of the Corporation and the Independent Shareholders as a whole.

4. Financial effects of the Subscription

Effect on shareholders' equity

Based on the quarterly results announcement of the Corporation for the three months ended March 31, 2017, the unaudited consolidated shareholders' equity of the Group was approximately CDN\$603.6 million as at March 31, 2017. However, as confirmed by the Directors, the Subscription by the Connected Subscriber would increase the shareholder's equity of the Group to approximately CDN\$622.0 million immediately upon completion of the Subscription.

Effect on working capital

As confirmed by the Directors, immediately upon completion of the Subscription by the Connected Subscriber, the negative working capital (as calculated by current assets minus current liabilities) of the Group would be increased from approximately CDN\$325.7 million as at March 31, 2017 to approximately CDN\$321.4 million.

Having considered that, upon the completion of the Subscription, (i) the net asset value will be increased; and (ii) the working capital will be improved; we are of the view that the Subscription is fair and reasonable and in the interests of the Corporation and Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Subscription by the Connected Subscriber.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription by the Connected Subscriber is in the interests of the Corporation and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Subscription by the Connected Subscriber and the transactions contemplated thereunder (including the grant of the Specific Mandate) 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
Vily Leung
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 Corporation. 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. SHARE CAPITAL

The authorised and issued share capital of the Corporation as at the Latest Practicable Date:

<i>Issued and fully paid Shares:</i>	<i>CDN\$</i>
5,558,336,358 Shares	\$268,903,781

All the issued Shares in the capital of the Corporation rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Subscription Shares to be issued upon completion shall rank *pari passu* in all respects with the Shares then in issue.

Each Share carries the right to one vote at any meeting of the Shareholders. As at the Latest Practicable Date, there are no classes of shares of the Corporation, other than the Shares, entitled to vote at the SGM.

No part of the share capital or any other securities of the Corporation is listed or dealt in on any stock exchange other than the Hong Kong Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Corporation to be listed or dealt in on any other stock exchange.

Save as disclosed in this circular and apart from the share options granted and to be granted under the Corporation's post-IPO share option scheme, which was established in January 2012, and the Corporation's share options plan initially adopted on May 7, 2009, as amended on July 13, 2010, the Corporation did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Corporation in the shares of the Corporation or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified

to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

(a) Directors' long positions in the Corporation

Common Shares

Name	Company	Nature of Interest	Number of Common Shares held	Approximate % interest in the Common Shares
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	1,277,202,500	22.98%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	100,344,685	2.01%
Mr. Hong Luo	Sunshine Oilsands Ltd.	N/A	—	0.00%
Mr. Qiping Men	Sunshine Oilsands Ltd.	Direct	1,049,541	0.02%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Direct/Indirect	9,250,621	0.18%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	1,600,000	0.03%
Ms. Joanne Yan	Sunshine Oilsands Ltd.	N/A	—	0.00%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	300,000	0.01%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	—	0.00%
Ms. Gloria Pui Yun Ho	Sunshine Oilsands Ltd.	N/A	—	0.00%
Mr. Jeff Jingfeng Liu	Sunshine Oilsands Ltd.	Direct	600,000	0.01%

(b) Directors' share options

Stock Options

Name	Company	Nature of Interest	Number of stock options held	Approximate % interest in the Options
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	N/A	46,679,000	18.83%
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct	58,439,000	23.57%
Mr. Hong Luo	Sunshine Oilsands Ltd.	Direct	23,000,000	9.28%
Mr. Qiping Men	Sunshine Oilsands Ltd.	Direct	22,555,556	9.10%
Mr. Raymond Fong	Sunshine Oilsands Ltd.	Direct	1,510,000	0.61%
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	1,000,000	0.40%
Ms. Joanne Yan	Sunshine Oilsands Ltd.	Direct	1,000,000	0.40%
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	N/A	1,000,000	0.40%
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	—	—
Ms. Gloria Pui Yun Ho	Sunshine Oilsands Ltd.	Direct	5,000,000	2.02%
Ms. Jeff Jingfeng Liu	Sunshine Oilsands Ltd.	N/A	—	—

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Corporation had interests or short positions in the shares, underlying shares or debentures of the Corporation and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Corporation pursuant to section 352 of the SFO; or (c) to be notified to the Corporation and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, according to the register of interests kept by the Corporation under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Corporation, the following persons (other than the Directors or chief executive of the Corporation) had an interest or short position in the Shares which would require to be disclosed by the Corporation under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Corporation:

Name	Nature of Interest	Common Shares Held	Approximate % Interest in the Common Shares ⁽¹⁾
Tseung Hok Ming	Beneficial	295,893,656	5.32%

⁽¹⁾ All positions are long positions.

Save as disclosed above, as at Latest Practicable Date, none of the substantial shareholders of the Corporation had an interest or short position in the Shares which would require to be disclosed by the Corporation under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Corporation.

4. MATERIAL INTERESTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or any professional adviser named in paragraph 10 of this Appendix had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2016, being the date of the latest published audited financial statements of the Corporation.

As at the Latest Practicable Date and save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement entered into by the Corporation or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates (as defined in the Listing Rules) was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the Group's business.

6. SERVICE CONTRACTS

None of the Directors has a service contract with the Corporation or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, save as disclosed below, no member of the Group was engaged in any litigations or claims and no litigations or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

The Corporation has been named as a defendant in a Court of Queen's Bench of Alberta Judicial District of Calgary action, commenced by Cross Strait Common Development Fund Co., Limited ("Cross Strait"), a shareholder of the Corporation, by a Statement of Claim filed January 2, 2016. Cross Strait alleges that, pursuant to a subscription agreement entered into in January 2011, it is entitled to require the Corporation to repurchase 4,132,232 shares of the Corporation that Cross Strait acquired pursuant to the subscription agreement. This constitutes a claim for CDN\$40.0 million plus interest at 15% per annum since the date of the Subscription Agreement. The Corporation filed its Statement of Defence on April 2, 2016. In December 2016, discoveries were cancelled and have not been rescheduled. On March 18, 2017, Cross Strait filed a court application seeking, among other things, summary judgment and a pre-trial litigation schedule.

The Corporation received a demand letter dated April 15, 2017 from a Hong Kong law firm on behalf of Yarui Limited, a Shareholder that subscribed to the Corporation's private placement of Shares on July 25, 2016 demanding the return of the subscription proceeds that had been held in escrow on the basis that the closing conditions had not been satisfied or waived. The amount of the subscription proceeds is approximately US\$3.1 million. The Corporation has responded that the allegation is without merit as Yarui Limited signed a full waiver and release from escrow prior to the funds being released from escrow.

8. 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 Corporation since December 31, 2016, being the date of the latest published audited financial statements of the Corporation.

9. CONSENTS

Donvex Capital has given and has not withdrawn its written consent to the issue of this circular) with the inclusion of its letter and the references to its name in the form and context in which they respectively appear.

10. QUALIFICATIONS OF EXPERTS

The following is the qualification of the professional adviser who has given opinions or advice contained in this circular:

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

As at the Latest Practicable Date, Donvex Capital was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The letter of advice given by Donvex Capital to the Independent Board Committee and the Independent Shareholders was made on July 7, 2017 for incorporation in this circular.

11. MISCELLANEOUS

- (a) The HK company secretary of the Corporation is Ms. Man Ngan Chow, an associate of the Hong Kong Institute of Chartered Secretaries;
- (b) The registered office of the Corporation is at Suite 4000, 421 — Seventh Avenue S.W., Calgary, Alberta, Canada T2P 4K9;
- (c) The place of business in Hong Kong is Unit 8504A, 85/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; and
- (d) The English text of this circular and the accompanying form of Proxy shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the place of business of the Corporation in Hong Kong at Unit 8504A, 85/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong during normal business hours (i.e. from 9:00 a.m. to 5:00 p.m. (Hong Kong time)) on any business day (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of SGM:

- (a) each of the Subscription Agreement;
- (b) the written consent referred to in the paragraph headed “Consent” in this appendix;
- (c) the letter of recommendation from the Independent Board Committee;
- (d) the letter of advice from Donvex Capital; and
- (e) this circular.

NOTICE OF SGM



阳光油砂

SUNSHINE OILSANDS LTD.

SUNSHINE OILSANDS LTD.

陽光油砂有限公司*

*(a corporation incorporated under the Business Corporations Act
of the Province of Alberta, Canada with limited liability)
(HKEX: 2012)*

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Sunshine Oilsands Ltd. (the “**Corporation**”) will be held at Unit 8504A, 85/F International Commerce Centre 1 Austin Road West Kowloon, Hong Kong on Friday, August 4, 2017 at 10:00 a.m. (Hong Kong time) for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Corporation. Capitalised terms used herein without definition shall have the same meanings as in the circular issued by the Corporation on July 7, 2017 (the “**Circular**”), unless the context otherwise requires:

ORDINARY RESOLUTIONS

1. “BE IT RESOLVED THAT:

- (a) the Subscription (as defined in the Circular) in relation to 455,074,788 new class “A” common voting shares (the “**Subscription Shares**”) of the Corporation at a price of HK\$0.234 per Subscription Share by the Subscriber (as defined in the Circular) under the Subscription Agreement (as defined in the Circular), a copy of the Subscription Agreement has been produced to the special general meeting of the Corporation (“SGM”) marked “A” and signed by the chairman of the SGM for the purpose of identification, be and are hereby approved;
- (b) the execution of the Subscription Agreement and any other agreements, documents and actions taken or to be taken in connection with the Subscription (including the allotment and issue by the Corporation of the Subscription Shares) by any director of the Corporation (“**Director**”), notwithstanding any interest he may have in any matters in connection with the Subscription, be and are hereby approved, confirmed and ratified;
- (c) any Director be and is hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she may determine to be appropriate, necessary or desirable to give effect to or in connection with the Subscription and the allotment and issue of the Subscription Shares and, subject to and in accordance with the applicable law and

* For identification purposes only

NOTICE OF SGM

regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating to the Subscription in the interests of the Corporation and its shareholders as a whole; and

- (d) subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares; and (ii) the fulfillment of other conditions precedent as set out in the Subscription Agreement, the unconditional specific mandate granted to the Directors to exercise the powers of the Corporation to allot, issue and deal with the Subscription Shares pursuant to the Subscription Agreement be and is hereby confirmed and approved.”

Registered Shareholders

If you hold Shares in your own name, you are a registered shareholder of the Corporation (“**Registered Shareholder**”). As a Registered Shareholder, if you are unable to attend the SGM in person and wish to ensure that your Shares are voted at the SGM, you must complete, date and sign the enclosed form of Proxy and deliver it in accordance with the instructions set out in the form of Proxy and in the Circular. Such form of Proxy is also published on the HKEx news’ website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Corporation at www.sunshineoilsands.com.

Beneficial Shareholders

If your Shares are held in an account with a brokerage firm or an intermediary (i.e. a broker, investment firm, clearing house or a similar entity), you are a beneficial shareholder of the Corporation (“**Beneficial Shareholder**”). Beneficial Shareholders should follow the instructions set out in the voting instructions form or other form of proxy provided by your intermediaries to ensure that your Shares will be voted at the SGM.

By Order of the Board of
Sunshine Oilsands Ltd.
Kwok Ping Sun
Executive Chairman

Calgary, July 7, 2017
Hong Kong, July 7, 2017

Notes:

1. Any shareholder entitled to attend and vote at the SGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of his/her/it. A shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder of the Corporation but must be present in person at the meeting to represent the Shareholder. Completion and return of the form of Proxy will not preclude a Shareholder from attending the SGM and voting in person. In such event, his/her/its form of Proxy will be deemed to have been revoked.
2. Where there are joint holders of any Share, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the SGM, that one of the said persons so present whose name stands first on the register of members of the Corporation in respect of such Share shall alone be entitled to vote in respect thereof.

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3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited: (i) at the Corporation's principal share registrar in Canada, being Alliance Trust Company, at Suite 1010, 407 — 2nd Street SW, Calgary, Alberta, Canada T2P 2Y3; (ii) at the Corporation's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 8:00 p.m. on August 1, 2017 (Calgary time) or 10:00 a.m. on August 2, 2017 (Hong Kong time), as the case may be) before the SGM, or any adjournment thereof, at which the proxy is to be used; or (iii) to the chairman of the SGM on the date of the SGM or any reconvening thereof, or in any other manner provided by law.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Subscriber and their respective associates (as defined in the Listing Rules) (to the extent they have an existing interest in the Shares) are required to abstain from voting on the above ordinary resolutions.
5. The ordinary resolutions as set out above will be determined by way of a poll.

As at the date of this circular, the Board consists of Mr. Kwok Ping Sun, Mr. Hong Luo, Dr. Qi Jiang and Ms. Gloria Pui Yun Ho as executive directors; Mr. Michael John Hibberd, Ms. Linna Liu and Ms. Xijuan Jiang as non-executive directors; and Mr. Raymond Shengti Fong, Mr. Jeff Jingfeng Liu, Ms. Joanne Yan and Mr. Yi He as independent non-executive directors.