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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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*If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.*

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

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阳光油砂

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)*  
**(HK stock code: 2012)**

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Calgary, AB, T2P 0T8  
Canada  
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**CONNECTED TRANSACTION**

- (1) ISSUE OF CONVERTIBLE BONDS TO CONNECTED PERSON  
UNDER SPECIFIC MANDATE  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

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



**Donvex Capital Limited  
富域資本有限公司**

Meeting Date: May 25, 2020 at 9:30 a.m. (Hong Kong time) /  
May 24, 2020 at 7:30 p.m. (Calgary time)

April 24, 2020

*\* for identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:*

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code, unless the contexts otherwise specify
“Board”	the board of Directors
“Business Day”	a day (except Saturday, and Sunday and public holiday) on which banks in Hong Kong are open for business
“CB” or “Convertible Bonds”	the fixed rate convertible bonds issued pursuant to the Subscription Agreement
“CDN\$”	Canadian dollars, the lawful currency of Canada
“Completion”	completion of the issuance of the Subscription pursuant to the terms of the Subscription Agreement
“Completion Date”	subject to the fulfilment of the condition precedent set out in the Subscription Agreement, or the latest, June 15, 2020 or other date as the contracting parties to the Subscription Agreement agreed in writing
“connected person(s)”	Has the meanings as ascribed thereto under the Listing Rules
“Conversion Price”	HK\$0.632 per Share, subject to adjustments from time to time under the terms and conditions of the Subscription Agreement
“Conversion Rights”	the rights attached to the CB to convert the whole or part thereof into Conversion Shares
“Conversion Share(s)”	A total of 113,924,051 new Share(s) to be allotted and issued by the Corporation upon full exercise of the Conversion Rights
“Director(s)”	the Directors of the Corporation
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Corporation and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People Republic of China
“independent third party(ies)”	independent third parties who is/are not connected person(s) of the Corporation and is/are independent of and not connected with the Corporation and its Directors, chief executives and Substantial Shareholders of the Corporation or any of its subsidiaries or their respective associates
“Issuance”	the issuance of CB to the Subscriber under the Subscription Agreement
“Issue Date”	the date on which completion of the issuance of and the subscription for the CB occurs pursuant to the Subscription Agreement
“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all independent non-executive Directors, namely, Messrs. David Yi He, Guangzhong Xing and Alfa Li
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of terms of the Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder
“Independent Shareholders”	for the purpose of the Subscription, the Specific Mandate and the transactions contemplated thereunder, the Shareholders other than (i) the Subscriber and its associates (as defined under the Listing Rules) and; (ii) any other Shareholders who have a material interest in the Subscription, the Specific Mandate and the transactions contemplated thereunder
“Latest Practicable Date”	April 20, 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“Last Trading Day”	April 1, 2020, being the last trading day of the Shares immediately prior to the date of the signing of the Subscription Agreement
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Sun”	Mr. Kwok Ping Sun, being the Chairman, executive Director and Substantial Shareholder of the Corporation; and as at the Latest Practicable Date, he is directly or indirectly interested in 36,308,540 Shares of the Corporation, representing approximately 28.03% of the issued share capital of the Corporation

“PRC”	The People’s Republic of China, but (solely for the purpose of the Subscription Agreement) excluding Hong Kong and Macau Special Administrative Regions and Taiwan Regions
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Class “A” Common Voting share(s) in the issued share capital of the Corporation
“Shareholder(s)”	holder(s) of the Class “A” Common Voting Share(s)
“SGM”	the special general meeting of the Corporation to be convened and held for the purposes of approving the Subscription, the Specific Mandate and the transactions contemplated thereunder
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the SGM for approving the allotment and issuance of the Conversion Shares under the Subscription
“Subscription Agreement”	the subscription agreement dated April 1, 2020 (Hong Kong Time) in respect of the Subscription and entered into between the Corporation and the Subscriber
“Subscription Price”	HK\$72,000,000 to be subscribed by the Subscriber
“Subscriber” or “Prime Union”	Prime Union Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Sun
“Subscription”	the subscription by the Subscriber for the CB on the terms and subject to the conditions under the Subscription Agreement
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Takeovers Codes”	the Hong Kong Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“%”	per cent.

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

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## NOTICE OF SGM

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



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)*

**(HK Stock Code: 2012)**

## NOTICE OF SPECIAL GENERAL MEETING

**TO BE HELD AT 9:30 A.M. ON MAY 25, 2020 (HONG KONG TIME)  
AND 7:30 P.M. ON MAY 24, 2020 (CALGARY TIME)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM” or the “**Special General Meeting**”) of the holders (the “**Shareholders**”) of Class “A” Common Voting Shares (the “**Shares**”) of Sunshine Oilsands Ltd. (“**Sunshine**” or the “**Corporation**”) will be held at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong on May 25, 2020 at 9:30 a.m. (Hong Kong Time) / May 24, 2020 at 7:30 p.m. (Calgary Time), for the purpose of considering and, if thought fit, passing the following resolution with or without amendments, as an ordinary resolution of the Corporation. Capitalized terms used herein without definition shall have the same meanings as in the circular issued by the Corporation dated April 24, 2020 (the “**Circular**”), unless the context otherwise requires:

### ORDINARY RESOLUTION

#### 1. “BE IT RESOLVED THAT:

- a) the Subscription (as defined in the Circular) of the CB by the Subscriber, being an associate (as defined under the Listing Rules) of Mr. Sun, under the Subscription Agreement (as defined in the Circular), a copy of the Subscription Agreement has been produced at the SGM of the Corporation 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 issuance by the Corporation of the Conversion Shares) by any director of the Corporation (“**Director**”), notwithstanding any interest he/she may have in any matters in connection with the Subscription, be and are hereby approved, confirmed and ratified;

*\* for identification purpose only*

- c) any Director be and is hereby authorized 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 issuance of the Conversion Shares and, subject to and in accordance with the applicable law and 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 Conversion 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 Conversion Shares pursuant to the Subscription Agreement be and is hereby confirmed and approved.”

**Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, Shareholders should not attend the SGM in person. The Corporation will not accept any physical attendance by Shareholders. Any Shareholders seeking to attend the SGM physically in person will be turned away. In order for Shareholders to exercise their voting rights, they should appoint the chair of the SGM as their proxy to vote on the relevant resolution at the SGM. Shareholders are also encouraged to submit questions to the management in advance and join the SGM through telephone conference. For details please refer to “Submission of Question with the Proxy Form” on p.22.**

#### **Registered Shareholders**

If you hold Shares in your own name, you are a registered shareholder of the Corporation (“**Registered Shareholder**”). Registered Shareholder **should not** attend the SGM in person, instead they should vote by submitting proxy form to appoint the chair of the SGM in advance, 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 HKExnews’ website of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Corporation at [www.sunshineoilsands.com](http://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 DIRECTORS  
SUNSHINE OILSANDS LTD.**

(signed) “Kwok Ping Sun”

**Kwok Ping Sun**

*Executive Chairman*

Calgary, Alberta, April 24, 2020

Hong Kong, April 24, 2020

*Notes:*

- 1. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, Shareholders should not attend the SGM in person. The Corporation will not accept any physical attendance by Shareholders. Any Shareholders seeking to attend the SGM physically in person will be turned away. In order for Shareholders to exercise their voting rights, they should appoint the chair of the SGM as their proxy to vote on the relevant resolution at the SGM.*
- 2. Where there are joint holders of any Share, any one of such joint holders may appoint the chair of the SGM to vote at the SGM, in respect of such Share as if he/she/it was solely entitled thereto.*
- 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 at least 48 hours 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. Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Subscriber, Mr. Sun and his respective associates (as defined under the Listing Rules) (to the extent they have an existing interest in the Shares) are required to abstain from voting on the above ordinary resolution.*
- 5. The ordinary resolution as set out above will be determined by way of a poll.*

*As at the date of this notice, the Board consists of Mr. Kwok Ping Sun 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. Yi He, Mr. Alfa Li and Mr. Guangzhong Xing as independent non-executive directors.*



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## LETTER FROM THE BOARD

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阳光油砂

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)*

**(HK stock code: 2012)**

Suite 1100, 700 - 6th Ave SW  
Calgary, AB, T2P 0T8  
Canada

Telephone: 1-403-984-1450

Fax: 1-403-455-7674

April 24, 2020

*To the Shareholders  
and the holders of securities of the Corporation*

Dear Sir / Madam,

**(i) ISSUE OF CONVERTIBLE BONDS TO CONNECTED PERSON  
UNDER SPECIFIC MANDATE  
AND  
(ii) NOTICE OF SPECIAL GENERAL MEETING**

### INTRODUCTION

Reference is made to the announcement dated April 1, 2020 issued by the Corporation in relation to, among other matters, the entering into the Subscription Agreement between the Corporation and the Subscriber, being a wholly owned company by Mr. Sun, the Chairman, Executive Director and Substantial Shareholder of the Corporation, pursuant to which, the Corporation has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the fixed rate convertible bonds to be issued by the Corporation in an aggregate principal amount of HK\$72,000,000.

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 the Shareholders 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 Subscriber; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription as well as voting at the SGM; and

*\* for identification purpose only*

(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, the grant of the Specific Mandate for the allotment and issuance of the Conversion Shares and the transactions contemplated thereunder.

## **SUBSCRIPTION AGREEMENT**

### **Date:**

April 1, 2020 (Hong Kong Time)

### **Parties:**

- (i) the Corporation as issuer; and
- (ii) the Subscriber

As at the Latest Practicable Date, Mr. Sun, being the Chairman, Executive Director and Substantial Shareholder of the Corporation, together with his controlled companies, are interested in 36,308,540 Shares in aggregate, representing about 28.03% of the issued Shares of the Corporation as at the Latest Practicable Date.

## **PRINCIPAL TERMS OF THE CB**

The terms of the CB have been negotiated on an arm's length basis, principal terms of which are summarized as follows:

Issuer	Sunshine Oilsands Limited
Principal Amount	HK\$ 72,000,000
Term	2 years
Maturity Date	March 31, 2022
Denomination	The CB are issued in denomination of HK\$ 1,000,000 each
Interest	The CB shall bear an interest rate of 8% per annum on the outstanding principal amount thereof from the Issue Date, payable by the Corporation at the Maturity Date
Conversion Price	<p>HK\$0.632 per Share is set at the higher of :-</p> <ul style="list-style-type: none"> <li>➤ the closing price on execution date of the Subscription Agreement; and</li> <li>➤ the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to execution date of the Subscription Agreement)</li> </ul>
Conversion	The CB holder has the right to convert any outstanding principal of the CB into the Shares during the period from the

	<p>date of six months after the date of the Subscription Agreement until the Maturity Date, subject to the Corporation's written approval.</p> <p>Given that, the Corporation shall not allot and issue Shares to the CB holder if upon the exercise of the Conversion Rights (i) the CB holder and parties acting in concert aggregated together with existing Shares held shall be interested (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a whitewash waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer unless the CB holder has obtained a whitewash waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float.</p>
Listing	The CB will not be listed on the Stock Exchange or any other stock exchanges. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares
Ranking	The Conversion Shares, when issued and fully paid, will rank <i>pari passu</i> among themselves and with all existing Shares presently in issue and at the time of allotment and issue of the Conversion Shares and in particular shall rank in full for all dividends and other distributions declared made or paid hereafter.

## CONVERSION PRICE

The Conversion Price of HK\$0.632 per Conversion Share represents:

- I. approximately 26.4% premium to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on April 1, 2020 (being the last trading day immediately prior to signing the Subscription Agreement) (the "Last Trading Date"); and
- II. equivalent to the average closing price of HK\$0.632 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including March 31, 2020.

The Conversion Price of HK\$0.632 per Conversion Share was determined after arm's length negotiation and discussion between the Corporation and with the Subscriber with reference to (i) the trading performance of the Shares of the Corporation for one year immediately preceding up to and including the Last Trading Date, i.e. its daily closing price as quoted on the Stock Exchange, given that the Conversion Price is within the range of the lowest and highest closing prices (calculated on a post share consolidation basis); and (ii) the prevailing general market condition, by taking into account of the Main Board listed issuers which have entered into transactions involving issue of convertible bonds during the past twelve months and that such transactions have not been lapsed as at April 1, 2020 (the "Comparable") (see below table). Upon exclusion of the outliers, the premium of the Conversion Price to the closing price of the Shares on the Last Trading Date ("Premium A") of the comparable ranges from -15% to 185.71% with an average of 19.46%, and the Premium/(discount) of the conversion price to average closing

price per share for the last five consecutive trading days immediately prior to the last trading day (“Premium B”) of comparable ranges from -15.97% to 182.49% with an average of 24.72%. Given that the Premium A and Premium B of the Subscription is within range of the comparable, and that the Conversion price is set in accordance with Rule 13.36 (6) of the listing rule, the Directors (including all the Independent Non-Executive Directors) consider that the Conversion Price is fair and reasonable.

<i>Date</i>	<i>Stock Code</i>	<i>Stock short name</i>	<i>CB Principal amt</i>	<i>Conversion Price</i>	<i>Interest Rate</i>	<i>Premium/ (discount) of the conversion price to closing price on the date of subscription agreement (the “Premium Ratio A”) (%)</i>	<i>Premium/ (discount) of the conversion price to average closing price per share for the last five consecutive trading days immediately prior to the date of subscription agreement (the “Premium Ratio B”) (%)</i>	<i>Tenor</i>
2019-04-01	1011	NT PHARMA	192,775,556 million	HK\$0.600	5.00%	-3.23	-15.97	3
2019-04-23	1495	JIIHOUSEHOLD	HK\$102,100,000	HK\$1.000	6.00%	1.00	1.80	1.5
2019-04-30	1009	INT'L ENT	HK\$53,000,000	HK\$1.010	0.00%	0.00	3.06	5
2019-05-02	646	CHINA ENV TEC	HK\$40,000,000	HK\$0.058	12.00%	13.73	5.45	3
2019-05-20	171	SILVER GRANT	HK\$1,150,000,000	HK\$2.330	7.00%	39.00	40.00	3
2019-05-23	1589	CNLP	HK\$1,109,000,000	HK\$3.190	6.95%	10.00	8.21	5
2019-05-29	2728	YUHUA ENERGY	HK\$110,952,907	HK\$0.184	10.00%	0.00	103.54	1
2019-05-29	2882	HKRH	HK\$121,950,000	HK\$0.150	4.00%	2.74	0.27	3
2019-05-29	2728	YUHUA ENERGY	HK\$110,952,907	HK\$0.184	10.00%	0.00	103.54	1
2019-05-29	575	REGENT PACIFIC	HK\$17,500,000	HK\$0.213	4.00%	-15.00	-15.00	3
2019-05-30	707	ATV HOLDINGS	HK\$260,275,000	HK\$0.250	10.00%	23.76	23.89	1
2019-06-04	704	HUSCOKE HLDGS	HK\$98,800,000	HK\$0.260	5.00%	13.54	13.54	3

2019-06-11	2708	IBO TECH	HK\$31,140,000	HK\$1.730	7.50%	0.58	0.23	3
2019-06-14	1152	MOMENTUM FIN	HK\$39,000,000	HK\$0.200	5.00%	9.29	5.15	5
2019-06-17	1218	EASYKNIT INT'L	HK\$70,000,000	HK\$0.055	3.00%	0.00	0.00	5
2019-06-19	2012	SUNSHINE OIL	USD 9,868,398.69	HK\$0.082	8.00%	0.00	0.24	2
2019-06-25	351	ASIA ENERGY LOG	HK\$60,000,000	HK\$0.060	2.50%	5.30	3.50	3
2019-06-25	2186	LUYE PHARMA	HK\$300,000,000	HK\$8.150	1.50%	39.55	42.53	5
2019-07-19	651	CHI OCEAN IND	HK\$110,000,000	HK\$0.640	10.00%	0.00	3.90	3
2019-07-31	756	SUMMI	HK\$106.0 million	HK\$0.187	2.28%	16.90	18.40	3
2019-08-01	539	VICTORY CITY	HK\$64,000,000	HK\$0.640	5.00%	30.61	29.55	2
2019-09-04	2359	WUXI APPTEC	US\$300 million	HK\$111.800	0.00%	30.00	29.28	5
2019-09-16	932	SHUNTEN INTL	HK\$200 million	HK\$0.432	10.00%	2.86	0.00	2
2019-09-24	707	ATV HOLDINGS	HK\$400,000,000	HK\$0.100	6.00%	85.19	72.41	3
2019-10-14	539	VICTORY CITY	HK\$65,000,000	HK\$0.650	5.00%	64.56	64.97	2
2019-10-15	30	BAN LOONG HOLD	HK\$730,000,000	HK\$0.258	3.00%	-0.77	0.00	2
2019-10-24	2340	SYNERGIS HOLD	HK\$42 million	HK\$0.500	7.00%	2.04	4.17	2
2019-10-31	2343	PACIFIC BASIN	HK\$1,371 million	HK\$2.400	3.00%	31.87	36.36	6
2019-11-10	863	BC TECH GROUP	HK\$15,600,000	HK\$9.520	5.00%	17.10	43.33	1
2019-11-19	981	SMIC	US\$200 million	HK\$10.730	0.00%	1.23	4.68	3
2019-11-26	1119	IDREAMSKY	HK\$30,000,000	HK\$4.690	2.50%	2.40	5.16	3
2019-11-28	276	MONGOLIA ENERGY	HK\$631,819,558	HK\$1.200	3.00%	11.10	15.40	5
2019-12-05	3998	BOSIDENG	HK\$275,000,000	HK\$4.910	1.00%	27.50	29.60	5
2020-01-13	1488	BEST FOOD HLDG	HK\$780,000,000	HK\$1.180	0.00%	7.27	9.87	5

2020-01-13	2020	ANTA SPORTS	EURO 1,000,000,000	HK\$105.280	0.00%	40.00	42.70	5
2020-01-23	660	WAI CHUN BIOTEC	HK\$44,085,368	HK\$0.032	4.00%	-7.43	-9.50	3
2020-02-18	1192	TITAN PETROCHEM	HK\$10,000,000	HK\$0.080	5.00%	63.27	67.36	2
2020-02-25	1013	WAI CHUN GROUP	HK\$172,000,000	HK\$0.042	5.00%	2.44	5.00	perpetual
2020-03-05	474	HAO TIAN DEV	HK\$100,000,000	HK\$0.250	0.00%	28.20	25.50	3
2020-03-08	351	ASIA ENERGY LOG	HK\$48,000,000	HK\$0.160	0.00%	-3.03	-6.98	3
2020-04-01	855	CHINA WATER	HK\$361,336,495.80	HK\$1.050	0.00%	38.16	40.75	perpetual

Maximun	12%	85.19	103.54
Minimun	0%	-15.00	-15.97
Average	4%	15.41	20.88

The Directors consider that the Comparable listed above covered in the recent previous 12 months as sufficient reference as the stock market conditions, macroeconomic and industry dynamics changes with time and would be materially different beyond the 12 months period.

#### **INTEREST RATE**

The Directors also note that the CB bears an interest rate of 8% per annum on the outstanding principal amount thereof from the Issue Date and consider this term is fair and reasonable in view that 8% is within the range of the interest rates of those Comparable from 0% to 12%.

#### **CONVERSION SHARES**

Given the issue price for the CB is HK\$72,000,000 (being 100% of the principal amount of the CB), based on the Conversion Price of HK\$0.632 per Share, a maximum of 113,924,051 new Shares will be allotted and issued upon the full exercise of the CB, representing:-

- (i) approximately 88.93% of the existing issued share capital of the Corporation as at the Latest Practicable Date; and
- (ii) approximately 47.07% of the allotment and issued share capital of the Corporation as enlarged by the issuance of the Conversion Shares (assuming there was no repurchase of Shares or issuance of other new Shares)

#### **MANDATES FOR THE ISSUANCE OF THE CONVERSION SHARES**

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Independent Shareholders at the SGM.

#### **CONDITION PRECEDENT OF THE SUBSCRIPTION**

Completion of the CB is conditional upon:

- I. as required by the Listing Rules, the passing of all necessary resolutions by the Independent Shareholders at the SGM approving the Subscription and the granting of the Specific Mandate to allot and issue the Conversion Shares to the Subscriber;
- II. the Listing Committee granting or agreeing to grant (subject to allotment) and not having

withdrawn or revoked the approval of listing of and permission to deal in all the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Right; and

- III. all actions by or in respect of or filings with, consents or approvals from any governmental or regulatory authority or other third parties required to permit the consummation of the transactions contemplated by the Subscription Agreement having been taken, made or obtained and all other relevant regulatory requirements having been complied with by the Corporation.

The Subscription is subject to the fulfillment (or waiver, if applicable) of a number of conditions precedent set out above. As such, the Subscription may or may not proceed.

Shareholders and potential investors of the Corporation are advised to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

### **COMPLETION OF THE SUBSCRIPTION**

Completion shall take place (unless otherwise agreed) on or before June 15, 2020 following satisfaction of the condition precedent set out above.

The Corporation and the Subscriber shall use their respective best endeavor to procure the fulfilment of the conditions set out above on or June 15, 2020. If the above conditions are not fulfilled by 5:00 p.m. on June 15, 2020 (or such other date as agreed between the Corporation and the Subscriber in writing), the Subscription Agreement shall forthwith cease and terminate and neither the Corporation nor the Subscriber shall have any claim against each other, save for any antecedent breach.

As at the Latest Practicable Date, none of the condition precedent set out above have been fulfilled.

### **REASONS FOR AND BENEFITS OF THE ISSUANCE OF THE CONVERTIBLE BONDS**

The Corporation is focused on the development of its significant holdings of oil sands leases in the Athabasca oil sands region.

Due to the drastic drop in crude oil prices, the Corporation's operating income and cash flow have fallen sharply. Coupled with the outbreak and widespread of COVID-19 virus all around the world, obstructed economic activity has led to a severe decline in demand for oil, which further adversely affects the financing opportunities of the Corporation. On the other hand, in addition to daily operating costs, the Corporation also needs to repay some of its debts. The management has continuously tried various alternatives during the past few months, including debt financing or equity financing (such as placements) through banks or financial institutions, but failed to succeed due to the adverse market conditions.

After arms' length negotiation and careful consideration, in order to meet the urgent funding needs, the Corporation discussed and came up with a proposal with the Chairman Kwok Ping Sun, being the Chairman, executive Director and Substantial Shareholder of the Corporation, whereby the Corporation will issue CB to Chairman Sun on terms set out above.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the Term of the CB were arrived at after arm's length negotiations between the Corporation and the Subscriber, are on normal commercial terms, fair and reasonable and are in the interests of the Corporation and the Shareholders as a whole.

### **CHANGE IN SHAREHOLDING STRUCTURE**

Assuming there is no change in the issued share capital of the Corporation from the Latest Practicable Date up to the Completion, the shareholding structure of the Corporation (a) as at the Latest Practicable Date and (b) immediately after the allotment and issuance of the Conversion Shares upon full conversion of the CB at the Conversion Price is as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issuance of the Conversion Shares upon full conversion of the CB at the Conversion Price	
	Number of Shares	Approx. % of Shares	Number of Shares	Approx. % of Shares
Kwok Ping Sun	36,308,540	28.03%	36,308,540	14.91%
The Subscriber	-		113,924,051	46.79%
Public Shareholders (excluding the Subscriber)	93,246,090	71.97%	93,246,090	38.30%
<b>Total</b>	<b>129,554,630 <sup>(1)</sup></b>	<b>100.00%</b>	<b>243,478,681 <sup>(1)</sup></b>	<b>100.00%</b>

Note:

- (1) The above figure does not include 990,347,263 new Shares (equivalent to approximately 19,979,685 new consolidated Shares after share consolidation) to be allotted and issued upon the full conversion of the CB pursuant to the Subscription Agreement per the announcement dated June 16, 2019, supplemented by the announcement dated June 17, 2019 and the announcement dated February 26, 2020.

## USE OF PROCEEDS

The estimated net proceeds from the Subscription, after deduction of expenses and fees payable by the Corporation are expected to be approximately HK\$71,500,000. The Corporation intends to apply the proceeds as follows:-

- i. approximately 80% for general working capital (which includes, but not limited to the monthly general operating expenditures on salaries and benefits, rent, energy, chemical and consumables, regulatory & legal costs as well as the information technology and other administrative costs etc.), the monthly breakdown is as follows:

	HK\$'000
Salaries and Benefits	4,960
Rent	340
Energy	2,520
Chemical and consumables	600
Regulatory & legal cost	936
IT & other admin costs	124
	<u>9,480</u>

Therefore the 80% of the net proceeds of HK\$57.2 million could cover approximately 6 months of the above monthly capital needs; and

- ii. the remaining 20% for repayment of debts, of which HK\$3.0 million, HK\$8.2 million, HK\$3.1 million will occur in June, July and August 2020 respectively.

## CAPITAL RAISING ACTIVITIES OF THE CORPORATION DURING THE PAST 12 MONTHS

June 17, 2019	Private placement of convertible bonds under General Mandate	HK\$81,406,545 (approximately 10,450,000 <sup>(1)</sup> )	USD	For general working capital and capital expenditure for West Ells project	USD\$ 10,450,000 <sup>(1)</sup> – 100% for general working capital and capital expenditure for West Ells project
July 11, 2019	Private placement	HK\$2,003,750.		For payment of	CDN\$ 335,602.95 <sup>(2)</sup> – there



	of Shares General Mandate	Common under General Mandate	(approximately CDN\$135,640.57 <sup>(2)</sup> )	director fees to certain Directors	is no actual cash inflow into the Corporation as the issuance of shares was to offset the entire Connected Director fee
August 16, 2019	Private placement of Common Shares under General Mandate	HK\$4,442,166.93 (approximately CDN\$754,724.16 )		For settlement of debt	HK\$4,442,166.93 – there is no actual cash inflow into the Corporation as the issuance of shares was to settle the debt
August 22, 2019	Private placement of Common Shares under General Mandate	HK\$7,088,040 (approximately CDN\$1,200,000 <sup>(3)</sup> )		For settlement with trade creditor	CDN\$1,200,000 <sup>(3)</sup> – there is no actual cash inflow into the Corporation as the issuance of shares was to settle the trade payable
October 17, 2019	Private placement of Common Shares under General Mandate	HK\$2,376,846.73 (approximately CDN\$402,875.52 <sup>(4)</sup> )		For settlement with trade creditor	CDN\$402,875.52 <sup>(4)</sup> – there is no actual cash inflow into the Corporation as the issuance of shares was to settle the trade payable
December 16, 2019	Private placement of Common Shares under General Mandate	HK\$2,705,733.57 (approximately CDN\$456,998.40 <sup>(5)</sup> )		For settlement with trade creditor	CDN\$456,998.40 <sup>(5)</sup> – there is no actual cash inflow into the Corporation as the issuance of shares was to settle the trade payable
March 5, 2020	Private placement of Common Shares under General Mandate	HK\$1,890,330 (approximately CDN\$323,670.19 <sup>(6)</sup> )		For settlement with trade creditor	CDN\$323,670.19 <sup>(6)</sup> – there is no actual cash inflow into the Corporation as the issuance of shares was to settle the trade payable

#### Notes

1. Based on the exchange rate quoted by The Hong Kong and Shanghai Banking Cooperation Limited on June 16, 2019
2. Based on the Bank of Canada's nominal noon exchange rate (as at July 10, 2019) of CDN\$1.00 = HK\$5.9706.
3. Based on the Bank of Canada's nominal noon exchange rate (as at August 21, 2019) of CDN\$1.00 = HK\$5.9067.
4. Based on the Bank of Canada's nominal noon exchange rate (as at October 16, 2019) of CDN\$1.00 = HK\$5.8997.
5. Based on the Bank of Canada's nominal noon exchange rate (as at December 15, 2019) of CDN\$1.00 = HK\$5.9207.
6. Based on the Bank of Canada's nominal noon exchange rate (as at March 4, 2020) of CDN\$1.00 = HK\$5.8403.

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

## IMPLICATIONS UNDER THE LISTING RULES

The Subscriber is a company directly wholly owned by Mr. Sun, the Chairman, Executive Director and Substantial Shareholder of the Corporation, and is therefore an associate of the connected person of the Corporation under Chapter 14A of the Listing Rules. The Subscription constitutes a non-exempt connected transaction for the Corporation under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Mr. Sun, though his ownership in the Subscriber, is deemed to be interested in the Subscription and has abstained from voting at the Board meeting held to approve the Subscription.

The issuance of the Conversion Shares will also be subject to, amongst other things, the approval of the Independent Shareholders for the granting of the Specific Mandate at the SGM in accordance with the requirements of the Listing Rules.

## POSSIBLE IMPLICATIONS UNDER TAKEOVERS CODES

Under Rule 26.1 of the Takeovers Codes, when two or more persons are acting in concert, and they collectively hold less than 30% of the voting rights of a company, and any one or more of them acquires voting rights and such acquisition has the effect of increasing their collective holding of voting rights to 30%

or more of the voting of the company, it is required to make a mandatory offer to the holders of each class of equity share capital of the Company.

As at the Latest Practicable Date, Mr. Sun, the Executive Chairman, together with his wholly controlled companies, are already interested in approximately 28.03% of the issued share capital of the Corporation. The Subscriber, Prime Union, being a wholly-owned company and controlled by Mr. Sun, are deemed to be a party acting in concert with Mr. Sun under the Takeovers Codes.

Should the Subscriber exercise the Conversion Rights attached to the CB during the Conversion Period, it may likely trigger Rule 26.1 of the Takeovers Codes that requires the Subscriber to make a mandatory offer to all Shareholders of the Corporation.

Both the Corporation and the Subscriber are fully aware of the aforesaid requirements and will ensure proper compliance with all applicable rules and regulations, issue announcements as and when necessary.

Under the terms of the CB, the conversion of any outstanding principal of the CB is subject to the Corporation's written approval. Should the mandatory general offer be triggered under the Takeovers Codes by the Conversion, the Corporation will approve such Conversion only if the Subscriber has already obtained the necessary whitewash waiver from the Executives of the SFC at the time of Conversion.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors who have no direct or indirect interest in the Subscription, the Specific Mandate and the transactions contemplated thereunder, namely Messrs. David Yi He, Guangzhong Xing and Alfa Li, has been formed to advise the Independent Shareholders on the Subscription, the Specific Mandate and the transactions contemplated thereunder.

With the approval of the Independent Board Committee, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Specific Mandate and the transactions contemplated thereunder.

## **SGM**

A notice convening the SGM to be held at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong on May 25, 2020 at 9:30 a.m. (Hong Kong time) / May 24, 2020 at 7:30 p.m. (Calgary 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, the Specific Mandate and the transactions contemplated thereunder.

The ordinary resolution to be proposed at the SGM to approve the Subscription Agreement, the Specific Mandate and the transactions contemplated thereunder, the full text of which is set out in paragraph “**RESOLUTION**” below, will be determined by way of poll by the Shareholders.

Mr. Sun, through his ownership in the Subscriber, together with his respective associates shall abstain from voting on the resolution approving the Subscription, the Specific Mandate and the transactions contemplated thereunder at the SGM.

Save as disclosed above, to the Directors' best knowledge, information and belief, except for the Subscriber, Mr. Sun and his associates, no other existing Shareholder has a material interest in the Subscription, the Specific Mandate and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting in relation to the resolution to approve the Subscription, the Specific Mandate and the transactions contemplated thereunder to be proposed at the SGM.

**Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, Shareholders should not attend the SGM in person. The Corporation will not accept any physical attendance by Shareholders. Any Shareholders seeking to attend the SGM physically in person will be turned away. In order for Shareholders to exercise their voting rights, they should appoint the chair of the SGM as their proxy to vote on the relevant resolution at the SGM. Shareholders are also encouraged to submit questions to the management in advance and join the SGM through telephone**

**conference. For details please refer to “Submission of Question with the Proxy Form” on p.22.**

A form of Proxy for use at the SGM is enclosed with this circular. 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.

#### **RECORD DATE**

All Registered Shareholders as at 4:30 p.m. on April 23, 2020 (Hong Kong time) and 4:30 p.m. on April 22, 2020 (Calgary time), as the case may be, being the record date, should vote through submitting a proxy to appoint the chair of the SGM or any adjournments thereof, as their proxy to attend and vote in their place.

#### **RESOLUTION**

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

##### **“BE IT RESOLVED THAT:**

- (a) the Subscription (as defined in the Circular) by the Subscriber, being an associate (as defined under the Listing Rules) of Mr. Kwok Ping Sun, under the Subscription Agreement (as defined in the Circular), a copy of the Subscription Agreement has been produced to the SGM of the Corporation 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 issuance by the Corporation of the Conversion Shares) by any director of the Corporation (“Director”), notwithstanding any interest he/she 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 authorized 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 issuance of the Conversion Shares and, subject to and in accordance with the applicable law and 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 Conversion 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 Conversion Shares pursuant to the Subscription Agreement be and is hereby confirmed and approved.”

#### **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 should vote their Shares at the SGM through appointing the chair of the SGM to act as their proxy and vote in their place, as described below under the paragraph headed “Proxy Information for Registered Shareholders”.

Beneficial Shareholders must follow the procedures described below under the paragraph headed “Proxy Information for Beneficial Shareholders” to exercise their voting rights.

***(c) Proxy Information for Registered Shareholders***

If you hold Shares in your own name, you are a registered shareholder of the Corporation (“Registered Shareholder”). Due to the evolving COVID-19 situation, Registered Shareholder should not attend the SGM in person. The Corporation will not accept any physical attendance by Shareholders. Any Shareholders seeking to attend the SGM physically in person will be turned away. In order for Shareholders to exercise their voting rights, they should exercise their voting rights by submitting proxy appointing chair of the SGM in advance to act as their proxy, 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 HKExnews’ website of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Corporation at [www.sunshineoilsands.com](http://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 accompanying form of proxy (the “Proxy”) is the form proxying the chair of the SGM to vote on behalf of the Registered Shareholder.

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 chair at the SGM (the “Proxy”) will vote 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 (the chair of the SGM for this case) will vote the Shares represented by the Proxy for the approval of such matter.

***Voting by Proxy Holder***

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. 9:30 a.m. on May 21, 2020 (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. 4:30 p.m. on May 21, 2020 (Calgary time)) before the SGM, or any adjournment thereof, at which the Proxy is to be used.

***(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.

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, TFSA's 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.

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 the chair of the SGM to represent you at the SGM. To exercise this right, you should complete the voting instruction form and then it must 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.

***(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 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 1100, 700-6<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 0T8, during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Calgary (i.e. 4:30 p.m. on May 20, 2020 (Calgary time) or 9:30 a.m. on May 21, 2020 (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.

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

**SUBMISSION OF QUESTIONS WITH THE PROXY FORM**

Shareholders who have any questions in relation to the items of the agenda of the SGM should send the queries in advance, during regular business hours at least 48 hours, excluding Saturdays, Sundays and public holidays in Hong Kong (i.e. 9:30 a.m. on May 21, 2020 (Hong Kong time) / 4:30 p.m. on May 21, 2020 (Calgary time)) before the SGM, or any adjournment thereof,

- Annex your questions with your Proxy Forms.
- Upon verification of the validity of the Proxy Forms, the Corporation will provide a telephone dial-in number and passcode to the respective Shareholders for dialing-into the SGM as telephone conference.

**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 officers or anyone who has held office as such since the beginning of the Corporation's last financial year or any "informed person" of the Corporation (as defined under applicable Canadian securities laws) or of any associate or affiliate of any of the foregoing in any matter to be acted on at the SGM.

**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 Subscriber, the Specific Mandate and the transaction contemplated thereunder.

The Directors are of the opinion that though the Subscription is not conducted in the ordinary and usual course of business of the Group, but is on normal and 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 Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of SGM enclosed to this circular.

## **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](http://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, 2019. 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](http://www.sunshineoilsands.com).

## **DIRECTORS**

As at the Latest Practicable Date, the Board consists of Mr. Kwok Ping Sun 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. Yi He, Mr. Alfa Li and Mr. Guangzhong Xing as independent non-executive directors.

## **RESPONSIBILITY STATEMENT**

This Circular, for which the Directors of the Corporation 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## **DIRECTORS' APPROVAL**

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

## **BY ORDER OF THE BOARD OF DIRECTORS SUNSHINE OILSANDS LTD.**

(signed) "Kwok Ping Sun"

**Kwok Ping Sun**

*Executive Chairman*

Calgary, Alberta, April 24, 2020

Hong Kong, April 24, 2020

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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阳光油砂

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

April 24, 2020

*To the Independent Shareholders*

Dear Sir / Madam,

### CONNECTED TRANSACTION

- (I) **ISSUE OF CONVERTIBLE BONDS TO CONNECTED PERSON  
UNDER SPECIFIC MANDATE;**  
**AND**  
(II) **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

We refer to the circular dated April 24, 2020 issued by the Corporation to its Shareholders (the “Circular”), of which this letter forms part. Capitalized terms defined in this 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, the Specific Mandate 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” as 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. 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 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*



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

Yours faithfully,  
For and on behalf of the  
*Independent Board Committee*

**Yi He (David)      Guangzhong Xing      Alfa Li**

*Independent Non-Executive Directors*

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## LETTER FROM DONVEX CAPITAL

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*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, which has been prepared for the purpose of inclusion in this circular.*



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

April 24, 2020

*The Independent Board Committee and the Independent Shareholders of  
Sunshine Oilsands Limited*

Dear Sir/Madam,

### CONNECTED TRANSACTIONS IN RELATION TO ISSUE OF CONVERTIBLE BONDS

#### 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 April 24, 2020 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

Reference is made to the announcement dated April 1, 2020, the Corporation entered into the Subscription Agreement with the Subscriber, pursuant to which the Corporation has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the convertible bonds to be issued by the Corporation in an aggregate principal amount of HK\$72,000,000.

With reference to the Letter from the Board, the Subscription constitutes a non-exempt connected transaction for the Corporation under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders’ approval requirements pursuant to the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Messrs. David Yi He, Guangzhong Xing and Alfa Li, has been established to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and fair and reasonable; (ii) whether the Subscription is in the interests of the Corporation and the Shareholders as a whole; and (iii) how to vote in relation to the Subscription 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.

## INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Corporation or any other parties that could reasonably be regarded as relevant to our independence. In addition to our engagement as the Independent Financial Adviser, we have only acted as an independent financial adviser to the then special board committee and independent shareholders of the Corporation in relation to the proposed issue of new Shares to the then connected Directors (details of which were set out in the circular of the Corporation dated June 4, 2019) in the last two years. The foresaid transaction has been completed and is not related to the Subscription.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders 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 collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or 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 considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Corporation.

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.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

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

### 1. Background Information on the Group

#### *Principal business and information of the Group*

With reference to the Letter from the Board, the Corporation is principally 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, which focuses on executing milestone undertakings in the West Ells project area. The West Ells Phase 1 is operational and has an initial production target of 5,000 barrels per day.

*Historical financial information of the Group*

The table below sets forth a summary of the consolidated financial information of the Group for the year ended December 31, 2019 (“FY2019”) and December 31, 2018 (“FY2018”) extracted from the Corporation’s annual result announcement for FY2019:

	<b>FY2019</b> <i>CDN\$'000</i> <i>(Audited)</i>	<b>FY2018</b> <i>CDN\$'000</i> <i>(Audited)</i>
Revenue		
- Petroleum sales, net of royalties	41,716	37,007
Net loss attributable to owners of the Corporation	(80,642)	(126,996)
	<b>As at</b> <b>December 31, 2019</b> <i>CDN'000</i> <i>(Audited)</i>	<b>As at</b> <b>December 31, 2018</b> <i>CDN'000</i> <i>(Audited)</i>
Cash and cash equivalents	1,254	583
Total debt (shareholders’ loans included)		
- Current	(283,414)	(295,452)
- Non-current	(19,623)	-
Net assets attributable to owners of the Corporation	175,755	251,953

According to the annual result announcement for FY2019, the revenue of the Group increased by CDN\$4.7 million or 12.7% from approximately CDN\$37.0 million for FY2018 to approximately CDN\$41.7 million for FY2019, which was mainly attributed to (i) increase in sales volume of bitumen from 1,653 barrels per day for FY2018 to 1,700 barrels per day for FY2019; and (ii) increase in bitumen price per barrel from CDN\$43.52 for FY2018 to CDN\$49.34 for FY2019.

The net loss attributable to owners of the Corporation decreased by CDN\$46.4 million or 36.5% from approximately CDN\$127.0 million for FY2018 to approximately CDN\$80.6 million for FY2019, which was mainly attributed to (i) the increase in sales volume of bitumen and bitumen price per barrel which led to the increase of revenue of approximately CDN\$4.7 million or 12.7%; (ii) the improvement of cost management in particular to workforce, leading to the decrease of salaries of approximately CDN\$0.9 million or 13.0%; (iii) unrealized foreign exchange gain from translation of USD denominated senior notes of approximately CDN\$13.0 million (FY2018: loss of CDN\$22.0 million).

The cash and cash equivalents of the Group increased by approximately CDN\$0.7 million from approximately CDN\$0.6 million as at December 31, 2018 to approximately CDN\$1.3 million as at December 31, 2019, which was mainly attributed to the net of (i) proceeds from bonds, shareholder’s loans and other loans; and (ii) net cash used in operating activities and investing activities.

The total debt of the Group increased by approximately CDN\$7.5 million or 2.5% from approximately CDN\$295.5 million as at December 31, 2018 to approximately CDN\$303.0 million as at 31 December 2019. The total debt represented (i) shareholders’ loans of CDN\$17.0 million; (ii) senior notes of CDN\$258.0 million; (iii) bonds of CDN\$13.6 million and (iv) other loans of CDN\$14.4 million, among which liabilities of CDN\$283.4 million, being classified as current liabilities as at December 31, 2019, is due within 1 year.

The net assets of the Group decreased by approximately CDN\$76.2 million or 30.2% from approximately CDN\$252.0 million as at December 31, 2018 to approximately CDN\$175.8 million as at December 31, 2019, which

was mainly attributed to the net loss attributable to the owner of the Corporation of approximately CDN\$80.6 million for FY2019.

## 2. Principal terms of the Subscription

Date:	April 1, 2020
Parties:	(a) the Corporation; and (b) the Subscriber
Principal amount:	HK\$72,000,000
Terms:	2 years
Maturity date:	March 31, 2022
Interest:	8% per annum on the total principal amount
Denomination:	The CB is issued in denomination of HK\$1,000,000 each.
Conversion Price:	HK\$0.632 per Share
Conversion Rights:	The CB holder has the right to convert any outstanding principal of the CB into the Shares during the period from the date of six months after the date of the Subscription Agreement until the Maturity Date, subject to the Corporation's written approval.  In any circumstances, the Corporation shall not allot and issue Shares to the CB holder upon the exercise of the Conversion Rights, if (i) the CB holder and parties acting in concert aggregated together with existing Shares held shall be interested (whether directly or indirectly) in 29.90% or more of the consequential enlarged issued share capital of the Corporation unless the CB holder has obtained a whitewash waiver from the SFC; (ii) any other percentage as may from time to time be specified in the Takeovers Code as being the level of triggering a mandatory general offer unless the CB holder has obtained a whitewash waiver from the SFC; or (iii) the Corporation shall fail to maintain a 25% public float.
Voting rights:	The CB holder shall not be entitled to attend or vote at any meeting of the Corporation.
Early redemption:	The CB shall not be redeemed by the Corporation before the Maturity Date.

For further details of the terms of the Subscription, please refer to the section headed "SUBSCRIPTION AGREEMENT" of the Letter from the Board.

## 3. Reasons for the Subscription and use of proceeds

With reference to the Letter from the Board, the (i) reasons for the Corporation to issue the Convertible Bonds to the Subscriber; and (ii) use of proceeds from the Subscription are as follows:

- (i) 80% of the net proceeds from the Subscription will be used for the general working capital purpose (the "**Net Proceeds for Working Capital**") in order to strengthen the financial position of the Corporation, considering the event of (a) drastic drop in crude oil prices; and (b) outbreak of novel coronavirus in first quarter of Year 2020, which will have adverse impact on the global economy as well as the financial performance of the Group for the year ending December 31, 2020. The breakdown of the monthly general operating expenditures for the general working capital purpose is

as follows:

	HK\$'000
Salaries and Benefits	4,960
Rent	340
Energy	2,520
Chemical and consumables	600
Regulatory and legal costs	936
IT and other admin costs	124
	<u>9,480</u>

Therefore, the Net Proceeds for Working Capital could cover approximately 6 months of the above monthly general operating expenditure; and

- (ii) the remaining net proceeds from the Subscription will be used for repayment of part of its debt, of which amount of approximately HK\$3.0 million, HK\$8.2 million and HK\$3.1 million will be settled in June, July and August 2020 respectively.

As part of our due diligence work, we reviewed (i) the annual result announcement of the Corporation for FY2019; (ii) the Subscription Agreement; (iii) the Circular; and (iv) the announcement of the Corporation in respect of the issue of Convertible Bonds dated April 1, 2020. In respect of the Net Proceeds for Working Capital, we reviewed the historical cash flows used in operating activities as extracted from the annual result announcement of the Corporation for FY2019 as follows:

	<b>FY2019</b> CDN\$'million	<b>FY2019</b> HK\$'million (note 1)
Net cash used in operating activities	<u>18.4</u>	<u>108.6</u>
Estimated Net Proceeds for Working Capital	(note 2)	57.2
Number of months of estimated Net Proceeds for Working Capital cover net cash used in operating activities	(note 3)	<u>6.3 months</u>

1. Based on the average of Bank of Canada's nominal noon exchange rate for FY2019 of CDN\$1.00 = HK\$5.9067.
2. It is calculated based on estimated net proceeds from the Subscription multiplied by 80%.
3. It is calculated based on the estimated Net Proceeds for Working Capital divided by the net cash used in operating activities and multiplied by 12 months.

With reference to our assessment above, the Net Proceeds Working Capital is able to cover approximately 6 months of cash flows used in operating activities of the Group, we are of the view that 80% of the Net Proceeds Working Capital is adequate.

#### 4. Other financing alternatives

We have discussed with the Directors in relation to other possible financing alternatives such as debt financing and new Shares placement in order to facilitate the Corporation's funding needs.

##### Debt financing

Considering (i) the debt financing will further incur interest on the Group which already had finance costs of CDN\$66.9 million, representing over 50% of total expenses for FY2019,; and (ii) the debt to equity ratio of the Group has over 100% as at 31 December 2019, the Group is difficult to obtain additional borrowings from financial institutions. As such, the Directors are of the view that the debt financing is not the most appropriate financing option.

##### New Shares placement

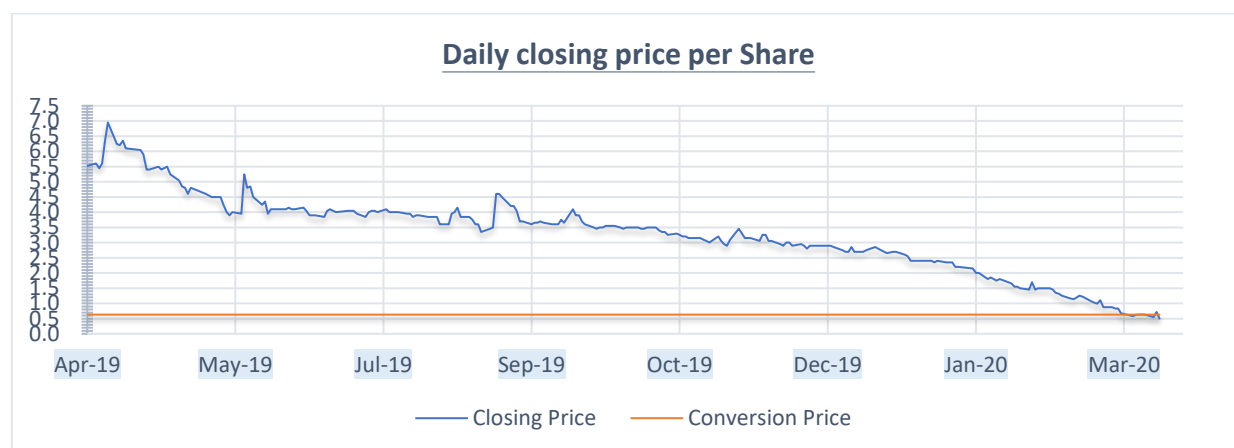
In view of (i) the new Shares placement may not be favorable to potential Shareholders without substantial discounts to the Share price of the Corporation due to the outbreak of novel coronavirus in first quarter of Year 2020, leading to the recent adverse market conditions; and (ii) the Group has recorded net losses attributable to owners of the Corporation for last two years, the Directors considered the Subscription is therefore more preferable financing option than the new Shares placement.

## 5. Assessment on the Conversion Price

With reference to the basis of determination of the Conversion Price in the section headed “CONVERSION PRICE” of the Letter from the Board, the initial Conversion Price of HK\$0.632 per Conversion Share represents:

- (i) a discount of approximately 59.7% to the closing price of HK\$1.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 26.4% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on the Last Trading Date (the “**Last Trading Date Premium**”); and
- (iii) equivalent to the average closing price of HK\$0.632 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including March 31, 2020.

As part of our assessment of the fairness and reasonableness of the Conversion Price, we reviewed the recent trading performance of the Shares including the daily closing price of the Shares as quoted on the Stock Exchange from April 1, 2019 up to the Last Trading Date (the “**Review Period**”), being a period of approximately 1 year. As the Review Period of one year illustrates a meaningful historical trend of the Share price, which is subject to the market sentiment, we consider the basis of using the Review Period of one year for share price assessment is fair and reasonable. The daily closing prices of the Shares and the Conversion Price is illustrated as follows:



Source: the Stock Exchange's website

As illustrated in the above diagram, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange and adjusted for the effect of share consolidation, were HK\$0.50 on April 1, 2020 and HK\$6.95 on April 12, 2019 respectively during the Review Period. The closing price of Shares showed a general downward trend from April 12, 2019 to April 1, 2020. The Conversion Price is within the range of the lowest and highest closing prices of Shares during the Review Period. In view of the result of our assessment above, the Conversion Price is fair and reasonable.

## 6. Comparable

We have reviewed a number of Hong Kong Stock Exchange Main Board listed companies which had entered into transactions involving issue of convertible bonds/ notes (the “**Comparables**”), where (i) the date of their respective announcement fall within the preceding 9 months from the date of announcement of the Corporation dated April 1, 2020; and (ii) the said transactions had not been lapsed up to April 1, 2020. In view of the impact of the novel coronavirus in the first quarter of Year 2020, we have extended the selection criteria from 6 months to 9 months as we consider there are limited transactions in the first quarter of 2020. To our best effort, the Comparables selected are exhaustive based on the said criteria and we are aware of 27 listed companies as follows:

<b>Company name (Stock code)</b>	<b>Date of announcement</b>	<b>Interest rate per annum (%)</b>	<b>Premium/(discount) of the conversion price to closing price on the date of subscription agreement (the “Premium Ratio A”) (%)</b>	<b>Premium/(discount) of the conversion price to average closing price per share for the last five consecutive trading days immediately prior to the date of subscription agreement (the “Premium Ratio B”) (%)</b>
China Ocean Industry Group Limited (651)	July 19, 2019	10.0	Nil	3.9
Summi Group Holdings Limited (756)	July 31, 2019	2.3	16.9	18.4
Victory City International Holdings Limited (539)	August 1, 2019	5.0	30.6	29.6
WuXi AppTec Co., Ltd. (2359)	September 4, 2019	Nil	30.0	29.3
STEP Energy Services Limited (932)	September 16, 2019	10.0	2.9	Nil
Asia Television Holdings Limited (707)	September 24, 2019	6.0	85.2	72.4
Victory City International Holdings Limited (539)	October 14, 2019	5.0	64.6	65.0
Ban Loong Holdings Limited (30)	October 15, 2019	3.0	-0.8	Nil
Synergis Holdings Limited (2340)	October 24, 2019	7.0	2.0	4.2
Pacific Basin Shipping Limited (2343)	October 31, 2019	3.0	31.9	36.4
BC Technology Group Limited (863)	November 10, 2019	5.0	17.1	43.3
Greater China Financial Holdings Limited (431)	November 17, 2019	Nil	405.1	405.1
Semiconductor Manufacturing International Corporation (981)	November 19, 2019	Nil	1.2	4.7
iDreamSky Technology Holdings Limited (1119)	November 26, 2019	2.5	2.4	5.2
Mongolia Energy Corporation Limited (276)	November 28, 2019	3.0	11.1	15.4



Bosideng International Holdings Limited (3998)	December 5, 2019	1.0	27.5	29.6
Best Food Holding Company Limited (1488)	January 13, 2020	Nil	7.3	9.9
ANTA Sports Products Limited (2020)	January 13, 2020	Nil	40.0	42.7
Huajun International Group Limited (377)	January 22, 2020	Nil	192.3	204.5
Sino Biopharmaceutical Limited (1177)	January 23, 2020	5.0	57.5	64.1
Wai Chun Bio-Technology Limited (660)	January 23, 2020	4.0	7.4	9.5
Titan Petrochemicals Group Limited (1192)	February 18, 2020	5.0	63.3	70.9
Wai Chun Group Holdings Limited (1013)	February 25, 2020	5.0	2.4	3.5
China Gem Holdings Limited (1191)	February 26, 2020	8.0	6.7	6.7
Hao Tian Development Group Limited (474)	March 5, 2020	Nil	28.2	25.5
Asia Energy Logistic Group Limited (351)	March 8, 2020	Nil	(3.0)	(7.0)
China Water Affairs Group Limited (855)	April 1, 2020	Nil	38.2	40.8
<b>Maximum</b>		<b>10.0</b>	<b>85.2</b>	<b>72.4</b>
<b>Minimum</b>		<b>Nil</b>	<b>(7.4)</b>	<b>(9.5)</b>
<b>Average</b>		<b>3.4</b>	<b>22.9</b>	<b>24.8</b>
<b>The Corporation</b>	<b>April 1, 2020</b>	<b>8.0</b>	<b>26.4</b>	<b>Nil</b>

Source: the Stock Exchange's website

### *Conversion price*

With reference to our findings above, the Premium Ratio A of the Comparables ranges from a discount of approximately 7.4% to a premium of approximately 64.6% (the “**Premium Ratio A Market Range**”) and is with average premium of approximately 22.9% (excluding Greater China Financial Holdings Limited (stock code: 431) and Huajun International Group Limited (stock code: 377), which are considered as outliers) (the “**Premium Ratio A Market Average**”). The Premium Ratio B of the Comparables ranges from a discount of approximately 9.5% to a premium of approximately 67.4% (the “**Premium Ratio B Market Range**”) and is with average premium of approximately 24.8% (excluding Greater China Financial Holdings Limited (stock code: 431) and Huajun International Group Limited (stock code: 377), which are considered as outliers) (the “**Premium Ratio B Market Average**”).

In view of (i) the Last Trading Date Premium falls within the Premium Ratio A Market Range and is slightly above the Premium Ratio A Market Average; and (ii) the Last 5 Trading Days Premium falls within the Premium Ratio B Market Range, we consider that the Conversion Price is fair and reasonable.

### *Interest rate*

With reference to the basis of determination of the interest rate of the Convertible Bonds in the section headed “INTEREST RATE” of the Letter from the Board, we have assessed the fair and reasonableness of the interest rate of the Convertible Bonds based on our findings above. In view of the interest rates of the Comparables ranged from nil to 8% per annum and the interest rate of the Convertible Bonds falls within the said range, we consider that interest rate of the Convertible Bonds is fair and reasonable.

## **7. Possible dilution effect on the shareholding interests of the public Shareholders**

With reference to the shareholding table in the section headed “CHANGE IN SHAREHOLDING STRUCTURE” of the Letter from the Board, the shareholding interests of the existing public Shareholders would be diluted by approximately 33.67% (the “Dilution”) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price. The above Dilution is for illustration purpose only as the Convertible Bonds conversion is subject to restrictions stated under the section headed “PRINCIPAL TERMS OF THE CB – Conversion” of the Letter from the Board.

Taking into account (i) the said restriction of the Subscription, (ii) the Last Trading Date Premium; (iii) the additional funds to the Corporation as the result of the Subscription; and (iv) the terms of the Subscription being fair and reasonable, we are of the view that the Dilution is justifiable.

## **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (a) the terms of the Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (b) although the Subscription is not conducted under the ordinary and usual course of business of the Corporation, it 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 favor of the resolution to be proposed at the SGM to approve the Subscription and we recommend the Independent Shareholders to vote in favor of the resolution in this regard.

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

*Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Donvex Capital Limited who has over 19 years of experience in corporate finance industry.*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable inquiries, 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:

Issued and fully paid Shares:	CDN\$
129,554,630 Shares	\$36,957,919 <sup>(1)</sup>

*Note (1) Based on the Bank of Canada's nominal noon exchange rate as at the Latest Practicable Date of CDN\$ 1.00 = HK\$5.504.*

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 Conversion 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 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 options granted and to be granted under the Corporation's Post-IPO Share Option Scheme, 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 executives 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 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

(i) *Director's long position in the Corporation*

*Common Shares*

Name	Corporation	Nature of Interest	Number of Shares Held	Approximate % interest in the Shares
Mr. Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct/Indirect	36,308,540	28.03
Mr. Michael Hibberd	Sunshine Oilsands Ltd.	Direct/Indirect	2,165,981	1.67
Ms. Gloria Ho	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Yi He	Sunshine Oilsands Ltd.	Direct	139,682	
Ms. Xijuan Jiang	Sunshine Oilsands Ltd.	Direct/Indirect	104,814	0.08
Ms. Linna Liu	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Guangzhong Xing <sup>(1)</sup>	Sunshine Oilsands Ltd.	N/A	-	-
Mr. Alfa Li <sup>(2)</sup>	Sunshine Oilsands Ltd.	N/A	-	-

(ii) *Director's Share Options*

*Stock Options*

Name	Corporation	Nature of Interest	Number of Stock Options held	Approximate % interest in the options
Kwok Ping Sun	Sunshine Oilsands Ltd.	Direct	6,933,580	75.93%
Michael Hibberd	Sunshine Oilsands Ltd.	Direct	933,580	10.22%
Gloria Ho	Sunshine Oilsands Ltd.	Direct	400,000	4.38%
Yi He	Sunshine Oilsands Ltd.	Direct	150,000	1.64%
Linna Liu	Sunshine Oilsands Ltd.	Direct	-	-
Xijuan Jiang	Sunshine Oilsands Ltd.	Direct	20,000	0.22%
Guangzhong Xing <sup>(1)</sup>	Sunshine Oilsands Ltd.	Direct	100,000	1.10%
Alfa Li <sup>(2)</sup>	Sunshine Oilsands Ltd.	Direct	-	-

1 Mr. Guangzhong Xing was appointed as independent non-executive Director of the Company on June 25, 2019.

2 Mr. Alfa Li was appointed as independent non-executive Director of the Company on July 29, 2019.

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 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 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 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 the 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 <sup>(1)</sup>	Approximately % in the Common Shares <sup>(1)</sup>
Zhang Jun	Direct/Indirect	10,773,590	8.32%

(1) The position is long position.

Save as disclosed above, 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 Shares.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or chief executives of the Corporation had any interest, direct or indirect, in any asset which have been since December 31, 2019, being the date to which the latest published audited financial statements of the Corporation were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or chief executives of the Corporation was materially interested in any contract or arrangement entered into by any member of the Group since December 31, 2019, being the date to which the latest audited financial statements of the Corporation were made up, and which was significant in relation to the business of the Group.

**c) DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**d) MATERIALS CHANGES**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2019, being the date to which the latest published audited financial statements of the Group have been made up.

**e) COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Corporation).

**f) LITIGATION**

The Group has been named as a defendant in Court of Queen's Bench of Alberta Judicial District of Calgary, commenced by a shareholder of the Corporation (the "Claimant") by Statement of Claim (the "Action") filed January 2, 2014. The Claimant alleges that, pursuant to a share subscription agreement entered into in January 2011, it is entitled to require the Corporation to repurchase 4,132,232 shares (prior to the 20:1 share split that occurred prior to the Corporation's IPO) of the Corporation that the Claimant acquired pursuant to the Share Subscription Agreement. This constitutes a claim for CDN\$40 million plus interest at 15% per annum since the date of the share subscription agreement. The Corporation's Statement of Defence was filed on April 2, 2014. The Claimant's application for summary judgment was heard on February 2 and 3, 2016. The summary judgment application was dismissed on February 3, 2016. At December 31, 2019, no amounts have been accrued in the consolidated financial statements as the ultimate resolution is undeterminable at this time. The Group will record a provision if it believes that the outcome of the contingency becomes probable and can be reasonably estimated.

The Group received a demand notice from the Regional Municipality of Wood Buffalo (“RMWB”) in relation to the 2016-2019 municipal property taxes of CDN\$9.45 million. The Group was also charged with overdue penalties of CDN\$3.74 million. Since then the Group was in active negotiation with RMWB for a settlement plan with proposals to waive overdue penalties. As at the Latest Practicable Date, the Group believes that notices issued by RMWB relating to property taxes did not comply with relevant legislation and the Corporation has sought judicial review to determine the effect of non-compliant tax notices on RMWB’s property tax claim.

The Group is involved in various claims including claims described above and actions arising in the course of operations and is subject to various legal actions, pending claims and exposures. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. If unfavorable outcome were to occur against such claims or pending claims, there exists a possibility of a material adverse impact on the Group’s consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Group determines that the loss is probable and the amount can be reasonably estimated. The Group believes it has made adequate provision for such claims. While fully supportable in the Group’s view, some of these positions, if challenged, may not be fully sustained on review. From time to time, the Group receives liens or claims on accounts payable balances, and the Group continues to work toward resolution of any liens or claims. At December 31, 2019, the Group had incurred CDN\$4.46 million in liens against them during the ordinary course of business.

On or around February 27, 2019, Group was required to pay CDN \$0.7M into the Alberta Court of Queen’s Bench and which amount was subsequently released from Court on or about October 15, 2019 in satisfaction of the creditor’s judgment. The judgment is under appeal by the Group. On June 19, 2019, the Group received another notice from the Alberta Court of Queen’s Bench. As a result, CDN\$0.54 million of cash was to be put aside for creditor repayment subsequent to end of Q2. The court case was then dismissed.

**g) EXPERT**

- (a) The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualifications
Donvex Capital Limited	a Company licensed and permitted to carry out type 6 (advising on corporate finance) regulated activities under the SFO

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

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

- (d) As at the Latest Practicable Date, Donvex Capital has no interest, directly or indirectly, in any assets which had been or proposed to be, since December 31, 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Group.

- (e) The letter and recommendation given by Donvex Capital is given as of the date of this circular for incorporation herein.

**h) 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 1100, 700 - 6th Ave SW, Calgary, AB, T2P 0T8,

Canada;

- (c) The place of business in Hong Kong is 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong; and
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

**i) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Corporation at 20/F, Two Chinachem Central, No.26 Des Voeux Road Central, Central, Hong Kong during normal business hours from the date of this circular up to May 25, 2020 (Hong Kong time) (including the date):

- (a) the Subscription Agreement;
- (b) the written consent letter from Donvex Capital consenting 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;
- (c) the letter of recommendation from Independent Board Committee;
- (d) the letter of advice from Donvex Capital; and
- (e) this circular.