IDG Energy Investment Group Limited

(formerly known as "Shun Cheong Holdings Limited")
(Incorporated in Bermuda with limited liability)
Stock Code: 650

ANNUAL REPORT 2017

IDG Energy

CONTENTS

This annual report is printed on environmentally friendly paper.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

WANG Jingbo *(Chairman and Chief Executive Officer)*
LEE Khay Kok *(Chief Engineer)*

Non-executive Directors

LIN Dongliang
SHONG Hugo

Independent Non-executive Directors

CHEN Zhiwu
SHI Cen
CHAU Shing Yim David

AUDIT COMMITTEE

CHAU Shing Yim David *(Chairman)*
SHI Cen
LIN Dongliang

REMUNERATION COMMITTEE

CHAU Shing Yim David *(Chairman)*
CHEN Zhiwu
SHONG Hugo

NOMINATION COMMITTEE

CHEN Zhiwu *(Chairman)*
SHI Cen
WANG Jingbo

JOINT COMPANY SECRETARIES

TAN Jue *(Chief Financial Officer)*
KU Sau Shan Lawrence James

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Merchants Bank Tianjin Pilot Free Trade Zone Branch
Industrial and Commercial Bank of China,
East Ujimqin Banner Branch
Bank of China, Xilinhot Business Office
China Construction Bank, Xilinhot Financial Street Branch

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISOR

Reorient Financial Markets Limited
Suites 3201–3204
One Exchange Square
8 Connaught Place
Central, Hong Kong

LEGAL ADVISORS

MinterEllison
Baker & McKenzie

AUDITORS

KPMG

STOCK CODE

SEHK: 650

WEBSITE

http://www.irasia.com/listco/hk/idgenergy/index.htm

OPERATING SUMMARY

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Gross production volume (barrels)	**291,809**	400,184
Gross sales volume (barrels)	**292,287**	396,981
Net sales volume (barrels)	**233,830**	317,585
Average unit selling price (HK$ per barrel) *(Note 1)*	**328**	349
Average daily gross production volume (barrels)	**811**	1,112
Average unit production cost before depreciation and amortisation (HK$ per barrel) *(Note 1)*	**139**	141
Average unit production cost (HK$ per barrel) *(Note 1)*	**272**	271
Wells drilled during the year		
Dry holes (unit)	**1**	–
Oil producers (unit) *(Note 2)*	**6**	–
Fracturing workover during the year (unit)	**13**	20

Note 1: The Group's gross production volume was used in the calculation of average unit production cost and average unit production cost before depreciation and amortisation which includes the share of 20% production volume of crude oil to 陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau)*) ("Yanchang"). The average unit selling price was calculated using the Group's net sales amount and net sales volume which excludes Yanchang's 20% share in sales.

Note 2: During the year ended 31 March 2017, the Group had successfully drilled 6 wells, of which, as at 31 March 2017, 3 wells had been completed and the remaining 3 were pending for completion.

	As at 31 March 2017		As at 31 December 2015	
	Gross (MMstb)	**Net (MMstb)**	Gross (MMstb)	Net (MMstb)
Proved Reserves (1P)	**10.2**	**8.2**	10.1	8.1
Proved + Probable Reserves (2P)	**15.3**	**12.2**	14.2	11.4
Proved + Probable + Possible Reserves (3P)	**22.0**	**17.6**	18.9	15.2
Contingent resources (1C)	**0.49**	**0.39**	0.49	0.39
Contingent resources (2C)	**0.71**	**0.57**	0.71	0.57
Contingent resources (3C)	**1.67**	**1.34**	1.67	1.34
Prospective resources	**9.7**	**7.76**	9.7	7.76

Note: The above information relates to Block 212. As at 31 March 2017, the Group had completed the drilling of one exploration well in Block 378, but no commercial oil or gas was found. No resources have been estimated for Block 378.

The net reserves figures represent the Group's 80% revenue interest under the exploration and production cooperation contract entered into between Xilin Gol League Hongbo Mining Development Company Limited* 錫林郭勒盟宏博礦業開發有限公司 ("Hongbo Mining") and Yanchang in respect of Block 212 and Block 378 since 2010 as renewed from time to time thereafter.

FINANCIAL SUMMARY

	As at 31 March				
	2017	2016 (restated)	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**588,396**	654,561	416,234	571,044	586,144
Current assets	**2,251,002**	125,419	38,018	72,537	56,932
Total assets	**2,839,398**	779,980	454,252	643,581	643,076
Current liabilities	**374,268**	428,571	185,128	466,308	121,688
Non-current liabilities	**387,766**	37,858	374,151	168,920	314,577
Total liabilities	**762,034**	466,429	559,279	635,228	436,265
Net assets/(liabilities)	**2,077,364**	313,551	(105,027)	8,353	206,811

	Year ended 31 March				
	2017	2016 (restated)	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**76,779**	110,812	143,695	121,384	157,908
Gross (loss)/profit	**(3,105)**	4,534	(378,624)	(319,157)	(183,157)
Loss for the year before deducting notional listing expense	**(168,036)**	(38,943)	(234,934)	(197,773)	(25,249)
Notional listing expense *(Note 1)*	**(294,390)**	–	–	–	–
Loss for the year	**(462,426)**	(38,943)	(234,934)	(197,773)	(25,249)
EBITDA	**(392,795)**	26,197	(172,506)	(136,164)	39,880
Adjusted EBITDA *(Note 2)*	**(19,330)**	26,197	(172,506)	(136,164)	39,880
Basic and diluted loss per share (HK$ per share)	**(0.33)**	(0.04)	(67.38)	(56.80)	(7.10)

Note 1: The notional listing expense is a notional expense without any impact on the Group's net assets and cash flow. Please refer to Note 28(a) in "Notes to the Financial Information" for further details.

Note 2: Adjusted EBITDA refers to EBITDA adjusted to exclude non-recurring items, including the notional listing expense and related transaction costs in relation to the Transfer and the Transactions (collectively the "Reverse Takeover Transaction") (as defined in the circular of the Company dated 29 June 2016 (the "RTO Circular") and the costs in relation to the proposed acquisition of the Target Assets (as defined in the circulars of the Company dated 9 March 2017).

Note 3: The comparative figures for the financial year ended 31 March 2013, 2014 and 2015 reflect the performance of the hotel and restaurant business of the Group in the People's Republic of China (the "PRC"), which was entirely disposed of on 29 July 2016. The comparative figures for the financial year ended 31 March 2016 have been restated to conform to the current year's presentation.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors of IDG Energy Investment Group Limited (the "Company", together with our subsidiaries, the "Group"), I have the pleasure to present to you the annual results for the year ended 31 March 2017.

During the year, the Company had completed the Reverse Takeover Transaction, which marked our successful transition from hotel business to oil and gas upstream business. Subsequently, the Company was renamed as IDG Energy Investment Group Limited. The transaction was rewarded as one of the "Deals of the Year 2016" in the Capital Market category of Asia Business Law Journal, which is a great honor and recognition to the Company.

2016 was a remarkable year in oil industry. At the beginning of the year, oil price hovered around US$30 per barrel, which almost stopped the industry spending. Companies with relatively expensive source of production were forced to stop drilling, while companies with relatively high financing cost focused on maintaining liquidity. However, this dynamic soon proved unsustainable for both North America shale producers and members of Organisation of the Petroleum Exporting Countries (the "OPEC") who agreed to production cut in late 2016. Since then, oil price has returned to the US$50 range.

In response to the decline in oil price in the past year, the Group has adjusted its drilling activity and actively adopted well control measures to stabilize oil production and build up reserves. During the year, the Group has successfully drilled 6 wells and fractured 13 producing wells, leaving more wells to be drilled and fractured in the following year in a more stable price environment. This "build-up" approach has achieved positive outcome. I'm pleased to report that one of the new wells made a major breakthrough to achieve a record-high daily production, and the Group's gross and net reserves have also increased considerably.

During the year, the Group continued to make strong operational progress, reduce the operating cost and improve efficiency. The optimization in the quality of well maintenance and the reduction in the frequency of maintenance have reduced the general and administrative cost as well. As a result, the unit production cost was maintained at the same level as last year despite the production volume had decreased by 27% mainly due to natural decline.

Overseas acquisition remained as the Group's core growth strategy. On 21 November 2016, the Company entered into the Assets Purchase Agreement ("APA") with Stonegate Production Company, LLC to acquire certain oil assets. The target asset is located in Eagle Ford region, a world-class shale basin in the US, which has good economies and great potential. Best wells within the asset could have breakeven price as low as US$30 per barrel. The Board believes that these assets, following completion, will further benefit our business and improve our performance.

Looking forward, the Board continues to be excited about the oil and gas industry, and believes this industry cycle has provided a fertile environment for the Group to deploy capital globally and capture opportunities to create value for its shareholders. The industry has been operating in a low oil price environment since late 2014. Considering successive years of under-investment in the market, we are confident that the outlook of the oil market remains favorable.

CHAIRMAN'S STATEMENT

Although the oil market is shifting closer to equilibrium following two years of sharp declines in upstream investment and an agreement by members of the OPEC to reduce production, the recent recovery has not equally benefited all energy companies. Low prices have driven the market to focus on lowering the production costs and capital has flown disproportionally to areas with better economies. This momentum will also shape our strategy to focus more on top quality basins in North America. We believe our capital discipline, focusing on low-cost resources, together with our ability to improve operational efficiency will allow us to deliver strong results to our shareholders despite facing industry challenges. Our key strategies for acquiring upstream assets include:

- Focusing on low cost basins
- Finding experienced management team and developing a focused portfolio
- Improving operational efficiency
- Conservatively managing balance sheet
- Securing cash flow from producing assets

During the past year, as one of its existing strategies, the Group has aimed to widen its global footprint through selective acquisition of overseas upstream assets. In view of developing a more diversified and balanced oil and gas business portfolio and neutralizing the commodity price uncertainty, on the basis of the existing strategy of acquisition premise, the Group has made reasonable planning to expand its business development model and consider engaging in investment and management of oil and gas assets. The Board believes this business expansion model will continue to demonstrate the Group's commitment in oil and gas industry, accelerate the growth of its oil and gas asset base, and ultimately enhance shareholder value.

The Board is of the view that the investment and management of oil and gas assets is a favorable option for the Group to achieve sustainable long-term growth and prosperity in the cyclic oil and gas industry. The Board expects that the Group can continue to capture investment opportunities globally by best leveraging its industry and business development expertise, establishing an investment platform, and adopting contrarian investment strategy. To satisfy the capital needs for assets investment and management, subject to the market condition, the Group will look for the most suitable fund raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Boards believes that the Group is well positioned to develop quickly when attractive assets become available, and outperform crude oil benchmarks. The Group endeavors to present a unique investment opportunity for its shareholders of the Company to gain exposure to a diversified, top quality global oil and gas asset portfolio.

During the year, the Company announced changes to its Board members on 5 August 2016 and 26 August 2016. On behalf of the Board, I would like to thank all previous Board members again for their contributions and welcome our new Board members who will share their knowledge and experience to further improve our strength to create value for our shareholders.

In 2017, notwithstanding we are still in the downturn of energy cycle, the Board remains greatly confident and believes that the Group has a capable team to continue to take advantage of attractive opportunities, execute their strategies and deliver value for our shareholders. The Group is well positioned to profit from market rebalancing.

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong

BUSINESS REVIEW

Change of the Group's principal activities and effects on financial reporting of the Group for the Reverse Takeover Transaction

Following the completion of the Reverse Takeover Transaction on 29 July 2016 (the "Completion Date"), the Group has ceased its hotel and restaurant operations and has become principally engaged in the exploration, development, production and sale of crude oil in the PRC.

The Reverse Takeover Transaction has been structured such that the Company acquired the entire equity interest of Hongbo Mining, with Titan Gas Technology Investment Limited ("Titan Gas") becoming the majority shareholder of the combined group as a result. In addition, as the Company divested its entire original business as part of the Reverse Takeover Transaction, the overall transaction does not constitute a business combination in accordance with HKFRS 3 *Business Combinations*. Instead, Hongbo Mining was deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company in accordance with HKFRS 2 *Share-based Payment*.

Accordingly, these consolidated financial statements of the Company have been presented as a continuation of the financial statements of Hongbo Mining, such that:

(i) the assets and liabilities of Hongbo Mining were recognised and measured at their carrying amounts;

(ii) the identifiable assets and liabilities of the Company were recognised and measured initially at their fair value on the Completion Date; and

(iii) the comparative information presented in these consolidated financial statements was restated to be that of Hongbo Mining adjusted to reflect the Company's capital structure.

In addition, the difference in the fair value of the shares deemed to have been issued by Hongbo Mining and the fair value of the Company's identifiable net liabilities has been accounted for as payment for a service of a stock exchange listing for Hongbo Mining's business, and recognised in profit or loss for the year.

BUSINESS REVIEW (continued)

Review of upstream oil and gas industry and the Group's business operations

For the year ended 31 March 2017, the upstream oil and gas industry experienced a substantial business cyclical downturn (the monthly average Brent Crude spot price was US$50.2 (equivalent to HK$390.1) per barrel for the year ended 31 March 2017). In view of the depressed oil prices and economic fluctuation, and as a result of natural decline, the Group's oil production volume decreased by 27.1% to 291,809 barrels (2016: 400,184 barrels); gross and net oil sales volume decreased by 26.4% to 292,287 barrels and 233,830 barrels (2016: 396,981 barrels and 317,585 barrels), respectively, and gross and net revenue decreased by 30.7% to HK$96.0 million and HK$76.8 million (2016 (restated): HK$138.5 million and HK$110.8 million), respectively.

In response to the low selling prices, the Group has actively adopted well control measures to stabilise the oil production and build up reserves for the year ended 31 March 2017. Furthermore, a portion of the existing wells of the Group have entered the downward phase of the natural production cycle, and thus the decline in production is considered a normal phenomenon. It is also important to note that the Brent Crude oil price rebounded from the lowest price of US$26 per barrel (equivalent to HK$202.1 per barrel) on 20 January 2016 to US$53.5 per barrel (equivalent to HK$415.8 per barrel) on 31 March 2017. In view of the optimistic oil price trend and after completion of the Subscription (as defined below), the Group had drilled 6 wells and fractured 13 producing wells in Block 212 during the year ended 31 March 2017. As at 31 March 2017, among the 6 wells drilled, 3 of which had been completed, while the remaining 3 were pending for completion. Although the current daily production remains affected by the low oil prices and natural production declines correspondingly, a production boost is expected after these development plans (including new drilling work and fracturing) have come into operation for a few months.

Use of proceeds from the Subscription and the Convertible Note Subscription

On 29 July 2016, the Company completed, among others, the following transactions:

1. a subscription of certain ordinary shares and preferred shares issued by the Company to Titan Gas and other subscribers (the "Subscription"); and

2. a subscription of certain convertible note issued by the Company to League Way Ltd. (the "CN Subscription").

On 8 March 2017, the Company announced that, in view of the acquisition of the Target Assets, it proposed to allocate part of the proceeds available from the Subscription and the CN Subscription to finance the said acquisition. For details and reasons for the change in use of proceeds, please refer to the announcement of the Company dated 8 March 2017.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

The following table summarises the proposed use of proceeds (before and after the reallocation as announced on 8 March 2017) and the actual use of such proceeds as at 31 March 2017:

Transaction	Gross proceeds HK$ million	Amount received as at 31 March 2017 HK$ million	Amount receivable as at 31 March 2017 HK$ million	Use of proceeds (before reallocation as announced on 8 March 2017)	Use of proceeds (after reallocation as announced on 8 March 2017)	Actual use of proceeds as at 31 March 2017
Subscription	2,690	1,836	854	– approximately HK$60 million for the payment of the transaction expenses; – approximately HK$665 million for the payment of the consideration for the acquisition of the entire equity interest of Hongbo Mining (the "Acquisition"); – approximately HK$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings; – approximately HK$800 million to finance the development plan of the currently explored areas in Block 212 in Inner Mongolia ("Block 212"); – approximately HK$450 million for exploration and development of other areas in Block 212; – approximately HK$115 million to finance the operating expenses of Hongbo Mining as well as the restructured Group; and – approximately HK$200 million for expanding the business of the Group by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.	– approximately HK$66 million for the payment of the transaction expenses; – approximately HK$652 million for the payment of the consideration for the Acquisition; – approximately HK$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings; – approximately HK$800 million to finance the development plan of the currently explored areas in Block 212; – approximately HK$111 million to finance the operating expenses of Hongbo Mining as well as the restructured Group; and – approximately HK$661 million for expanding the business of the Group by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.	– approximately HK$66 million was used to settle the payment of the transaction expenses; – approximately HK$652 million was used to settle the payment of the consideration for the Acquisition; – approximately HK$25 million was used for repayment of Hongbo Mining's outstanding payables and borrowings; *(Note 1)* – approximately HK$22 million was used for the development work in Block 212 *(Note 1)*; and – approximately HK$181 million was used in respect of the acquisition of the Target Assets *(Note 2)*.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription and the Convertible Note Subscription (continued)

Transaction	Gross proceeds HK$ million	Amount received as at 31 March 2017 HK$ million	Amount receivable as at 31 March 2017 HK$ million	Use of proceeds (before reallocation as announced on 8 March 2017)	Use of proceeds (after reallocation as announced on 8 March 2017)	Actual use of proceeds as at 31 March 2017
CN Subscription	250 (being the principal amount of the convertible note)	250	Nil	– approximately HK$200 million to expand the restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects; and – approximately HK$50 million to finance the operations of Hongbo Mining and to be used as general working capital of the restructured Group.	– approximately HK$200 million to expand the restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects; and – approximately HK$50 million to finance the operations of Hongbo Mining and to be used as general working capital of the restructured Group.	– approximately HK$27 million was used for the general working capital of the restructured Group.

Note 1: Hongbo Mining had received HK$70 million from the Company, HK$23 million was not utilised as at 31 March 2017. Hongbo Mining carried out development work in Block 212 and incurred a total cost of HK$22 million, and repaid the outstanding payables and borrowings amounting to HK$25 million for the year ended 31 March 2017.

Note 2: On 21 November 2016, the Group entered into the APA with a purchase price of approximately US$278 million (approximately HK$2,156 million). In order to finance the acquisition with ample working capital while maintaining normal cash flow of the Group for ongoing operation, approximately 60% of the initial purchase price pursuant to the APA is intended to be financed by a loan to be obtained from commercial bank(s). The remaining approximately 40% of the initial purchase price, i.e. US$111 million (approximately HK$861 million) was intended to be financed by the Company's previous share subscription and convertible note subscription completed in July 2016. As at 31 March 2017, the Group had delivered to the Escrow Agent (as defined in the circular of the Company dated 9 March 2017) a performance deposit of US$18.07 million (approximately HK$140.25 million) and a total of general and administrative expenses of US$5.3 million (approximately HK$41.1 million). The total amount of HK$181 million is sourced from the portion of proceeds for acquisition. For further details of the APA, please refer to the circular of the Company dated 9 March 2017.

For further details of the Subscription and the CN Subscription, please refer to the RTO Circular and the Company's announcement dated 29 July 2016 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

BUSINESS REVIEW (continued)

Acquisition of oil and gas producing assets in the United States of America (the "US")

On 21 November 2016 (local time in Houston, Texas, the US), the Company entered into an APA with Stonegate Production Company, LLC, Stonegate Dimmit Properties, LLC and/or Dimmit/La Salle Saltwater Disposal Company, LLC (the "Stonegate Sellers"). Pursuant to the APA, the Company has conditionally agreed to acquire and the Stonegate Sellers have conditionally agreed to sell the oil and gas related assets of the Stonegate Sellers in the Eagle Ford region of South Texas, the US (the "Target Assets") at a purchase price of US$278 million (equivalent to HK$2,156 million) (subject to adjustments in accordance with the APA) (the "Stonegate Acquisition").

Subsequently, on 6 March 2017, the Company entered into an assignment agreement with Rockgate Production Company LLC (a wholly-owned subsidiary of the Company in the US) ("Rockgate") for US$10 and other good and valuable consideration, pursuant to which the Company has agreed to assign all of its right, title and interest under the APA to Rockgate and Rockgate has agreed to assume all the obligations and liabilities of the Company under the APA accruing from and after 7:00 a.m., central time, on 1 July 2016.

The Company obtained shareholders' approval in respect of the entering into of the APA and the transactions contemplated thereunder on 31 March 2017.

Under the APA, all conditions shall have been satisfied or, if applicable, waived pursuant to the terms of the APA and the closing shall have been consummated by the end date (the "End Date") (i.e. 4 May 2017), provided however, among others, that if all conditions other than the obtaining of the approval (the "CFIUS Approval") from the Committee In Foreign Investment in the US (the "CFIUS") have been satisfied by the End Date, the Stonegate Sellers or the Company shall have the option to extend the End Date by 30 additional days, which can be further extended by mutual written agreement of all parties to the APA. Closing shall take place, as soon as possible, but in no event later than 5 business days (the "Closing Counting Days") after the fulfilment, or if applicable, waiver of the conditions (other than those conditions cannot be satisfied until the time of the closing, but subject to the satisfaction or waiver), or at such time as the Stonegate Sellers and the Company may agree in writing.

On 28 April 2017, the Company announced that, in order to accommodate the additional time needed for CFIUS to evaluate and approve the Stonegate Acquisition, Rockgate and the Stonegate Sellers entered into the first amendment to the APA, agreeing that the End Date set forth in the APA (i.e. 4 May 2017) would be changed to 18 July 2017, and the extension of the End Date would be changed from 30 additional days to 11 additional business days. In addition, Rockgate and the Stonegate Sellers have agreed that the Closing Counting Days would be changed from 5 business days to 10 business days and the transaction support agreement entered into by, among others, the Company, certain creditors holding liens on the Target Assets, and certain holders of Series A Units, or of Series A Units and Series B Units, as applicable, in Stonegate (together holding and controlling at least 98% of the issued and outstanding Series A Units in Stonegate) (the "Unitholders"), would also be extended to conform to the extension of the End Date of the APA. Subject to the results of further communication with CFIUS, the Company and the Stonegate Sellers may agree to further amend the APA.

For details of the Stonegate Acquisition, please refer to the announcements of the Company dated 22 November 2016, 31 March 2017 and 28 April 2017, and the circular of the Company dated 9 March 2017 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

REVIEW OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

Under the exploration and production cooperation contract ("EPCC") entered into between Hongbo Mining and Yanchang, Yanchang (as the mineral right owner) and Hongbo Mining (as the operator) cooperate to explore for oil in Block 212 and Block 378 which together cover a region of 591 km^2 in East Ujimqin Banner and West Ujimqin Banner, Xilin Gol League, Inner Mongolia of the PRC (the "Area"); the crude oil produced from the Area, which belongs to Yanchang, is sold by Hongbo Mining (as entrusted by Yanchang) to the customers designated by Yanchang; and Hongbo Mining and Yanchang are entitled to share 80% and 20% of the sale proceeds (net of any sales related taxes). Yanchang holds the mineral right in respect of the Area pursuant to two exploration permits granted to it by Ministry of Land and Resources of the PRC ("MOLR") in 2008 (in respect of Block 378) and 2009 (in respect of Block 212). The current exploration permit of Yanchang in respect of Block 212 will expire on 5 March 2019, and the current exploration permit of Yanchang in respect of Block 378 will expire on 9 November 2017. Both exploration permits are renewable after expiry for terms of two years each time.

The Group has carried out in-depth geophysical and geological studies in Block 212 based on 138 existing wells and 3D seismic data. Within Block 212, pilot production of oil has focused on five fault compartments, which are collectively referred to as Unit 2 and Unit 19. The Group's estimated reserves relate to Unit 2 and Unit 19 only. Yanchang has made an application to MOLR for a production permit covering Unit 2 and Unit 19. As at the date of this annual report, while MOLR is still reviewing Yanchang's application, the expert review of overall development plan has already been approved by MOLR. In Block 212, crude oil has also been produced from exploration/development wells located in other fault compartments, including three new wells, Y9, Y9-1 and Y38 and the other area of the Block 212, but further appraisal drilling will be required before reserves estimates can be made.

The below are the summary and review of the reserves and resources of the Group as at 31 March 2017 and 31 December 2015, as conducted by the independent technical consultants, Gaffney, Cline & Associates ("GCA"):

	As at 31 March 2017		As at 31 December 2015	
	Gross (MMstb)	**Net (MMstb)**	Gross (MMstb)	Net (MMstb)
Proved Reserves (1P)	**10.2**	**8.2**	10.1	8.1
Proved + Probable Reserves (2P)	**15.3**	**12.2**	14.2	11.4
Proved + Probable + Possible Reserves (3P)	**22.0**	**17.6**	18.9	15.2
Contingent resources (1C)	**0.49**	**0.39**	0.49	0.39
Contingent resources (2C)	**0.71**	**0.57**	0.71	0.57
Contingent resources (3C)	**1.67**	**1.34**	1.67	1.34
Prospective resources	**9.7**	**7.76**	9.7	7.76

Note 1: The above information relates to Block 212. As at 31 March 2017, the Group had completed the drilling of one exploration well in Block 378, but no commercial oil or gas was found. No resources have been estimated for Block 378.

Note 2: Our reserve estimates and the future net revenue have been prepared by GCA in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. GCA used standard engineering and geosciences methods or a combination of methods, including performance analysis, volumetric analysis, and analogy, that it considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2007 PRMS (the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007) definitions and guidelines. These reserve amounts are estimates only and should not be construed as exact quantities.

The net reserves figures represent the Group's 80% revenue interest under the EPCC entered into between Hongbo Mining and Yanchang in respect of Block 212 and Block 378 from time to time thereafter.

REVIEW OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES (continued)

Based on the reserves estimates as at 31 March 2017 as reviewed by the independent technical consultants, the net reserves (1P) of the Group was 8.2MMstb, representing an increase of 1.2% from the net reserves (1P) as at 31 December 2015; the net reserves (2P) was 12.2MMstb, representing an increase of 7.0% from the net reserves (2P) as at 31 December 2015; the net present value, after tax and discounted at 10% ("NPV10"), of the Group's net 2P oil and gas reserves was approximately US$184 million as at 31 March 2017, which represented a 60% increase from the NPV10 of US$115 million reported as at 31 December 2015. Effective excavation of the potential reserves in old areas and discovery of reserves in new area in the year ended 31 March 2017 resulted in higher reserves replacement rate, and more effective promotion of the scale development and commercialised production of Block 212.

After the completion of Reverse Takeover Transaction, the operation management and organisation of Hongbo Mining have improved considerably. The efficiency of the production wells has also significantly improved, boosting the recoverable reserves within the Block 212 substantially. It is mainly due to the Group's implementation of hydraulic fracturing stimulations on the existing wells, which has effectively excavated the potential reserves and increased the reserves of 1P accordingly.

For the year ended 31 March 2017, the Group achieved a major breakthrough in the new appraisal well Y9-1, which reached a daily high production of 156 barrels per day on the well test stage and was one of the highest daily production wells in Block 212 in recent 3 years. This remarkable progress provides a solid foundation for further development in Block 212. The Y9-1 well is located at the boundary of Unit 19 and its high production volume reflects a large scale of underground reserves, pending further exploration and geographical information for further analysis.

The planned well drilling areas and planned well drilling positions of the original development plan of the Group, which possess high development potential, will not experience material change and will largely follow the Group's original development plan. As the Group has achieved a major breakthrough in the new appraisal well Y9-1, this provides the Group with a new regional unit that has relatively high production potential and may allow the Group to deploy up to several hundred development wells in the future. The new appraisal well Y9-1 further enhances the Group's original development plans in terms of reserves and production volume. The Group's drilling plans for the year ended 31 March 2017 consisted of the original development plan and also development of step-out wells from new regional unit surrounding the appraisal well Y9-1. The current daily high output demonstrates the relatively high potential of the new unit.

The following table provides a recap of the Group's key operational metrics and product prices for the periods indicated.

	Year ended 31 March	
	2017	2016
Average daily gross production volume (barrels)	**811**	1,112
Average daily gross sales volume (barrels)	**812**	1,103
Average unit production cost before depreciation and amortisation (HK$ per barrel)	**139**	141
Average unit production cost (HK$ per barrel)	**272**	271
Average unit selling price (HK$ per barrel)	**328**	349

REVIEW OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES (continued)

The summary of exploration and development expenditures incurred is as follows:

	Summary of expenditures incurred for the year ended 31 March			
	2017		2016	
	Number	**Cost (HK$'000)**	Number	Cost (HK$'000)
Wells drilled during the year				
Dry holes	**1**	**4.135**	–	–
Oil producers *(Note)*	**6**	**11,902**	–	–
Total	**7**	**16,037**	–	–
Fracturing workover	**13**	**8,988**	20	15,550
Geological and geophysical costs	**1**	**14,806**	–	–

Note: During the year ended 31 March 2017, the Group had successfully drilled 6 wells. As at 31 March 2017, 3 of them had been completed and the remaining 3 were pending for completion.

OUTLOOK

2016 marked one of the most monumental years in oil history. At the beginning of 2016, the price of oil stayed around US$30 per barrel, which led to reduction in industry spending. Companies with relatively high cost of production were forced to stop drilling, while companies with relatively high financing cost focused on maintaining liquidity. However, this dynamic soon proved unsustainable for both North America shale producers and members of OPEC, which agreed production cut in late 2016, thus bringing the market closer to balance and returning oil to the US$50 range.

As mentioned above, for the year ended 31 March 2017, the Group achieved a major breakthrough on the newly drilled Y9-1 well, which is one of the highest daily production wells in Block 212. Its high production volume reflects a large scale of underground reserves. The Group will first study the production statistics of the Y9-1 well and evaluate its impact on the whole development plan of new wells drilling . This has temporarily affected the drilling plan of the Group in 2016, but the Group will follow up, expedite and adhere to the general development plan in 2017. The Group will adopt a stable output strategy and is prepared to invest a large amount of capital expenditure for further drilling and fracturing plan, based on the international oil market trend.

During the past year, as one of its existing strategies, the Group has aimed to widen its global footprint and develop a more diversified and balanced oil and gas business portfolio through selective acquisition of overseas upstream oil assets. In view of the continuous macro-control measures and the ever-changing market condition in the oil and gas industry, on the basis of the Group's existing overall strategic development premise, the Group has made reasonable planning to expand its business development model and consider engaging in investment and management of oil and gas assets. Given the recent low crude oil commodity price environment, the Board believes this business expansion model will continue to demonstrate the Group's commitment in oil and gas industry, drive the growth of the Group's oil and gas asset base, and enhance shareholder value.

The Board is of the view that the investment and management of oil and gas assets is a favourable option for the Group to achieve sustainable long-term growth and prosperity in the cyclic oil and gas industry. The Board expects that the Group can continue to capture investment opportunities globally by best leveraging its industry and business development expertise, establishing an investment platform, and adopting contrarian investment strategy. To satisfy the capital needs for assets investment and management, subject to the market condition, the Group will look for the most suitable fund raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Board believes that the Group is well positioned to develop quickly when attractive assets become available, and outperform crude oil benchmarks. The Group endeavors to present a unique investment opportunity for its shareholders to gain exposure to a diversified, top quality global oil and gas asset portfolio.

FINANCIAL RESULTS REVIEW

Revenue

The Group's revenue decreased by HK$34.0 million, or 30.7%, from HK$110.8 million for the year ended 31 March 2016 to HK$76.8 million for the year ended 31 March 2017.

The Group's crude oil is priced mainly with reference to international market prices including Brent Crude oil, etc. The decrease in revenue was mainly due to the decrease in crude oil prices and the Group's net sales volume. The average unit selling price of the Group's crude oil decreased to HK$328 per barrel for the year ended 31 March 2017 from HK$349 per barrel for the year ended 31 March 2016, which was consistent with the trend of global oil prices. The Group's net sales volume decreased to 233,830 barrels for the year ended 31 March 2017 from 317,585 barrels for the year ended 31 March 2016, which was mainly due to the decline of production volume, as the Group had only commenced the development plan (including new drilling work and fracturing) since the end of August 2016. For further details of the decline of the production volume, please refer to "Business Review — Review of Upstream Oil and Gas Industry and the Group's Business Operations".

Cost of sales

The Group's cost of sales decreased by HK$26.4 million, or 24.8%, from HK$106.3 million for the year ended 31 March 2016 to HK$79.9 million for the year ended 31 March 2017.

This decrease was primarily attributable to the decrease in extraction costs and staff costs which were mainly due to the implementation of cost control measures for wells, and the decrease in depreciation of oil and gas properties, which was mainly attributable to the decrease in production volume of crude oil.

Gross (loss)/profit

The Group recorded gross profit of HK$4.5 million for the year ended 31 March 2016 and gross loss of HK$3.1 million for the year ended 31 March 2017, which was primarily due to the decrease in the Group's average unit selling price of crude oil.

The gross profit margin of the Group was temporarily adversely affected by the decrease in the Group's average unit selling price which was primarily due to the extreme adverse market conditions.

Administrative expenses

The Group's administrative expenses increased by HK$24.0 million, or 113.0%, from HK$21.3 million for the year ended 31 March 2016 to HK$45.3 million for the year ended 31 March 2017. The increase in administrative expenses was primarily due to the one-off professional services expenses of HK$12.8 million incurred during the year ended 31 March 2017 in relation to the acquisition of the Target Assets.

Taxes other than income tax

The Group's taxes other than income tax decreased by HK$2.3 million, or 30.1%, from HK$7.7 million for the year ended 31 March 2016 to HK$5.4 million for the year ended 31 March 2017, which was mainly due to the decrease in resources tax levied on the sale of crude oil primarily as a result of the drop of revenue.

FINANCIAL RESULTS REVIEW (continued)

Exploration expenses, including dry holes

The Group carried out exploration activities and drilled one exploratory well in Block 378 during the year ended 31 March 2017, which resulted in geological and geophysical cost of HK$14.8 million and dry hole expense of HK$4.1 million.

Listing expense and related transaction costs

The Group recognised listing expense of HK$294.4 million for the year ended 31 March 2017 upon the completion of the Reverse Takeover Transaction by applying the principles of reverse acquisition in HKFRS 3 and related transaction costs of HK$66.2 million primarily for professional services rendered in relation to the Reverse Takeover Transaction as well as the related general offer during the year ended 31 March 2017.

The Acquisition and the Divestment (as defined in the RTO Circular) were completed simultaneously and the Company was only a non-operating public corporation at the Completion Date. Since the Company is not a business under HKFRS 3, at the Completion Date, the difference between the fair value of the shares deemed to have been issued by Hongbo Mining and the fair value of the Company's identifiable net liabilities received should be treated in its entirety as a payment for listing and expensed when incurred.

Whilst such listing expense is a notional expense without any impact on the Group's net assets and cash flow, they had a material adverse impact on the Group's results for the year ended 31 March 2017. The management does not consider this one-off notional non-cash listing expense shall have any adverse impact on the actual operations of the Group.

Net finance costs

The Group's net finance costs increased by HK$8.3 million, or 94.3%, from HK$8.7 million for the year ended 31 March 2016 to HK$17.0 million for the year ended 31 March 2017, which was primarily due to the recognition of effective interest expenses on convertible bonds and convertible note of HK$11.3 million.

Loss before taxation

The Group's loss before taxation significantly increased by HK$416.0 million from HK$34.6 million for the year ended 31 March 2016 to HK$450.6 million for the year ended 31 March 2017, which was primarily due to the cumulative effects of factors given above.

Income tax

The Group's income tax increased from HK$4.3 million for the year ended 31 March 2016 to HK$11.8 million for the year ended 31 March 2017. The change was mainly in relation to the movements of the deferred tax assets and liabilities arising from the temporary differences of the provision for assets retirement obligation, depreciation of oil and gas properties, amortisation of intangible assets and accrued expenses.

Loss for the year

The Group's loss for the year significantly increased by HK$423.5 million from HK$38.9 million for the year ended 31 March 2016 to HK$462.4 million for the year ended 31 March 2017, which was primarily due to the cumulative effects of factors given above.

FINANCIAL RESULTS REVIEW (continued)

EBITDA and adjusted EBITDA

Management of the Company prepared a reconciliation of EBITDA and adjusted EBITDA to loss before taxation, our most directly comparable financial performance calculated and presented in accordance with HKFRS. EBITDA refers to earnings before interest expenses, income tax, depreciation and amortisation. Adjusted EBITDA refers to EBITDA adjusted to exclude non-recurring items, including the notional listing expense and related transaction costs in relation to the Reverse Takeover Transaction and the costs in relation to the acquisition of the Target Assets (as defined in the circular of the Company dated 9 March 2017).

Management of the Company believes that EBITDA and adjusted EBITDA are financial measures commonly used in the oil and gas industry as supplemental financial measures by the management of the Company and by investors, research analysts, bankers and others to assess the Group's operating performance, cash flow and return on capital as compared to those of other companies in the oil and gas industry, and the Group's ability to take on financing. However, EBITDA and adjusted EBITDA should not be considered in isolation or construed as alternatives to profit from operations or any other measure of performance or as an indicator of the Group's operating performance or profitability. EBITDA and adjusted EBITDA fail to account for income tax, interest expenses, depreciation and amortisation.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to loss before taxation for the periods indicated.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Loss before taxation	**(450,619)**	(34,636)
Add: Interest expenses	**16,190**	5,737
Add: Depreciation and amortisation	**41,634**	55,096
EBITDA	**(392,795)**	26,197
Add: Listing expense and related transaction costs	**360,620**	–
Add: Cost related to the acquisition of the Target Assets	**12,845**	–
Adjusted EBITDA	**(19,330)**	26,197

The Group's EBITDA changed from a profit of HK$26.2 million for the year ended 31 March 2016 to a loss of HK$392.8 million for the year ended 31 March 2017. The decrease was primarily attributable to (i) the recognition of significant listing expense and related transaction costs; (ii) the decrease in crude oil prices and net sales volume; and (iii) the professional service fee related to acquisition of the Target Assets.

The Group's adjusted EBITDA changed from a profit of HK$26.2 million for the year ended 31 March 2016 to a loss of HK$19.3 million for the year ended 31 March 2017, which was primarily attributable to the decrease in crude oil prices and net sales volume and the increase in exploration expenses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations primarily through a combination of bank and other borrowings and proceeds from the Subscription and the CN Subscription. For further details of use of proceeds from the Subscription and the CN Subscription, please refer to "Business Review — Use of Proceeds from the Subscription and the Convertible Note Subscription" in this annual report.

The Group's cash and cash equivalents are mostly denominated in Hong Kong dollars ("HK$") and RMB. As at 31 March 2017, the Group had unpledged cash and bank deposits of HK$1,134.5 million (2016 (restated): HK$15.3 million).

As at 31 March 2017, the Group had outstanding third party unsecured entrusted loans of HK$101.4 million (2016 (restated): Third party secured entrusted loan of HK$84.0 million and unsecured entrusted loan of HK$24.0 million), which were all denominated in RMB. These short term loans carried fixed interest rates ranged from 4.35% to 4.8% (2016 (restated): floating interest rate of 1.1 times of the prevailing market interest rate published by People's Bank of China for the third party secured entrusted loan and fixed interest rate of 4.8% per annum for the unsecured entrusted loan).

As at 31 March 2017, the Group had a convertible note with carrying amount of HK$222.6 million (2016 (restated): Nil). The principal amount of the convertible note is HK$250 million pursuant to the CN Subscription Agreement (as defined in the RTO Circular), with the maturity date of 29 July 2019) and that no interest shall be payable on the entire CN Principal Amount (as defined in the RTO Circular).

As at 31 March 2017, the Group had convertible bonds with carrying amount of HK$116.5 million (2016 (restated): Nil). The aggregate principal amount of the convertible bonds is HK$120 million, with the maturity date of 30 April 2018 and payable at an interest rate of 1% per annum.

Save as the information disclosed above or otherwise in this annual report, the Group had no outstanding mortgage, pledge, debentures or other loan capital issued or agreed to be issued, bank overdrafts, borrowings, liabilities under acceptance or other similar liabilities, hire purchase and finance lease commitments, or any guarantees or other material contingent liabilities as at 31 March 2017.

The Group has not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

As at 31 March 2017, the Group's gearing ratio (ratio of the sum of total bank and other borrowings, convertible bonds and convertible note to the total assets) was 15.5% (2016 (restated): 13.8%).

MAJOR RISK MANAGEMENT

Our market risk exposures primarily consist of oil price risk, currency risk, liquidity risk and interest rate risk.

Oil price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil.

Currency risk

The Group is exposed to currency risk primarily through overseas investment which gives rise to other receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$ dollars and RMB.

The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group regularly reviews and monitors the mix of fixed and variable rate bank borrowing in order to manage its interest rate risks.

ACQUISITIONS AND DISPOSALS (INCLUDING ANY SIGNIFICANT INVESTMENTS)

Reference is made to the RTO Circular and the Company's announcement dated 29 July 2016.

On 29 July 2016, the Company completed the acquisition of the entire equity interest of Hongbo Mining which is principally engaged in the exploration, development and production of crude oil in Inner Mongolia of the PRC for the cash consideration of RMB558,880,000.

On 29 July 2016, the Company completed the disposal of the entire equity interests of Aykens Holdings Limited and Hopland Enterprises Limited (together with their respective subsidiaries, the "Divestment Group") which were principally engaged in the hotel and restaurant business in the PRC (together with the Company's net account receivables owed by the Divestment Group) and the Company's investment in SouFun Holdings Limited for the consideration of HK$1.

Through the acquisition and the disposal, the Company has successfully transformed the Group's principal activities from its previous PRC hotel and restaurant business to upstream oil and gas business. The Company considers that this represents an important milestone given the great market opportunity in upstream oil and gas investments which opened up due to the recent cyclical trough of international oil and gas prices and the long term prospects of the oil and gas industry, the operating and market challenges being faced as well as the net liabilities recorded by the Divestment Group.

On 21 November 2016 (local time in Houston, Texas, the United States of America), the Company entered into the APA for the acquisition of certain oil and gas assets in the Eagle Ford region of South Texas, the US. Please refer to "Business Review — Acquisition of Oil and Gas Producing Assets in the United States of America" in this annual report for further details.

The Company will continue to look for opportunities to invest in other upstream oil and gas projects worldwide with a view to enhancing the Group's asset portfolio and overall investment return.

The Group did not hold any significant investments during the year ended 31 March 2017.

CHARGES ON GROUP ASSETS

As at 31 March 2017, the Group did not have any charges on its assets (2016 (restated): Nil).

CONTINGENT LIABILITIES

Hongbo Mining was involved in a legal dispute with 北京炅湘鈺技術開發有限公司 (Beijing Jiongxiangyu Technology Development Co. Ltd.*) (the "Claimant"), the details of which can be found in the sections headed "History and Business of the PRC Target — Litigation" and note 31 of Section B to "Appendix III — Accountants' Report of the PRC Target" in the RTO Circular. The Supreme People's Court of the PRC ("PRC Supreme Court") issued a judgment on 19 June 2017 in the re-trial initiated by the Claimant (the "Judgment"). Pursuant to the Judgment, the PRC Supreme Court dismissed the Claimant's case against Hongbo Mining on the ground that the latter was not a contracting party to the agreement which was the subject matter of the dispute. The PRC Supreme Court also stated that the Judgment was a final judgment.

Save as disclosed above, so far as known to the Directors, as at 31 March 2017, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which as threatened against the Group.

COMMITMENTS

Capital commitments

As at 31 March 2017, the Group had capital commitments of HK$28.6 million (2016 (restated): HK$6.1 million) contracted but not provided for the acquisition of property, plant and equipment.

Operating lease commitments

As at 31 March 2017, the Group had operating lease commitments as lessee of HK$2.2 million (2016 (restated): HK$0.7 million).

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016 (restated): Nil).

EMPLOYEES

As at 31 March 2017, the Group had 97 (2016 (restated): 70) employees in Hong Kong and the PRC. For the year ended 31 March 2017, the total staff costs (including the directors' emoluments) amounted to HK$18.7 million (2016 (restated): HK$16.4 million). Employees' remuneration package was reviewed periodically and determined with reference to the performance of the individual and the prevailing market practices. Employees' remuneration package includes basic salary, year-end bonus, medical and contributory provident fund.

AUDIT COMMITTEE

The Audit Committee currently comprises two independent non-executive Directors, namely, Mr. Chau Shing Yim David (Chairman) and Mr. Shi Cen and one non-executive Director, namely, Mr. Lin Dongliang. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Company and discussed the risk management and internal controls and financial reporting matters including a review of the consolidated financial statements for the year ended 31 March 2017.

SUBSEQUENT EVENT

In November 2016, the Company entered into the APA with the Stonegate Sellers. Pursuant to the APA, the Company has conditionally agreed to acquire and the Stonegate Sellers have conditionally agreed to sell the Target Assets at a purchase price of US$278 million (equivalent to HK$2,156 million) (subject to adjustments in accordance with the APA).

The Company obtained shareholders' approval in respect of the entering into of the APA and the transactions contemplated thereunder on 31 March 2017. Completion of the Stonegate Acquisition is conditional upon the satisfaction or, if applicable, waiver of certain conditions precedent set out in the APA, one of which is the obtaining of the approval from the CFIUS.

In order to accommodate the additional time needed for CFIUS to evaluate and approve the acquisition, on 28 April 2017, a subsidiary of the Company and the Stonegate Sellers have entered into the first amendment to the APA, agreeing that the End Date set forth in the APA (i.e. 4 May 2017) would be changed to 18 July 2017, and the extension of the End Date would be changed from 30 additional days to 11 additional business days. In addition, a subsidiary of the Company and the Stonegate Sellers have agreed to extend the transaction closing days from 5 business days to 10 business days and the transaction support agreement entered into by, among others, the Company, certain creditors holding liens on the Target Assets, and certain unitholders of Stonegate, would also be extended to conform to the extension of the End Date of the APA.

As at the date of this annual report, the acquisition under the APA has not been completed. The Company may make further announcement and/or circular for compliance with the Listing Rules as and when necessary.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. WANG Jingbo (王靜波) — Chairman and Chief Executive Officer

Mr. Wang, aged 39, was appointed as executive director and chief executive officer of the Company on 5 August 2016, and appointed as chairman on 26 August 2016. He is also a member of the nomination committee of the Company. Mr. Wang is primarily responsible for the Group's overall development and growth strategies, investor relations, board governance and supervision of key management issues.

Mr. Wang has over 12 years of experience in research, management and investment in upstream oil and gas industry and other energy sectors, including around 7 years of practical experience in upstream oil and gas companies. Mr. Wang is a founder of Titan Gas Technology Holdings Limited ("Titan Gas Holdings"), the immediate holding company of Titan Gas Technology Investment Limited, and has been its executive director, managing director and chief executive officer since 2012. Titan Gas Holdings is principally engaged in development and investments in oil and gas upstream assets globally. During his tenure with Titan Gas Holdings, Mr. Wang has led sourcing, technical assessment, commercial negotiation, and development of a number of investment and acquisition opportunities in oil and gas sector in Mainland China, Middle East and North America.

Since 2011, Mr. Wang has also worked at IDG Capital as a partner and has been in charge of the firm's late-stage and large-size investments, where he led several high-profile energy investments and take-over deals.

From 2008 to 2011, Mr. Wang worked at D. E. Shaw & Co, a wall-street investment institution in US, during which period he was involved in several major energy investment projects, including investment projects in (i) First Wind Energy, LLC, a wind power company in the US; (ii) Deepwater Wind, LLC, an offshore wind developer in the US; and (iii) Green Rock Energy Limited, an industrial coal gasification company.

From 2005 to 2008, Mr. Wang was a senior engineer at Exxon Mobil Corporation, a major integrated oil and gas company, where he gained experience and knowledge in, among other things, well drilling optimisation and seismic data processing and analysis as well as co-invented two patents which relate to these two areas.

Mr. Wang graduated with a bachelor's degree in Engineering from the Mechanical Engineering Department of Tsinghua University and obtained a master's degree in Science, and a Ph.D in Mechanical Engineering from Cornell University and master's degree in Business and Administration from New York University.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS (continued)

Mr. LEE Khay Kok — Chief Engineer

Mr. Lee, aged 51, was appointed as an executive director and the chief engineer of the Company on 5 August 2016 and 30 September 2016 respectively. He is primarily responsible for the Group's engineering management, technical design and review, field operation overseeing, and technology innovation.

Mr. Lee has over 20 years of experience involving upstream oil and gas exploration and development, in particular in the fields of production enhancement and fracturing stimulation. He has been the chief engineer of Titan Gas Holdings since 2013, where he was in charge of the firm's engineering and technology management.

From 1994 to 2013, Mr. Lee worked for Schlumberger Limited, a leading company providing a wide range of oilfield services globally from exploration through production. Mr. Lee held several key technical positions during his approximately 19-year tenure at Schlumberger Group, including Geomarket Technical Engineer — Principal (chief technical advisor in Schlumberger company), In Touch Manager — Stimulation (responsible for 24/7 technical support to Schlumberger worldwide stimulation community) and CHG Stimulation Domain Manager (regional chief technical engineer supporting North-east Asia area) providing technical support and advice to Schlumberger Technical personnel or to oil companies. At Schlumberger Group, Mr. Lee was involved in many key oilfield production enhancement projects. His involvement in these projects varied from the technical design of the job to field execution and in some cases where he was the engineer in-charge in operations.

Mr. Lee graduated with a bachelor's degree in Mineral and Petroleum Engineering from National Cheng Kung University in Taiwan and obtained a master's degree in Petroleum Engineering from the University of Oklahoma. Mr. Lee was also a recipient of the 1995 Rock Mechanics Award from the US National Committee for Rock Mechanics for his Master's Thesis.

NON-EXECUTIVE DIRECTORS

Mr. LIN Dongliang (林棟梁)

Mr. Lin, aged 54, was appointed as the non-executive director of the Company on 5 August 2016. He is also a member of the audit committee of the Company.

Mr. Lin joined International Data Group ("IDG") in 1994, served as the vice president of IDG Capital — IDG Technology Venture Investment, the China Risk Investment team of IDG, and has then served as a general partner of IDG Capital to date. He is also a partner of the IDG Capital Investment Consultancy (Beijing) Co., Ltd. and a director of Titan Gas Holdings. He is currently a non-executive director of NetDragon Websoft Holdings Limited (a company listed on the on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 777)).

Mr. Lin graduated with a master's degree in Engineering Management from Tsinghua University.

Mr. SHONG Hugo (熊曉鴿)

Mr. Shong, aged 61, was appointed as the non-executive director of the Company on 5 August 2016. He is also a member of the remuneration committee of the Company.

Mr. Shong joined IDG Capital in 1993 and was responsible for its business operations in the PRC. He has been focusing on the development of IDG Capital — IDG Technology Venture Investment in which he has been the general partner since 1994. Mr. Shong is also a director of IDG (China) Investment Co., Ltd. and a partner, a director of IDG Capital Investment Consultancy (Beijing) Co., Ltd and a director of Titan Gas Holdings. Mr. Shong is a non-executive director of Mei Ah Entertainment Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 391), and WPP plc, a company listed on the Main Market of the London Stock Exchange (stock code: WPP).

Mr. Shong graduated with a master's degree in Science from Boston University. He also completed the 151st session of the Advanced Management Program, the International Senior Managers Program of the Graduate School of Business Administration of Harvard University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHI Cen (石岑)

Mr. Shi, aged 41, was appointed as an independent non-executive director of the Company on 5 August 2016. He is also a member of the audit committee and nomination committee of the Company.

Mr. Shi is a managing director of Ascendent Capital Partners (Asia) Ltd., which is a private equity investment company focusing on the Greater China market. Prior to joining Ascendent Capital Partners (Asia) Ltd. in April 2011, Mr. Shi was a senior vice president of D. E. Shaw & Co., responsible for its Greater China private equity investment business. Prior to joining D.E. Shaw & Co., Mr. Shi served as a vice president at CCMP Capital Asia Pte Ltd. (formerly known as JP Morgan Partners Asia), where he focused on buyouts and other private equity investments in China and the Asia Pacific region. He began his career at Goldman Sachs Investment Banking division, where he focused on providing overseas equity offerings and cross-border mergers and acquisitions advice for Chinese companies. Mr. Shi is a director of 寧夏夏進乳業集團股份有限公司 (Ningxia XiaJin Dairy Group Co., Ltd.*), a company established in the PRC.

Mr. Shi graduated with a bachelor's degree in Economics, specialising in international finance, and obtained a master's degree in Economics from Tsinghua University.

Mr. CHAU Shing Yim David (周承炎)

Mr. Chau, aged 53, was appointed as an independent non-executive director of the Company on 5 August 2016. He is also the chairman of the audit committee and remuneration committee of the Company.

Mr. Chau has over 20 years' experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of enterprises in the PRC to cross border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as the head of mergers and acquisitions and corporate advisory. He is a director of the Hong Kong Securities and Investment Institute, and a member of the Institute of Chartered Accountants of England and Wales ("ICAEW"), and was granted the Corporate Finance Qualification of ICAEW. He is a member of the Hong Kong Institute of Certified Public Accountant ("HKICPA") and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference ("CPPCC") and Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital since 1 April 2017.

Mr. Chau is currently an independent non-executive director of six companies which are listed on the Main Board of the Stock Exchange, namely, Lee & Man Paper Manufacturing Limited (stock code: 2314), Man Wah Holdings Limited (stock code: 1999), China Evergrande Group (stock code: 3333), Richly Field China Development Limited (stock code: 313), Evergrande Health Industry Group Limited (stock code: 708) and Hengten Networks Group Limited (stock code: 136). Mr. Chau is also an independent non-executive director of Asia Grocery Distribution Limited (stock code: 8413) which is listed on the Growth Enterprise Market of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Prof. CHEN Zhiwu (陳志武)

Prof. Chen, aged 54, was appointed as an independent non-executive director of the Company on 31 July 2015. He is also the chairman of the nomination committee of the Company and a member of the remuneration committee of the Company.

Prof. Chen is the director of the Asia Global Institute ("AGI") and the Victor and William Fung Professor in Economics at the School of Economics and Finance in The University of Hong Kong. Prior to joining the AGI as director, he had been a professor of finance for 17 years at Yale University. Prof. Chen is also a Special-Term Visiting Professor at the School of Economics at Peking University. Prof. Chen started his career by publishing research in economics and finance journals on topics related to financial markets and theories of asset pricing. In the early 2000s, Prof. Chen began to expand his research beyond mature markets by investigating market development.

Prof. Chen is currently an independent non-executive director of PetroChina Company Limited (a company listed on the Stock Exchange (stock code: 857) and the Shanghai Stock Exchange (stock code: 601857)), Bank of Communications Co., Ltd. (a company listed on the Stock Exchange (stock code: 3328) and the Shanghai Stock Exchange (stock code: 601328)), and Noah Holdings Limited (a company listed on the New York Stock Exchange (stock code: NOAH)).

SENIOR MANAGEMENT

LIU Zhihai (劉知海) — President

Mr. Liu, aged 33, was appointed as the vice president of the Company on 30 September 2016 and subsequently re-designated as president of the Company on 2 January 2017. He is primarily responsible for the Group's overall management and business operation, corporate governance, human resource management, as well as public and government relations.

Mr. Liu has approximately 10 years of experience with energy companies and investments and broad knowledge of the oil and gas industry. He was a co-founder of Titan Gas Holdings and has worked for IDG Capital since 2011, where he headed the firm's oil and gas practice as a managing director and led and participated in several investments in the oil and energy sector. Prior to 2011, he worked as a business analyst at Accenture, covering strategy, mergers and acquisitions and operation optimization projects and consulting services for several major oil and gas companies and national oil companies.

Mr. Liu graduated with a bachelor's degree of Science and a master's degree of Science from the Mathematical School of Peking University.

TAN Jue (譚崛) — Chief Financial Officer

Mr. Tan, aged 34, was appointed as one of the joint company secretaries and the chief financial officer of the Company on 5 August 2016 and 30 September 2016 respectively. He is primarily responsible for the Group's financing, financial reporting, budget planning, internal control, compliance, investor relations, and financial management operations.

Mr. Tan has over 10 years of experience in financial management, cross-border mergers & acquisitions, and corporate governance. He joined IDG Capital in 2013 and has been responsible for, as an executive director, the execution of the fund's investment in companies in growth and mature stages and has also gained extensive experiences in the management of portfolio companies in areas of finance, operation, internal control and corporate governance. From 2006 to 2013, he worked for the deals group of PricewaterhouseCoopers ("PwC") Consultants Shenzhen Limited Beijing Branch for 7 years.

Mr. Tan graduated with a bachelor's degree of Economics from Renmin University of China. He is a fellow member of the Association of Chartered Certified Accountants.

SENIOR MANAGEMENT (continued)

REN Qi (任琪) — Vice President

Mr. Ren, aged 44, was appointed as the vice president of the Company on 1 March 2017. He is primarily responsible for the Group's oversea business development, including seeking, coordinating, negotiating and executing potential mergers and acquisitions or other new business opportunities, as well as acquisition transaction execution and management.

Mr. Ren has over 25 years of experience in the oil and gas industry particularly with extensive experience in oil and gas upstream overseas business development and mergers and acquisitions. Before joining the Company, he was a director of China National Offshore Oil Corporation ("CNOOC")'s international business development department, where he led the business development team to achieve an aggregate of over US$30 billion acquisitions of oil and gas assets in various countries across Asia, North America, Latin America, Middle East and Africa. Mr. Ren played a major role in CNOOC's US$15 billion acquisitions of Nexen Inc., where he was a member of the integration committee for post-acquisition integration with Nexen Inc.

Mr. Ren graduated with a master's degree in Business and Administration from the Houston Baptist University.

KANG Weili (康偉力) — Chief Geologist

Mr. Kang, aged 66, was appointed as the chief geologist of the Company on 30 September 2016. He is primarily responsible for the Group's general geological research and study, exploration and development plans, reserves discovery, assessment and evaluation.

Mr. Kang has over 40 years of experience in managing upstream oil and gas exploration and development, from reservoirs and reserve discovery, formulation and implementation of exploration and development plans. Mr. Kang has extensive experience in leading projects from exploration to commercial production. Since 2013, Mr. Kang has been the chief geologist of Titan Gas Holdings. From 2005 to 2011, Mr. Kang was employed by Ministry of Land and Resources of the PRC ("MOLR") at the oil and gas reserves evaluation office (中國國土資源部油氣儲量評審辦公室) as the deputy department head. From 1977 to 2005, Mr. Kang worked for Jilin Oilfield Company, the Jilin branch oilfield company of China National Petroleum Corporation ("CNPC") and was engaged in oil and gas exploration and research in Jilin province of the PRC, during which he held positions including head of the exploration department and deputy chief geologist and was in charge of the exploration, development and research of various oil and gas fields in Jilin.

Mr. Kang graduated with a bachelor's degree in Petroleum Geology from Daqing Petroleum Institute. He was accredited as Professor Level Senior Engineer (教授級高級工程師) in 1998 and a Valuer of Mineral Reserve (礦產儲量評估師) in 2002.

SENIOR MANAGEMENT (continued)

Jin Yufen (金玉芬) — Vice President

Ms. Jin, aged 56, was appointed as the vice president of the Company on 30 September 2016. She is primarily responsible for the Group's overall procurement management, bidding management and process, contracts negotiation, oilfield service contractors supervision and management.

Ms. Jin has over 30 years of oil and gas experience obtained from various companies of the oil and gas industry. Since 2013, she has been the vice president of Titan Gas Holdings. From 2009 to 2012, Ms. Jin was the general manager (technical) at Pacific Asia Petroleum Limited ("PAPL"), a company which was engaged in the development of coalbed methane located in Shanxi province, the PRC through a production sharing contract with a company engaged in among others, exploration, development and sale of coalbed methane. From 2005 to 2008, Ms. Jin was employed as deputy manager of Apex Solutions Inc., an oilfield technique service provider, where she was in charge of contracting and contract management, finance and technical project proposals. From 2002 to 2005, Ms. Jin worked for Ryderscott Petroleum Consultant Company, one of the world's leading oil and gas reserves assessment and evaluation firms. From 1983 to 2002, Ms. Jin worked for CNPC, where she held various positions including senior engineer.

Ms. Jin graduated with a bachelor's degree in Geophysical Exploration from Huadong Petroleum Institute (華東石油學院) (subsequently renamed as "China University of Petroleum") and obtained a master's degree in Business and Administration from University of Wyoming. Ms. Jin was accredited as Senior Engineer (高級工程師) in 1994.

WANG Ping (王平) — Vice President

Mr. Wang, aged 44, was appointed as the vice president of the Company on 30 September 2016. He is also a director and the general manager of 錫林郭勒盟宏博礦業開發有限公司 (Xilin Gol League Hongbo Mining Development Co., Ltd.*) ("Hongbo Mining"), the Company's wholly-owned subsidiary. He is primarily responsible for overall operation and management, business plan, budget management, staff management, and public relation management of Hongbo Mining.

Since 2008, Mr. Wang has worked with Hongbo Mining since 2008 and has accumulated over 9 years of on-site practical experience in managing Hongbo Mining's upstream oil assets, including formulating and approving exploration and development plans and budgets, monitoring daily field work, conducting exploration and development activities, overseeing sales & marketing, etc.

Mr. Wang graduated with a bachelor's degree in Construction Engineering from the Shanghai Institute of Urban Construction.

REPORT OF THE DIRECTORS

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at a special general meeting held on 15 December 2016, the English name of the Company has been changed from "Shun Cheong Holdings Limited" to "IDG Energy Investment Group Limited" and the Company has adopted "IDG 能源投資集團有限公司" as the Chinese name of the Company to replace its then Chinese name "順昌集團有限公司" for identification purpose with effect from 16 January 2017. The stock short names for trading in the shares on the Stock Exchange has been changed to "IDG Energy" in English and "IDG能源" in Chinese with effect from 9:00 a.m. on 16 January 2017.

PRINCIPAL ACTIVITIES

On 29 July 2016, the Transfer and the Transactions (as defined in the RTO Circular) (collectively the "Reverse Takeover Transaction") was completed. The Group's principal activities changed from hotel and restaurant operations in the PRC to the exploration, development and production of crude oil in the PRC.

BUSINESS RESULTS

Details of the Group's results for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss on page 77 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016 (restated): Nil).

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of the report of the directors.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 12 to the consolidated financial statements.

PROPERTY INTERESTS

For the purpose of the Reverse Takeover Transaction, a property valuation was conducted on the property interests held by Hongbo Mining. However, those property interests were still carried at historical costs less accumulated depreciation or impairment, if any, on the Group's financial statements. With reference to the property valuation set out in Appendix IX to the RTO Circular, the market value of our property interests as at 31 March 2016 for the purpose of incorporation into the RTO Circular was RMB52.4 million. Were the properties stated at that valuation, the depreciation charge per year would have decreased by RMB0.7 million.

BANK LOANS AND BORROWINGS

Details of bank loans and other borrowings during the year ended 31 March 2017 are set out in note 22 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in page 4 of this annual report.

SHARE CAPITAL, CONVERTIBLE BONDS AND CONVERTIBLE NOTE

Capitalised terms used in this section have the same meanings as in the RTO Circular unless otherwise defined in this annual report.

On 22 June 2015, the Company and the Subscribers entered into the Subscription Agreement pursuant to which, the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, a total of 4,017,323,774 Subscription Shares, comprising (i) 1,269,414,575 Ordinary Subscription Shares under the Ordinary Shares Subscription; (ii) 1,373,954,600 Preferred Shares under the Tranche 1 Preferred Shares Subscription; and (iii) 1,373,954,599 Preferred Shares under the Tranche 2 Preferred Shares Subscription, at the Subscription Price of HK$0.6696 per Subscription Share. On 29 July 2016, the Subscription Completion took place. The Group intended to use the proceeds for the payment of the consideration for the Acquisition, financing the repayment of the PRC Target's outstanding payables and borrowings, financing the development plan of the currently explored areas in Block 212, exploration and development of other areas in Block 212, financing the operating expenses of the PRC Target as well as the Group, and expanding the Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.

Details of movements in the Company's share capital during the year are set out in note 27(c) to the consolidated financial statements.

On 22 June 2015, the Company (as issuer), League Way Ltd. (as subscriber) and Titan Gas Technology Investment Limited (as guarantor) entered into the CN Subscription Agreement pursuant to which League Way Ltd. conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the Convertible Note with an aggregate principal amount of HK$250,000,000. On 29 July 2016, the CN Subscription Completion took place. The Group intended to use the proceeds for expanding the Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects and to finance the operations of Hongbo Mining to be used as general working capital of the Group.

During the year, no convertible bonds and convertible notes had been converted. As at 31 March 2017, the number of ordinary shares of the Company may be issued upon conversion of all convertible bonds of the Company is 1,785,714,285. Details of the movements in the convertible bonds and convertible note of the Company during the year are set out in note 23 and 24 to the consolidated financial statements.

DONATIONS

During the year, the Group did not make any charitable donations to any charitable organisations.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda the Company has no reserve available for distribution to shareholders as at 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2017, the two largest customers of the Group accounted for 100% of the Group's turnover while the five largest suppliers of the Group accounted for approximately 61% of the Group's purchases. In addition, the largest customer of the Group accounted for approximately 94% of the Group's turnover while the largest supplier of the Group accounted for approximately 30% of the Group's purchases.

None of the directors of the Company (the "Directors"), their close associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the Group's five largest customers or five largest suppliers mentioned above.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors	**Date of appointment/resignation as a Director**
Mr. Wang Jingbo *(Chairman and Chief Executive Officer)*	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Mr. Lee Khay Kok	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Ms. Cao Jing *(Executive Chairman)*	Resigned with effect from 26 August 2016
Mr. Zhang Shaohua *(Managing Director)*	Resigned with effect from 26 August 2016
Non-executive Directors	
Mr. Lin Dongliang	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Mr. Shong Hugo	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Mr. Mo Tianquan	Resigned with effect from 26 August 2016
Independent Non-executive Directors	
Mr. Chau Shing Yim David	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Mr. Shi Cen	Appointed with effect from 5 August 2016, retired and re-elected with effect from 28 September 2016
Prof. Chen Zhiwu	Retired and re-elected with effect from 28 September 2016
Prof. Ye Jianping	Resigned with effect from 26 August 2016
Mr. Palaschuk Derek Myles	Resigned with effect from 26 August 2016

One third of the directors are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Bye-laws.

In accordance with Bye-law 84(1) of the Bye-laws, Prof. Chen Zhiwu , Mr. Shi Cen and Mr. Chau Shing Yim David will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 27 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with each of Directors, pursuant to which each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for terms of three years, subject to re-election in accordance with Bye-laws of the Company at general meeting.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without the payment of compensation (other than statutory compensation).

REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the Directors is reviewed by the Remuneration Committee, having regard to Directors' duties, responsibilities, the Group's operating results and comparable market statistics.

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 9 and 10 to the consolidated financial statements.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CONNECTED TRANSACTIONS

As disclosed in the RTO Circular, on 22 June 2015, the Company (as vendor) and Upsky Enterprises Limited (as seller) entered into the Divestment Agreement (as defined in the RTO Circular), pursuant to which the Company conditionally agreed to sell, and Upsky Enterprises Limited conditionally agreed to purchase, the Divestment Shares (as defined in the RTO Circular), the Current Accounts Receivable (as defined in the RTO Circular) (being shareholder's loans/advance receivable by the Company from the Divestment Group (as defined in the RTO Circular)) and the shares of SouFun (as defined in the RTO Circular) held by the Company (which, as a condition precedent to completion of the Divestment Agreement, will be transferred by the Company to Target 1 (as defined in the RTO Circular) at the market price effective at the time of such transfer) at the Initial Consideration (as defined in the RTO Circular) of HK$1,652,995 which shall be subject to adjustment as set out in the Divestment Agreement. At the special general meeting of the Company held on 22 July 2016, the Divestment Agreement was approved by the independent shareholders of the Company.

With reference to the announcement dated 29 July 2016, the Divestment Completion took place on 29 July 2016 in accordance with the terms of the Divestment Agreement. Pursuant to the Divestment Agreement, the shares of SouFun held by the Company have been transferred to the Divestment Group at market price and reflected as an corresponding increase into Current Accounts Receivable. Based on the adjustment mechanism pursuant to the Divestment Agreement as explained in the RTO Circular, the final consideration for the Divestment is HK$1.00. The Group intends to use the proceeds for general working capital of the Group.

As at the date of the Divestment Agreement and the Divestment Completion, Upsky Enterprises Limited was wholly owned by, and was an associate of, Mr. Mo Tianquan, a non-executive Director (who resigned with effect from 26 August 2016). Accordingly, the Divestment constituted a connected transaction for the Company.

RELATED PARTIES' TRANSACTIONS

Details of related parties' transactions are set out in note 32 to the consolidated financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted connected transactions under the Listing Rules, namely the Divestment. Save as aforementioned, other related party transactions as set out in note 32 to the consolidated financial statements did not constitute connected transactions/continuing connected transactions under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 32 to the consolidated financial statements and in the section headed "Connected Transactions" above, no other transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries, or holding company or fellow subsidiaries was a party and in which any of the Company's Directors or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2017, the interests and short positions of the Directors in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(A) Long positions in ordinary shares of the Company ("Ordinary Shares"):

Name of Director	Nature of interest	Number of Ordinary Shares	Percentage of the Company's issued shares
Wang Jingbo	Corporate	829,641,578 *(Note 1)*	51.32%
Shong Hugo	Corporate	829,641,578 *(Notes 1 and 2)*	51.32%
Lin Dongliang	Corporate Beneficial	829,641,578 12,910,000 *(Notes 1 and 3)*	51.32% 0.80%

Note 1: These shares are held by Titan Gas Technology Investment Limited ("Titan Gas"), a company which is controlled as to 87.76% by Titan Gas Technology Holdings Limited ("Titan Gas Holdings"), which is in turn owned as to 35.13% by Standard Gas Capital Limited ("Standard Gas"), 49.14% by IDG-Accel China Capital II L.P. ("IDG-Accel Capital II L.P.") and IDG-Accel China Capital II Investors L.P. ("IDG-Accel Investors II L.P.") ("IDG Funds"), 8.05% by Mr. Wang Jingbo ("Mr. Wang"), 6.87% by 金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.*) ("Kingsbury"), 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee. Under the SFO, Titan Gas Holdings, Standard Gas and IDG Funds are deemed to have interest in the shares in which Titan Gas has beneficial interest.

Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Under the SFO, Mr. Wang is deemed to have interests in the shares in which Titan Gas has interest.

Note 2: All the issued voting shares in Standard Gas are held by Blazing Success Limited ("Blazing Success") which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Shong Hugo is deemed to have interest in the shares in which Standard Gas has interest.

Note 3: All the issued voting shares in Standard Gas are held by Blazing Success which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Lin Dongliang is deemed to have interest in the shares in which Standard Gas has interest.

The 12,910,000 Ordinary Shares are held by Lin Dongliang beneficially.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(B) Long positions in convertible bonds of the Company ("Convertible Bonds"):

Name of Director	Nature of interest	Number of underlying shares
Wang Jingbo	Corporate	1,440,960,208 1,854,874,798 *(Note 1)*
Shong Hugo	Corporate	1,440,960,208 1,411,505,622 *(Notes 1 and 2)*
Lin Dongliang	Corporate	1,440,960,208 1,411,505,622 *(Notes 1 and 3)*

Note 1: The 1,440,960,208 underlying shares represented the new Ordinary Shares to be issued upon full conversion of convertible bonds with an aggregate principal amount of HK$96,832,526 ("Convertible Bonds") held by Titan Gas at a conversion price of HK$0.0672 per Ordinary Shares issued by the Company. As explained in Note (1) of Section (A) above, under the SFO, Mr. Wang is deemed to have interests in the convertible bond in which Titan Gas has interest.

The 1,854,874,798 underlying shares consist of (i) the 1,411,505,622 underlying shares representing the new Ordinary Shares to be issued upon full conversion of 1,411,505,622 restricted voting non-redeemable convertible preferred shares of HK$0.01 each in the share capital of the Company ("Preferred Shares") held by Titan Gas, and (ii) the 443,369,176 underlying shares representing the new Ordinary Shares to be issued upon full conversion of 443,369,176 Preferred Shares held by Aquarius Growth Investment Limited ("Aquarius Investment"), upon full payment and subject to their terms. Aquarius Investment is accustomed to act in accordance with the instructions of, among others, Mr. Wang. Under the SFO, Mr. Wang is deemed to have interests in the shares in which Aquarius Investment has interest.

Note 2: The 1,440,960,208 underlying shares represented the new Ordinary Shares to be issued upon full conversion of the Convertible Bonds held by Titan Gas at a conversion price of HK$0.0672 per share issued by the Company.

The 1,411,505,622 underlying shares represented the new Ordinary Shares to be issued upon full conversion of 1,411,505,622 Preferred Shares held by Titan Gas upon full payment and subject to their terms.

As explained in Notes(1) and (2) of Section (A) above, under the SFO, Shong Hugo is deemed to have interest in the shares in which Standard Gas has interest.

Note 3: The 1,440,960,208 underlying shares represented the new Ordinary Shares to be issued upon full conversion of the Convertible Bonds held by Titan Gas at a conversion price of HK$0.0672 per share issued by the Company.

The 1,411,505,622 underlying shares represented the new Ordinary Shares to be issued upon full conversion of 1,411,505,622 Preferred Shares held by Titan Gas upon full payment and subject to their terms.

As explained in Notes(1) and (3) of Section (A) above, under the SFO, Lin Dongliang is deemed to have interest in the shares in which Standard Gas has interest.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(C) Interest in associated corporations of the Company:

Titan Gas Technology Holdings Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the associated corporation's issued voting shares
Ordinary Shares: Other than pursuant to equity derivatives				
Wang Jingbo	Long position	Corporate	13,000,000 *(Note 1)*	65.00%
		Beneficial	6,418,675	32.09%
Shong Hugo	Long position	Corporate	13,000,000 *(Notes 1 and 2)*	65.00%
Lin Dongliang	Long position	Corporate	13,000,000 *(Notes 1 and 3)*	65.00%
Series A-1 Preferred Shares: Unlisted derivatives — Physically settled options				
Wang Jingbo	Long position	Corporate	15,000,000 *(Note 1)*	75.00%
Shong Hugo	Long position	Corporate	15,000,000 *(Notes 1 and 2)*	75.00%
Lin Dongliang	Long position	Corporate	15,000,000 *(Notes 1 and 3)*	75.00%

Note 1: These shares are held by Standard Gas. All the issued voting shares in Standard Gas are held by Blazing Success which in turn is wholly owned by Lee Khay Kok. Blazing Success has granted a power of attorney to the board of directors of Standard Gas which comprise Mr. Wang, Lin Dongliang and Shong Hugo. Under the SFO, Mr. Wang is deemed to have interest in the shares in which Standard Gas has interest. Mr. Wang, Lin Dongliang and Shong Hugo are also directors of Titan Gas Holdings.

Note 2: Please see Note (2) of Section (A) above.

Note 3: Please see Note (3) of Section (A) above.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(C) Interest in associated corporations of the Company: (continued)

Titan Gas Technology Investment Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the associated corporation's issued voting shares
Ordinary Shares				
Wang Jingbo	Long position	Corporate	150,000 *(Note 1)*	87.76%
Shong Hugo	Long position	Corporate	150,000 *(Notes 1 and 2)*	87.76%
Lin Dongliang	Long position	Corporate	150,000 *(Notes 1 and 3)*	87.76%

Note 1: These shares are held by Titan Gas Holdings, which is in turn controlled as to 35.13% by Standard Gas. Under the SFO, Standard Gas is deemed to have interest in the shares in which Titan Gas Holdings has beneficial interest.

Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Under the SFO, Mr. Wang is deemed to have interests in the shares in which Titan Gas Holdings has interest.

Note 2: Please see Note (2) of Section (A) above.

Note 3: Please see Note (3) of Section (A) above.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, the following interests in the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Tanisca Investments Limited *(Note 3)*	Beneficial owner	344,754,077 (L) *(Note 2)*	21.32%
Aquarius Growth Investment Limited *(Note 5)*	Beneficial owner	443,369,176 (L) *(Note 4)*	27.42%
ZHAO Ming *(Note 5)*	Interest of a controlled corporation	443,369,176 (L) *(Note 4)*	27.42%
Grand Empire Global Limited *(Note 6)*	Beneficial owner	166,766,230 (L) *(Note 6)*	10.31%
Rexwell Holdings Limited *(Note 6)*	Interest of a controlled corporation	166,766,230 (L) *(Note 6)*	10.31%
ZHANG Lu *(Note 6)*	Interest of controlled corporations	166,766,230 (L) *(Note 6)*	10.31%
League Way Ltd. *(Note 7)*	Beneficial owner	373,357,228 (L) *(Note 7)*	23.09%
SHI Jianji *(Note 7)*	Interest of a controlled corporation	373,357,228 (L) *(Note 7)*	23.09%
New Fast Investments Limited *(Note 8)*	Beneficial owner	241,437,675 (L) *(Note 8)*	14.93%
Gate Success Investments Limited *(Note 8)*	Interest of a controlled corporation	241,437,675 (L) *(Note 8)*	14.93%
YU Nan *(Note 8)*	Interest of controlled corporations	241,437,675 (L) *(Note 8)*	14.93%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Name	Capacity/Nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Real Smart Holdings Limited *(Note 9)*	Beneficial owner	166,766,230 (L) *(Note 9)*	10.31%
True Vision Global Limited *(Note 9)*	Interest of a controlled corporation	166,766,230 (L) *(Note 9)*	10.31%
XU Sa *(Note 9)*	Interest of controlled corporations	166,766,230 (L) *(Note 9)*	10.31%
Sonic Gain Limited *(Note 10)*	Beneficial owner	319,820,786 (L) *(Note 10)*	19.78%
KO Chun Shun, Johnson *(Note 10)*	Interest of a controlled corporation	319,820,786 (L) *(Note 10)*	19.78%
True Success Global Limited *(Note 11)*	Beneficial owner	183,026,340 (L) *(Note 11)*	11.32%
KO Wing Yan, Samantha *(Note 11)*	Interest of a controlled corporation	183,026,340 (L) *(Note 11)*	11.32%
上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) *(Note 12)*	Investment manager	140,416,318 (L)	8.69%
華寶•境外市場投資2號系列 20–6期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–6 QDII Single Money Trust*) *(Note 12)*	Beneficiary of a trust	93,622,212 (L)	5.79%
華寶信託有限責任公司 (Hwabao Trust Co., Ltd.) *(Note 12)*	Trustee of a trust	140,416,318 (L)	8.69%
寶鋼集團有限公司 (Baosteel Group Corporation*) *(Note 12)*	Interest of a controlled corporation	140,416,318 (L)	8.69%
WANG Ruyuan *(Note 12)*	Interest of a controlled corporation	140,416,318 (L)	8.69%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Name	Capacity/Nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Titan Gas Technology Investment Limited *(Note 13)*	Beneficial owner	3,682,107,408 (L)	227.75%
Titan Gas Technology Holdings Limited *(Note 13)*	Interest of a controlled corporation	3,682,107,408 (L)	227.75%
Standard Gas Capital Limited *(Note 13)*	Interest of controlled corporations	3,682,107,408 (L)	227.75%
金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.) *(Note 13)*	Interest of controlled corporations	3,682,107,408 (L)	227.75%
IDG-Accel China Capital GP II Associates Ltd. *(Note 17)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 15)*	227.75%
IDG-Accel China Capital II Associates L.P. *(Note 18)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 17)*	227.75%
IDG-Accel China Capital II L.P. *(Note 18)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 17)*	227.75%
Ho Chi Sing *(Note 17)*	Interest of controlled corporations	3,693,607,408 (L) *(Notes 13,15,17)*	228.46%
ZHOU Quan *(Note 17)*	Interest of a controlled corporation	3,693,607,408 (L) *(Notes 13,15,17)*	228.46%
LUO Yuping	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13,14,18)*	227.75%
ZHANG Chunhua	Interest of controlled corporations	127,681,952 (L) *(Note 19)*	7.90%
Rich Harvest Worldwide Ltd.	Beneficial owner	127,681,952 (L) *(Note 19)*	7.90%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. The letter "L" represents the individual's long position in the shares and the letter "S" represents the individual's short position in the shares.

2. These interests in the underlying Ordinary Shares represent the derivative interests under the Convertible Bonds.

3. Mr. Mo Tianquan ("Mr. Mo") has control over 100% interests of Tanisca Investments Limited and Upsky Enterprises Limited. Under the SFO, Mr. Mo is deemed to have interest in the shares in which Tanisca Investments Limited and Upsky Enterprises Limited have interest.

4. Aquarius Investment has interests in respect of 443,369,176 underlying Ordinary Shares through the derivative interests under 443,369,176 Preferred Shares.

5. Aquarius Investment is controlled as to 91% by Zhao Ming and as to 9% by Mr. Wang. Under the SFO, Zhao Ming is deemed to have interest in the shares in which Aquarius Investment has interest.

6. Grand Empire Global Limited is controlled as to 100% by Rexwell Holdings Limited and Rexwell Holdings Limited is controlled as to 100% by Zhang Lu. Under the SFO, Zhang Lu and Rexwell Holdings Limited are deemed to have interest in the shares in which Grand Empire Global Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

7. League Way Ltd. is controlled as to 70% by Shi Jianji. Under the SFO, Shi Jianji is deemed to have interest in the shares in which League Way Ltd. has interest. It has interest in 373,357,228 underlying Ordinary Shares through derivative interests in the Convertible Note (as defined in the RTO Circular).

8. New Fast Investments Limited is controlled as to 100% by Gate Success Investments Limited. Gate Success Investments Limited is controlled as to 100% by Yu Nan. Under the SFO, Yu Nan and Gate Success Investments Limited are deemed to have interest in the shares in which New Fast Investments Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

9. Real Smart Holdings Limited is controlled as to 100% by True Vision Global Limited. True Vision Global Limited is controlled as to 100% by Xu Sa. Under the SFO, Xu Sa and True Vision Global Limited are deemed to have interest in the shares in which Real Smart Holdings Limited has interest. It has interest in 116,736,360 underlying Ordinary Shares through derivative interests in 116,736,360 Preferred Shares.

10. Sonic Gain Limited is owned as to 100% by Ko Chun Shun, Johnson. Under the SFO, Ko Chun Shun, Johnson is deemed to have interest in the shares in which Sonic Gain Limited has interest. It has interest in 175,104,540 underlying Ordinary Shares through derivative interests in 175,104,540 Preferred Shares.

11. True Success Global Limited is owned as to 100% by Ko Wing Yan, Samantha. Under the SFO, Ko Wing Yan, Samantha is deemed to have interest in the shares in which True Success Global Limited has interest. It has interest in 175,104,540 underlying Ordinary Shares through derivative interests in 175,104,540 Preferred Shares.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes: (continued)

12. 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) has beneficial interest in an aggregate of 140,416,318 Ordinary Shares through 華寶•境外市場投資2號系列20–6期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–6 QDII Single Money Trust*) and 華寶•境外市場投資2號系列20–7期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–7 QDII Single Money Trust*). Under the SFO, 華寶信託有限責任公司 (Hwabao Trust Co.,Ltd.), as the trustee of the aforesaid trusts, is deemed to have interest in an aggregate of 140,416,318 Ordinary Shares in which the aforesaid trusts have interest; Wang Ruyuan, who has control of 66% of the interests of 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*), is deemed to have interest in 140,416,318 Ordinary Shares in which 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) has beneficial interest; 寶鋼集團有限公司 (Baosteel Group Corporation*), which has control over 98% of the interests of 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.), is deemed to have interest in 140,382,318 Ordinary Shares in which 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.) has interest in the capacity of a trustee. 華寶•境外市場投資2號系列20–7期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–7 QDII Single Money Trust*) does not in itself have an interest or short position in the Company which was required to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

13. Titan Gas is controlled as to 87.76% by Titan Gas Holdings, which is in turn controlled as to 35.13% by Standard Gas, 49.14% by the IDG Funds, 8.05% by Mr. Wang, 6.87% by Kingsbury 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee. Under the SFO, Titan Gas Holdings, Standard Gas, IDG Funds are deemed to have interest in 3,682,107,408 Ordinary Shares in which Titan Gas has beneficial interest. Interest in such Ordinary Shares include interest in 2,852,405,830 underlying Ordinary Shares through derivative interests in the Convertible Bonds in the principal amount of HK$96,832,526 and the Preferred Shares that Titan Gas has agreed to subscribe for under the Subscription Agreement (as defined in the RTO Circular).

14. Standard Gas, Mr. Wang and Kingsbury have entered into an acting in concert arrangement for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings pursuant to which, Standard Gas, Kingsbury and Mr. Wang agree to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury. Aquarius Investment is accustomed to act in accordance with the instructions of, among others, Mr. Wang. Under the SFO, Mr. Wang is deemed to have interests in the shares in which Titan Gas or Aquarius Investment has interest on the basis set out above. The Ordinary Shares and underlying Ordinary Shares in which Mr. Wang has interest comprise 3,682,107,408 Ordinary Shares in which Titan Gas has beneficial interest (including derivative interest in 2,852,465,830 underlying Ordinary Shares) and 443,369,176 underlying Ordinary shares in which Aquarius Investment has beneficial interest.

15. The IDG Funds is under the control of its ultimate general partner, IDG-Accel Ultimate GP. Under the SFO, IDG-Accel Ultimate GP is deemed to have interest in the shares in which the IDG Funds have interest.

16. IDG-Accel China Capital II Associates L.P. has control over IDG-Accel Capital II. Under the SFO, IDG-Accel China Capital II Associates L.P. is deemed to have interest in the shares in which IDG-Accel Capital II has beneficial interest.

17. Ho Chi Shing and Zhou Quan are directors of IDG-Accel Ultimate GP and are responsible for decision-making matters relating to the IDG Funds and their investments, and hence controls the exercise of voting rights to the shares that the IDG Funds hold in Titan Gas Holdings. Therefore they are deemed to have interest in the shares in which IDG-Accel Ultimate GP has interest.

18. Kingsbury is controlled as to 74.8% by Luo Yuping. By virtue of the acting in concert arrangement referred to in Note 14, Luo Yuping is deemed to have interest in the shares in which Titan Gas Holdings has interest.

19. Rich Harvest Worldwide Ltd. is controlled as to 100% by Zhang Chunhua. Under the SFO, Zhang Chunhua is deemed to have interests in the shares in which Rich Harvest Worldwide Ltd. has interest. Interest in such Ordinary Shares include interest in 127,681,952 underlying Ordinary Shares has interest through derivative interests in 127,681,952 Preferred Shares.

Save as disclosed above, as at 31 March 2017, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 March 2017, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISION

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in pages 44 to 54 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float which is more than 25% of the Company's total issued share capital at the date of this annual report.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme. However, the Company may consider to adopt one subject to complying with the Listing Rules.

ENVIRONMENTAL POLICY AND PERFORMANCE

Details of the Group's environmental policy and performance are set out in the Environmental, Social and Governance Report on pages 56 to 58 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Details of the Group's relationships with employees, suppliers and customers are set out in the Environmental, Social and Governance Report on pages 60 to 66 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws, rules and regulations by the Group that have significant impact on the businesses and operations of the Group.

AUDITORS

SHINEWING resigned as the auditors of the Company on 26 August 2016 at the request of the Board and following such resignation, KPMG has been appointed as the auditors of the Company with effect from 26 August 2016 to fill the casual vacancy and held office until the conclusion of the annual general meeting held on 28 September 2016 during which KPMG was re-elected as the auditors of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the shares of the Company, they are advised to consult an expert.

NON-COMPETITION DEED

As disclosed in the RTO Circular, each of the Controlling Shareholders (as defined in the RTO Circular) and Lin Dongliang (together, the "Covenantors") have entered into a Non-Competition Deed (as defined in the RTO Circular) in favour of the Company (for itself and for the benefit of its subsidiaries). With reference to the RTO Circular, the Company organised a working meeting with the Covenantors in which the Company reviewed their business portfolios and considered that there was no opportunity to operate a Restricted Business (as defined in the RTO Circular).

The Company has received confirmations from each of the Covenantors on full compliance with the Non-Competition Deed for the year ended 31 March 2017.

The independent non-executive Directors have reviewed the confirmations provided by the Covenantors, and concluded that each of the Covenantors complied with the relevant terms of the Non-Competition Deed for the year ended 31 March 2017.

ON BEHALF OF THE BOARD

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong
16 June 2017

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving high standards of corporate governance and has always recognised the importance of accountability, transparency and protection of shareholders' interest in general. The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own corporate governance policy, subject to amendments from time to time.

COMPLIANCE WITH THE CG CODE

In the opinion of the board of directors of the Company ("Board"), the Company had complied with the code provisions of the CG Code throughout the year ended 31 March 2017, except for the following CG Code's code provisions:

(a) CG Code provision A.2.1. stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jingbo is both the chairman of the Board and the chief executive officer of the Company. The Board is of the opinion that such arrangement will not result in undue concentration of power and is conducive to the efficient formulation and implementation of the Company's strategies thus allowing the Company to develop its business more effectively;

(b) CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election. An independent non-executive Director, Prof. Chen Zhiwu, was not appointed for a specific term prior to 4 August 2016, but has entered into a 3-year service agreement with the Company since 5 August 2016 and shall be subject to re-election by shareholders of the Company at an annual general meeting upon retirement;

(c) CG Code provision A.6.5 stipulates that all directors should participate in continuous professional development to develop and refresh their knowledge and skills. For the year ended 31 March 2017, only the present Directors had confirmed and provided their training records to the Company; and

(d) CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. During the year, not all independent non-executive Directors and non-executive Directors were able to attend the general meetings of the Company due to their other business commitments.

BUSINESS MODEL AND STRATEGY

The Group is currently engaged in the exploration, development, production and sale of crude oil. During the past year, as one of its existing strategies, the Group has aimed to widen its global footprint and develop a more diversified and balanced oil and gas business portfolio through selective acquisition of overseas upstream oil assets. In view of the continuous macro-control measures and the ever-changing market condition in the oil and gas industry, on the basis of the Group's existing overall strategic development premise, the Group has made reasonable planning to expand its business development model and is considering engaging in investment and management of oil and gas assets. Given the recent low crude oil commodity price environment, the Board believes this business expansion model will continue to demonstrate the Group's commitment in oil and gas industry, drive the growth of the Group's oil and gas asset base, and enhance shareholder value of the Group.

The Board is of the view that the investment and management of oil and gas assets is a favourable option for the Group to achieve sustainable long-term growth and prosperity in the cyclic oil and gas industry. The Board expects that the Group can continue to capture investment opportunities globally by best leveraging its industry and business development expertise, establishing an investment platform, and adopting contrarian investment strategy. To satisfy the capital needs for assets investment and management, subject to the market condition, the Group will look for the most suitable fund raising method which may include leveraging both equity and/or debt markets, as well as any other alternative fund raising methods. The Boards believes that the Group is well positioned to develop quickly when attractive assets become available, and outperform crude oil benchmarks. The Group endeavors to present a unique investment opportunity for its shareholders to gain exposure to a diversified, top quality global oil and gas asset portfolio.

BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises seven directors of the Company ("Directors"), including 2 executive Directors (Mr. Wang Jingbo (chairman and chief executive officer) and Mr. Lee Khay Kok, 2 non-executive Directors (Mr. Lin Dongliang and Mr. Shong Hugo), and 3 independent non-executive Directors (Mr. SHI Cen, Prof. Chen Zhiwu, and Mr. Chau Shing Yim David). The biographical details of the Directors are set out in the section "Directors' and Senior Management's Biographies" on pages 22 to 27 of this annual report.:

One of the independent non-executive Directors, Mr. Chau Shing Yim David, is a professional accountant and that is in compliance with the requirement of the Listing Rules. There are also 3 board committees under the Board, which are the audit committee, the nomination committee and the remuneration committee of the Company.

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, regulating and reviewing internal controls, formulating the Company's corporate governance policy, supervising management's performance while the day-to-day operations and management of the Group are delegated by the Board to management, and ensuring adequacy of resources, qualifications, experience and training programs and budget of the financial staff.

In accordance with the Company's Bye-laws, at each annual general meeting of the Company one-third of the directors for the time being or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years.

As at the date of this Annual Report, each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for a specific term of not more than 3 years and is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws and the Listing Rules. At the forthcoming annual general meeting, Prof. Chen Zhiwu, Mr. Shi Cen and Mr. Chau Shing Yim David will retire from office by rotation and, being eligible, offer themselves for re-election. To determine the non-executive Directors' independence, assessments are carried out upon appointment, annually and at any other time where the circumstances warrant reconsideration by the nomination committee of the Company ("Nomination Committee"). The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board determined that all the independent non-executive Directors meet the requirements for independence as set out in Rule 3.13 of the Listing Rules.

Every newly appointed Director will be given an introduction so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Directors may request the Company to provide independent professional advice at the Company's expense to discharge his/her duties to the Company. Directors' training is an ongoing process. During the year, the Company had provided to the Directors regular updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors are required to provide the Company with their training record they received during the year ended 31 March 2017.

During the year ended 31 March 2017, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, the CG Code and the disclosure in this Corporate Governance Report.

The Directors acknowledge their responsibility for preparing the financial statements and ensuring that the financial statements are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

BOARD OF DIRECTORS (continued)

Audit Committee

The audit committee of the Company ("Audit Committee") currently comprises two independent non-executive Directors and one non-executive Director, namely Mr. Chau Shing Yim David (Chairman), Mr. Shi Cen and Mr. Lin Dongliang.

Under the terms of reference, the Audit Committee is required, among other things, to oversee the relationship with the independent auditor, to review the Group's interim and annual consolidated financial statements, to monitor compliance with statutory and listing requirements, to ensure adequacy of resources, qualifications, experience and training programs and budget of the financial staff, and to oversee the Company's financial reporting system, risk management and internal control systems. The Audit Committee is also responsible for facilitating the risk assessment process and timely communication with the Board where appropriate, and ensuring key business and operational risks are properly identified and managed.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

During the year ended 31 March 2017, the Audit Committee, among other matters, reviewed interim/annual results and reports from the independent auditor regarding the audit on annual consolidated financial statements, discussed the risk management and internal control of the Group, and met with the independent auditor. The Audit Committee reviewed the scope, extent and effectiveness of the Group's risk management and internal control systems.

Nomination Committee

The nomination committee of Company ("Nomination Committee") currently comprises 3 Directors, namely Prof. Chen Zhiwu (Chairman), Mr. Shi Cen, and Mr. Wang Jingbo.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of Directors. Potential new directors are selected on the basis of their qualifications, skills and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

The terms of reference for the Nomination Committee have been adopted in line with the CG Code. The written terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company.

The Nomination Committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

During the year, the Nomination Committee reviewed the credentials of the incoming Directors and recommended the appointment of the same to the Board for approval, and evaluated the performance and contribution of the retiring Directors.

Remuneration Committee

The remuneration committee of the Company ("Remuneration Committee") currently comprises 3 Directors, namely Mr. Chau Shing Yim David (Chairman), Prof. Chen Zhiwu and Mr. Shong Hugo.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, inter alia, assisting the Company in the administration of a formal and transparent procedure for developing remuneration policies, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

BOARD OF DIRECTORS (continued)

Remuneration Committee (continued)

During the year, the Remuneration Committee reviewed and approved the remunerations of the Directors and the senior management of the Company, and recommended the same to the Board for approval.

The terms of reference for the Remuneration Committee have been adopted in line with the CG Code. The written terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and the Company.

During the year ended 31 March 2017, the work performed by the Remuneration Committee includes, inter alia, the review of the Group's remuneration policy for its executive Directors and senior management and their levels of remuneration.

BOARD DIVERSITY POLICY

In November 2016, the Board adopted a board diversity policy (the "Policy") setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee reviews the Policy on a regular basis and discusses any revisions that may be required, and recommends any such revisions to the Board for consideration and approval.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31 March 2017 are set out below:

	Attended/Eligible to Attend					
	Annual general meeting	Special general meetings	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Number of meetings	1	3	16	5	2	3
Executive Directors						
Mr. Wang Jingbo (i)	1/1	2/2	13/13	N/A	1/1	N/A
Mr. Lee Khay Kok (ii)	1/1	2/2	13/13	N/A	N/A	N/A
Ms. Cao Jing (iii)	N/A	0/1	3/4	N/A	1/1	1/1
Mr. Zhang Shaohua (iv)	N/A	0/1	2/4	N/A	N/A	N/A
Non-executive Directors						
Mr. Lin Dongliang (v)	1/1	2/2	8/13	3/3	N/A	N/A
Mr. Shong Hugo (vi)	1/1	2/2	8/13	N/A	N/A	2/2
Mr. Mo Tianquan (vii)	N/A	0/1	3/4	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Shing Yim David (viii)	1/1	2/2	8/13	3/3	N/A	2/2
Mr. Shi Cen (ix)	1/1	2/2	8/13	3/3	1/1	N/A
Prof. Chen Zhiwu (x)	1/1	3/3	10/16	2/2	1/1	3/3
Prof. Ye Jianping (xi)	N/A	0/1	2/4	2/2	1/1	1/1
Mr. Palaschuk Derek Myles (xii)	N/A	0/1	2/4	2/2	1/1	N/A

ATTENDANCE RECORDS AT MEETINGS (continued)

Notes:

(i) Mr. Wang Jingbo was appointed as an executive director, chief executive officer, a member of the nomination committee and an authorized representative of the Company on 5 August 2016, and he was appointed as the chairman of the Company on 26 August 2016.

(ii) Mr. Lee Khay Kok was appointed as an executive director of the Company on 5 August 2016.

(iii) Ms. Cao Jing resigned as a member of the remuneration committee and the nomination committee and an authorized representative of the Company on 5 August 2016. Subsequently, Ms. Cao also resigned as an executive director and the chairman of the Company on 26 August 2016.

(iv) Mr. Zhang Shaohua resigned as an executive director and the managing director of the Company on 26 August 2016.

(v) Mr. Lin Dongliang was appointed as a non-executive director and a member of the audit committee of the Company on 5 August 2016.

(vi) Mr. Shong Hugo was appointed as a non-executive director and a member of the remuneration committee of the Company on 5 August 2016.

(vii) Mr. Mo Tianquan resigned as a non-executive director of the Company on 26 August 2016.

(viii) Mr. Chau Shing Yim David was appointed as an independent non-executive director, the chairman of the audit committee and the remuneration committee of the Company on 5 August 2016.

(ix) Mr. Shi Cen was appointed as an independent non-executive director, a member of the audit committee and the nomination committee of the Company on 5 August 2016.

(x) On 5 August 2016, Prof. Chen Zhiwu resigned as a member of the audit committee but remained as a member of the remuneration committee. On the same day, Prof. Chen was appointed as the chairman of the nomination committee of the Company.

(xi) Mr. Ye Jianping resigned as the chairman of the remuneration committee and the nomination committee of the Company and a member of the audit committee of the Company on 5 August 2016. Subsequently, Mr. Ye also resigned as an independent non-executive director of the Company on 26 August 2016.

(xii) Mr. Palaschuk Derek Myles resigned as the chairman of the audit committee and a member of the nomination committee of the Company on 5 August 2016. Subsequently, Mr. Palaschuk also resigned as an independent non-executive director of the Company on 26 August 2016.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to CG Code provision A.6.5, all directors should participate in continuous professional development to develop and refresh their knowledge and skills during the year. This is to ensure that their contributions to the Board remains informed and relevant.

All current Directors have been provided with training on their duties and responsibilities as a director of a listed company and the compliance issues under the Listing Rules. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure their compliance and enhance their awareness of their continuing obligations as Directors and good corporate governance practices. All current Directors have provided the joint company secretaries of the Company with their training records for the year ended 31 March 2017.

CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

The individual training record of each Director during the year ended 31 March 2017 is set out below:

Executive Directors	
Mr. Wang Jingbo *(Chairman and Chief Executive Officer)*	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Lee Khay Kok	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Non-executive Directors	
Mr. Lin Dongliang	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Shong Hugo	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Independent Non-executive Directors	
Mr. Chau Shing Yim David	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Mr. Shi Cen	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements
Prof. Chen Zhiwu	Reading relevant materials and updates relating to the Listing Rules and other applicable regulatory requirements

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors and the corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the amended and restated terms of reference for the Remuneration Committee, Audit Committee and Nomination Committee were adopted by the Company on 21 November 2016 and were effective on the same date.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 March 2017 are set out in note 9 to the consolidated financial statements.

The senior management's remuneration for the year ended 31 March 2017 is within the following bands:

Emolument bands	Number of individuals
HK$100,001–HK$500,000	1
HK$500,001–HK$1,000,000	4
HK$1,000,001–HK$1,550,000	1
	6

Note: The members of the senior management disclosed above refer to the employees other than Directors.

Further particulars regarding the Directors and senior management's emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 9, 32(a) and 10 to the consolidated financial statements.

AUDITORS' REMUNERATION

For the year ended 31 March 2017, services provided to the Group by KPMG, the existing auditors of the Company, and the respective fees paid and payable were:

	HK$'000
Audit services	3,113
Non-audit services — related to the acquisition of the Target Assets	2,263
Total	5,376

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to regulate the Directors' securities transactions.

Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2017.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Tan Jue, the chief financial officer of the Company, and Mr. Ku Sau Shan Lawrence James as the joint company secretaries of the Company, The joint company secretaries report to the chairman of the Company and is responsible for advising the Board on governance matters, new Director's induction and professional development of Directors as well as ensuring good information flow between the Board members and the compliance of the policy and procedure of the Board.

During the year ended 31 March 2017, each of the joint company secretaries of the Company has undertaken no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility of the Board

The Board has overall responsibilities for maintaining the Group's systems of risk management and internal control and reviewing their effectiveness. The systems of risk management and internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The Audit Committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management from time to time.

The Risk Management and Internal Control Systems

The Company adopted the three lines of defence model in the management of risk. Operational management forms the core of the first line of defence as they contact with the risk sources in the first place. They are responsible for identifying, reporting and preliminarily managing risks in their daily operations. Our second line of defence is aimed to facilitate and monitor the implementation of effective risk management practices by operational management throughout the Company. Our internal audit function is the core of the third line of defence and mainly responsible for checking, auditing and monitoring the work performed by the first and second lines of defence.

The Company's risks are identified from business processes in our established enterprise-wide risk assessment methodologies. Key responsible personnel for the management of risk in each of the business process are selected as interviewees to identify the risks to form our risk universe. Each risk within the risk universe is assessed in terms of likelihood of occurrence and the significance of impact, taken into account the current internal controls in place to mitigate these risks. The risk assessment results are reported to senior management and the Board for them to evaluate whether risks have been appropriately managed and decide on our priorities in risk management, based on their preferences towards risk, and in particular how much risks the Company is willing to take for the achievement of its strategy and business objectives, the availability of resources for risk mitigation, and the effectiveness of current internal control system.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Risk Management and Internal Control Systems (continued)

The key components of the Company's control structure are as follows:

Culture: The Board believes that good governance reflects the culture of an organisation. The Company aims at all times to act ethically and with integrity, and to instil this behaviour in all its employees by setting example by the Board. The Company has a code of conduct, which is posted on its internal intranet site. The Company is committed to developing and maintaining high professional and ethical standards. These are reflected in the rigorous selection process and career development plans for all employees. The organisation prides itself on being a long-term employer which instils in individuals, as they progress through the Group, a thorough understanding of the Company's ways of thinking and acting.

Channels of communication are clearly established which allow employees to express their views to senior staff. Employees are aware that, whenever the unexpected occurs, attention should be given not only to the event itself, but also to determining the cause. Through the Company's code of conduct, employees are encouraged (and instructed as to how) to report control deficiencies or suspicions of impropriety to those who are in a position to take necessary action.

Risk assessment: The Board of Directors and the management each have a responsibility to identify and analyse the risks underlying the achievement of business objectives, and to determine how such risks should be managed and mitigated. The management, among other matters, is responsible for facilitating risk assessment process and timely communication to the Board where appropriate, and ensuring that key business and operational risks are properly identified and managed.

Management structure: The Group has a clear organisational structure that, to the extent required, delegates the day-to-day responsibility for the design, documentation and implementation of procedures and monitoring of risk. Individuals appreciate where they will be held accountable in this process.

Controls and review: The control environment comprises policies and procedures intended to ensure that relevant management directives are carried out and actions that may be needed to address risks are taken. These may include approvals and verifications, reviews, safeguarding of assets and segregation of duties. Control activities can be divided into operations, financial reporting and compliance, although there may, on occasion, be some overlap between them. The typical control activities adopted by Group companies include:

— analytical reviews: for example, conducting reviews of actual performance versus budgets, forecasts, prior periods and competitors

— direct functional or activity management: reviews of performance reports, conducted by managers in charge of functions or activities

— information-processing: performing controls intended to check the authorisation of transactions and the accuracy and completeness of their reporting, for example, exception reports

— physical controls: ensuring equipment, inventories, securities and other assets are safeguarded and subject to periodic checks

— performance indicators: carrying out analyses of different sets of data, operational and financial, examining the relationships between them, and taking corrective action where necessary

— segregation of duties: dividing and segregating duties among different people, with a view to strengthening checks and minimising the risk of errors and abuse.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Risk Management and Internal Control Systems (continued)

The Company has in place effective processes and systems for the identification, capture and reporting of operational, financial and compliance-related information in a form and time frame intended to ensure that staff carry out their designated responsibilities.

Any material internal control defects identified are timely communicated and carefully evaluated for their potential impacts. The departments or functions who are owners of these controls, are required to propose corrective measures and obtain approval from management before implementation. The implementation statues are monitored by both management and the internal audit function to ensure these control defects are properly resolved in a timely manner. The Company has also established policies and procedures for the handling and dissemination of inside information. The information to be disclosed should be properly reviewed and approved by our compliance functions and management to ensure its appropriateness and accuracy, and is closely monitored after disclosure.

In 2017, the Company plans to use its best endeavor to continuously refine our risk management and internal control systems whenever necessary, which would include the establishment of a more formalised risk response process, improvements to be made in control design and execution in high risk areas identified through our annual risk assessment, and a mechanism to monitor the resolution of control deficiencies, to mention but a few.

Internal Audit Function

The Company's internal audit department plays a major role in the monitoring of the Company's internal governance processes. The major tasks of the department include providing assurance on the effectiveness of the Company's governance, risk management and internal controls in areas of operations, safeguarding of assets, reporting, and compliance, and conducting risk-based audits of all branches and subsidiaries of the Company on a regular basis with recommended action plans to audit findings. The department also provides consulting services in risk management and internal control related issues within the Company.

Review of the Effectiveness and Adequacy of Our Systems

The management prepares and submits reports to the Board in risk and control related issues at least annually, detailing how risks have been managed and internal controls have been designed and implemented in accordance with the established risk and control frameworks, to keep our overall risk exposures within risk appetite and achieve our business objectives. The Board reviews the reasonableness of these reports and representations from management and makes sufficient enquiries whenever they feel necessary, before reaching their conclusions.

In respect of the year ended 31 March 2017, the Board and the Audit Committee conducted annual review of the effectiveness of the risk management and the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Group's risk management and internal control systems were effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. KPMG, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 71 to 76 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the shareholders of the Company through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the annual general meeting, the chairperson of the annual general meeting and chairman/member/duly appointed delegate of the Audit Committee, the Remuneration Committee and the Nomination Committee are available to answer the questions raised by shareholders.

COMMUNICATION WITH SHAREHOLDERS (continued)

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2017.

An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a special general meeting.

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request stating the resolution intended to be moved at an annual general meeting; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statements must be signed by the shareholder(s) concern and deposited at the Company's registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal office at Suite 2302, Wing On Centre, 111 Connaught Road, Central, Hong Kong, for the attention of the joint company secretaries of the Company, not less than six weeks before an annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Bye-laws of the Company and the Companies Act 1981 of Bermuda, a special general meeting shall be convened by the Board on the requisition of one or more Shareholders' holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company and deposited at the registered office of the Company. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) (or any of them representing more than one half of the total voting rights held by all of the requisitionists) may do so in the same manner (as nearly as possible). Any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition. All reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT ENQUIRES TO THE BOARD

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In respect of other enquiries, Shareholders may put forward enquiries to the Board through the below contact details and we will direct the enquiries to the Board for handling. The contact details are as follows:

Address:	Suites 2302, Wing On Centre 1 Connaught Road Central Hong Kong
Tel No.:	(852) 2973 0332
Fax No.:	(852) 2973 6300

VOTING BY POLL

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholder's meeting.

CHANGE IN CONSTITUTIONAL DOCUMENTS

An amended and restated Bye-laws of the Company was adopted by the Company on 22 July 2016 and was effective on the same date. Other than that, the Company has not made any significant changes to its constitutional documents during the year ended 31 March 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

About this Report

This is the first Environmental, Social and Governance Report issued by IDG Energy Investment Group Limited (the "Company", together with its subsidiaries, the "Group"). This report mainly introduces the Company's policies and measures regarding environmental, social and governance ("ESG") issues and is meant to strengthen communication and engagement with internal and external stakeholders.

The board (the "Board") of directors of the Company (the "Directors") assumes full responsibility for the Company's ESG strategy and ESG reporting and is responsible for assessing and determining the Company's ESG risks and ensuring that the Company has an appropriate and effective ESG risk management and internal control system in place. The Board and its individual members affirm that this report contains no false or misleading statements or material omissions and that they are jointly and severally responsible for the truthfulness, accuracy, and integrity of its content.

Scope of the Report

This report covers IDG Energy Investment Group Limited and its domestic and overseas branches and wholly-owned subsidiaries.

Time Range

The Company's ESG report is an annual report and this report is for the period from 1 April 2016 to 31 March 2017.

Basis of Preparation

This report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of The Stock Exchange of Hong Kong Limited.

Vision of ESG Management

This reporting period is the first year for the environmental, social and governance works of the Company. To make a good start, the Company adheres to the development philosophy of "energy saving and emission reduction, green development and safety as first priority". The Company are devoted to comply with the disclosure requirements under the ESG Reporting Guide , and considers the environmental, social and governance works as a great opportunity for the further sustainable development of the Company.

As a responsible enterprise, the Group continuously strengthens technical innovation and improves the quality and efficiency while achieving green development; focuses on the control of production process and suppliers so as to provide high quality oil resources to the society; and brings more benefits to the local community. The Company strives to continuously improve its operation level, quality, efficiency and corporate vitality in order to develop itself into a highly efficient, safe and environmentally friendly energy company.

1. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT

Environmental protection is an important issue of common concern for the whole world. The Group strictly follows the national and local regulations on environmental protection, actively assumes the responsibility of environmental protection, increases its efforts in energy saving, emission reduction and environmental protection, enhances the resources utilization efficiency, reduces the emission of pollutants and ensures the protection to the environment and ecology of the Group's place of production and operation.

During the reporting period, the Group did not experience any serious accidents that caused environmental pollution and ecology damage.

1.1 Emissions Management

1.1.1 Waste Management

The Group implements the Law of the People's Republic of China on Promotion of Employment (《中華人民共和國環境保護法》), the Air Pollution Prevention and Control Program (《大氣污染防治行動計劃》) and other laws, regulations, guidelines and policies related to resource conservation and environmental protection. The Group facilitates the non-hazardous disposal and recycling of wastes through technology innovation, improvement of management mechanism, improvement of reward system for the repair and reuse of waste, collective recycling and enhancement of recycling rate.

The major wastes generated during the operation of the Group include waste drilling mud, waste and used valves, pipelines and other general industrial wastes generated from the exploitation of crude oil. In particular, the Group adopts the management measures of collective recycling and disposal for general industrial wastes of no use value. For waste drilling mud, the Group follows the industry standards and adopts chemical method to solidify the mud for landfill after non-hazardous treatment.

1.1.2 Wastewater Management

The Group follows the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), takes the measures of "locating the source, controlling the process, utilizing by different levels and recycling" based on the principle of source control and recycling, collects the sewage generated during the crude oil exploitation through the gathering station for separation from the crude oil and sedimentation, and injects it back to the stratum after wastewater treatment to facilitate the oil exploitation. The whole system is a closed loop where the wastewater can be fully recycled, thereby achieving zero emission.

During the reporting period, the wastewater generated from oil exploitation during the Group's production and operation amounted to 47,500 cubic meters, all of which were injected back to the stratum with a reinjection rate of 100%.

1. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

1.2 Use of Resources

1.2.1 Energy Management

Energy consumed by the Group mainly includes purchased electricity and associated natural gas generated from the oil field used for production as well as gasoline and diesel used for vehicles and electric generators. In accordance with the requirements of the Guides for Energy Management in Industrial Enterprise (《工業企業能源管理導則》) and relevant laws and regulations in the PRC, based on the actual operation, the Group has established, implemented, maintained and continuously improved the energy management system, specifies the organizational structure, job duties and measurement of energy management, reduces energy consumption, enhances the energy utilization rate, continuously optimizes the production techniques and operating methods, promotes the energy saving through various channels, shares its experience in energy saving and emission reduction and facilitates energy saving, emission reduction and clean production, so as to achieve green, low-carbon and recycling development.

The Group utilizes the wellhead gas and associated petroleum gas collected from the gathering station for wellhead heating, boiler of the gathering station, natural gas fuelled electric generators and other production equipment, utilizes the internally-generated clean energy in a highly efficient manner to achieve reduction of energy consumption. During the reporting period, 1,460,000 cubic meters of natural gas were used in the gas fuelled boiler for heat generation, which saved the consumption of 1,942 tonnes of standard coal equivalent, and reduced the emission of carbon dioxide by 5,088 tonnes. In addition, the Group used the remaining natural gas for power generation, which saved externally-sourced electricity of 270,000 kWh. Meanwhile, the Group changes the coil of the heater regularly to enhance the heat exchange efficiency, which reduces the consumption of energy in heating system effectively.

The major power consuming equipment of the Group is pumpjack. The Group has made reasonable adjustment to the parameters, promoted the application of variable frequency control, used new energy saving motors to reduce energy consumption efficiently, and saved electricity consumption of 1,102,000 kWh as compared to last year.

1. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

1.2 Use of Resources (continued)

1.2.2 Water Resources Management

The stability and development of the society is linked with the supply and safety of water resources. The Group always adheres to the principles of saving water and using water reasonably, implements the national water resources management system in various aspects such as water resources protection, exploration and utilization and water conservation, strengthens our management principle of "prevents problems at the beginning and solves problems when they are found", strengthens organizational leadership and unified planning, and continuously facilitates the construction of water resources integration system. While strengthening the assessment on total industrial water consumption, the Group has also implemented water conservation, pollution control and water recycling projects, and continuously optimized its utilization of water resources. For example, treated wastewater is used in thermal well flushing, profile control and other operations to reduce the use of freshwater.

1.3 Other Environmental Impact — Reclamation

Based on the guidelines of relevant documents such as the Guidance on Gradual Establishment of the Responsibility Mechanism for Environment Control and Ecology Recovery of Mine Fields (《關於逐步建立礦山環境治理和生態恢復責任機制的指導意見》) and the Notice on Matters related to Reporting and Review of Land Reclamation (《關於組織土地復墾編報和審查有關問題的通知》), the Group focuses on the implementation of comprehensive environment management for construction projects, pays attention to ecology protection, and carries out ecology recovery in a timely manner through land levelling, topsoil coverage, forestation, grass plantation and other measures. The Group also has formulated and published the Land Reclamation Plan, carried out the reclamation project and exploitation project simultaneously, achieved "exploiting while reclaiming", and passed the acceptance inspection performed by national environmental protection authorities.

2. SAFE PRODUCTION AND CONSTRUCTION OF HSE MANAGEMENT STRUCTURE

2.1 Safe Production

The Group values the life and health of its employees, strictly follows the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) and Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), adheres to the principles of "Safety First, Prevention Foremost and Comprehensive Treatment", takes the occupational health, production safety, and environmental protection as an important part in the performance of social responsibilities and implements the same in the Group's production and operation cycle, and establishes a health, safety and environment ("HSE") management system and operation mechanism integrated with decision making management, production operation, technical support and incentives and constraints.

During the reporting period, the Group has complied with the PRC's prevailing laws and regulations related to labour and safety, and did not experience any significant incidents that jeopardize the safety of the employees.

Improvement of HSE System

The Group aims at continuously improving the HSE management system and endeavours to establish the management system and ancillary system that match with the HSE management system and mechanism. The Group has established the safety organization leading group in which the general manager of the Group is the leader and specified the safety management work of each production group and every employee, which provides powerful support to the improvement of HSE supervision, research and decision making. Based on the HSE system standard framework plan, the Group has formulated and amended over 30 system standards related to safe production, environmental protection and health management such as the Employees' Safety Manual, Common Non-Compliance and Measures for Rectification and Identification and Prevention of Hazardous Factors, improved the HSE assessment mechanism and established the safety incentive fund to improve the HSE management performance.

Strengthening the Risk Management and Control

The Group facilitates the performance of safety and environmental protection responsibilities, establishment of risk classification, prevention and control mechanism, establishment of special and part-time emergency response team and establishment of accident prevention and alert mechanism. In accordance with the requirement of "double duties in one position", the Group conducts identification of safety hazards, rectifies and controls the safety problems and hazards identified in a timely manner, and facilitates the systematization and standardization of safety hazard identification and rectification works.

Safety Education for Employees

The Group attaches great importance to the improvement of safety awareness among its employees, continuously carries out various safety training, and promotes the HSE through multiple channels in a comprehensive manner. For example, the Group provides induction trainings and organizes the employees to watch educational videos related to safe production, thereby strengthening the employees' safe production operating ability. Based on the HSE theoretical system, the Group has established the HSE systematic training system which covers various aspects such as HSE management philosophy, job duties awareness and emergency management.

The Group has high requirement on the scope of safety training for all employees, during the reporting period, the coverage rate of employees' safety training reached 100%, and the coverage rate of HSE induction training for new employees also reached 100%.

2. SAFE PRODUCTION AND CONSTRUCTION OF HSE MANAGEMENT STRUCTURE (continued)

2.2 Protection of Occupational Health of Employees

The Group endeavours to strengthen the establishment of management system of employee's occupational health and establishes the occupational health management accountability system, which specifies the special personnel for supervision of occupational health. The Group also engages qualified institutions to conduct assessment and test on the occupational hazards in operating premises regularly and makes improvement on the production techniques with occupational hazards. The Group organizes its employees to receive occupational health examinations before, during and after employment, establishes occupational health records, provides health and labour protection conditions for all employees, carries out supervision, promotion and education on employee's health and comprehensively standardizes occupational health management.

During the reporting period, no new occupational disease cases occurred within the Group.

3. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT

The Group considers its employees as the foundation of enterprise, key to success and fundamental driver of development. For management of employees, the Group upholds the "people-oriented" core philosophy, respects and cares for its employees, establishes effective incentive mechanism and continuously improves and implements more effective talent policy so as to improve the employees' initiative, give play to the employees' creativity and facilitate the continuous development of the Group.

3.1 Employment and Protection of Employees' Rights and Benefits

Employment Policy

The Group strictly complies with the Law of Employment Promotion of the People's Republic of China (《中華人民共和國就業促進法》) and Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and has established comprehensive employment management rules and systems, implemented fair and non-discriminatory employment policy, including fair and just treatment to employees with different nationalities, skin colours, ethnicities, genders, religions and culture background. The Group enters into labour contracts with all of its employees. The Group confirms the age of job applicants by reviewing the identity, verifying the qualification and checking the contribution to social security fund, and strictly prohibits the employment of child labour in any form. As of the end of the reporting period, the average age of the Group's employees was 35 years old. The Group has taken various measures such as signing of agreements and strict supervision of working times to eliminate forced labour. Meanwhile, the Group attaches great importance to the business ability of human resources personnel in all levels, and organizes various trainings related to labour policies and regulations.

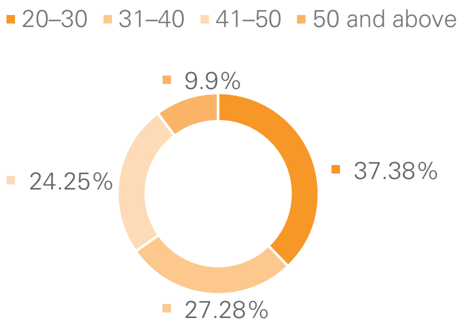
During the reporting period, the Group had no non-compliance with any codes, rules and regulations related to child labour and forced labour, and has complied with relevant rules and regulations in relation to recruitment and employment.

3. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

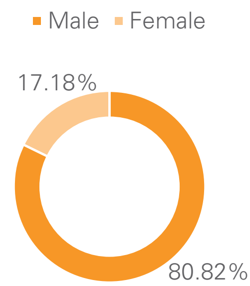
3.1 Employment and Protection of Employees' Rights and Benefits (continued)

Employment Policy (continued)

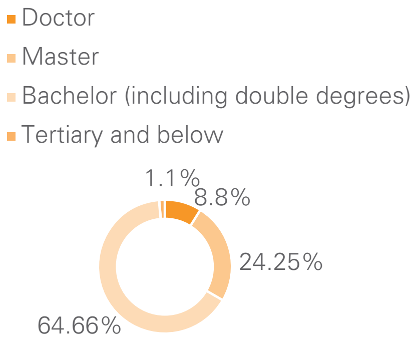
As of 31 March 2017, the basic information of the Group's employees was as follows:



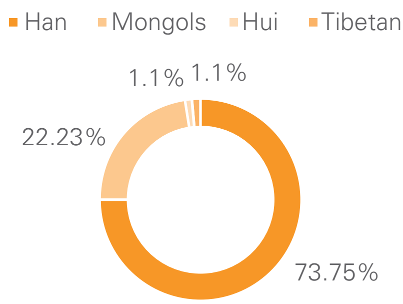
Distribution of the Employees of the Group by Ages



Distribution of the Employees of the Group by Genders



Distribution of the Employees of the Group by Education Background



Distribution of the Employees of the Group by Ethnicities

Democratic Management

The Group has established a sound mechanism of democratic management, emphasizes on giving play to the employees' function in democratic management, democratic participation and democratic supervision, establishes a labour union, implements the corporate democratic management system in the form of employees' representative meetings, and publishes all matters related to the rights and benefits of its employees. The Group insists on implementing democratic procedures, strengthens the disclosure of factory operation through multiple channels such as departmental meetings or regular meetings of the Group, special meetings for business discussion, face-to-face conversations, internal publications and the social media platform, encourages the employees to participate in the discussion and receives opinions from the employees.

Remuneration and Benefits

The Group has established a protective and competitive system of remuneration and benefits to achieve mutual development of corporate value and employees' value. The Group complies with national regulations related to social security and benefits, purchases insurances related to retirement, medical treatment, work-related injury, maternity and unemployment for its employees, makes contribution to the housing provident fund, provides basic benefits such as paid annual leave, and on top of that, implements comprehensive benefit protection plan.

3. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

3.2 Employees Training and Career Development

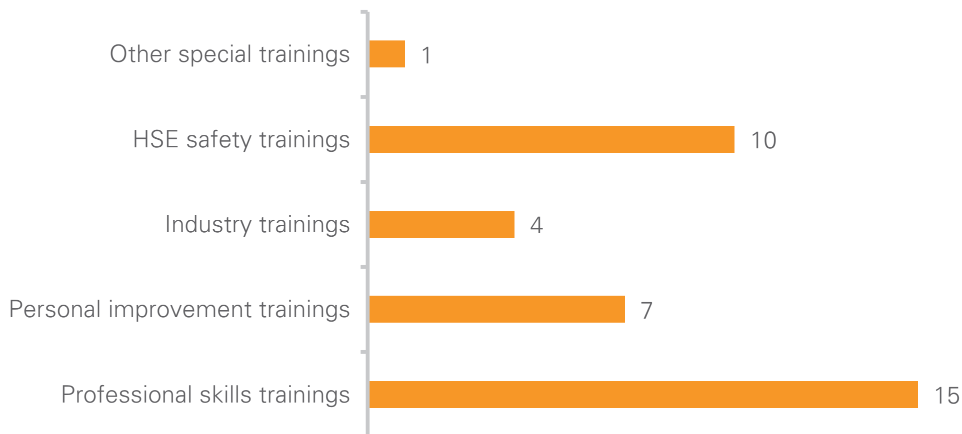
Diversified Trainings

The Group supports talent cultivation, attaches importance to facilitating talent education, pays attention to the improvement of professional ability and comprehensive quality of its employees, establishes a career development platform that enables mutual development of the Group and its employees, adheres to the guidelines of "providing quality training to facilitate development", forms a comprehensive training system with multiple layers, formulates training plans based on the advices and recommendations from the employees, and provides the employees with planned trainings related to corporate culture, professional knowledge, post skills and comprehensive quality. In addition to taught trainings, the Group also offers other trainings in various forms such as self-learning, special seminars, exchange sessions and job rotation, in order to enhance the training efficiency and result and continuously improve the employees' knowledge and working initiatives.

Based on the training needs collected from different departments every year, the Group formulates a training plan for all employees at the beginning of every year, and implements such plan based on priority in different quarters. After the completion of relevant professional and personal improvement trainings, the Group collects feedback from the trained employees in a timely manner. The trainings during the reporting period were well received, which provided supplemental knowledge and skills improvement to the employees' personal career development.

During the reporting period, trainings organized by the Group included: 15 sessions of professional skills trainings, such as fracture transformation basic training and discussion of cost of oilfield exploration and exploitation; 7 sessions of personal improvement trainings, such as human resource remuneration system design, laws and regulations training for middle and senior management and training of use of office administration software; 4 sessions of industry trainings, such as procedures for mergers and acquisitions and evaluation of oil and gas companies and sharing of regional industry research report of Gulf of Mexico; 10 sessions of HSE safety trainings, and 1 session of other special training.

TRAINING OF IDG ENERGY INVESTMENT GROUP
DURING THE REPORTING PERIOD



3. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

3.2 Employees Training and Career Development (continued)

Improvement of Development Path

The Group attaches great importance to the career development of its employees, provides targeted trainings to the employees based on actual situations, and establishes a training and development system for operation management talents and technology talents based on the Group's own characteristics. The Group offers double paths to employees for development of their management and professional skills, encourages the employees to broaden their visions beyond their existing jobs and consider their career development in a broad and comprehensive manner. For example, for technical employees, in addition to becoming the backbone through the study of technology, they may choose to continue their development through management path or technology path based on their own advantages and wills. The Group has established a fair and transparent employee promotion mechanism based on job title assessment to facilitate the employees' career development.

4. COMPLIANT OPERATION AND CONSTRUCTION OF A HARMONIOUS INDUSTRY CHAIN

4.1 Anti-corruption

The Group strictly follows laws and regulations related to anti-corruption. For our corporate development, the Group integrates the anti-corruption work with corporate development, regulates the rights and obligations of corporate shareholders' meeting, the Board and operation managers through anti-corruption education and system firewall, establishes a counterbalance mechanism with independent decision making, management and supervision and upholds correct value concept. The Group's internal management is under the leadership of the CEO and consists of various deputy managers responsible for different sectors. Major decisions are made under the principle of democratic centralism to eliminate "one-voice management" or secret operation. Through mutual collaboration and supervision, the Group has created a unified force with the intelligence and strength of all employees.

The Group makes continuous innovation in education methods and carries out in-depth education of honest practices. On one hand, the Group has provided special coverage of anti-corruption in the section headed "Basic Quality and Business Etiquettes of Employees" in the induction training materials for new employees, on the other hand, the Group has published the employees manual to prevent the occurrence of deliberate fabrication, leakage of confidential information, corruption, embezzlement, misappropriation, dinner invitation and sending gifts among the employees and improve the loyalty and morality of the employees.

4. COMPLIANT OPERATION AND CONSTRUCTION OF A HARMONIOUS INDUSTRY CHAIN (continued)

4.1 Anti-corruption (continued)

The Group has established a comprehensive top-down system, which requires continuously improving the systems in various aspects such as corporate operation, procurement, sales, project budget and final account, capital and finance, strengthening the corporate self-discipline and internal control mechanism, signing statements of honest practice with suppliers, prevents commercial bribery, and encouraging employees to file complaints or blow the whistle directly bypassing the immediate leadership for non-compliance identified. If the non-compliance is proven to be true, the responsible person shall be dismissed immediately, and the Group shall reserve the right of litigation depending on the severity of non-compliance. The Group also prevents the non-compliance through regulation of systems and procedures and punishment mechanism.

The Group actively responds to the national advocate of building honest practices and raising awareness of anti-corruption among the Chinese Communists Party members ("Party members"), organizes the Party members and the public to receive various life and special trainings in order to raise the awareness among all employees and build a corporate firewall against corruption.

During the reporting period, no significant risks relating to corruption and money laundering were identified. There were no confirmed incidents in relation to corruption or public legal cases brought against the Group or its employees concerning corruption.

4. COMPLIANT OPERATION AND CONSTRUCTION OF A HARMONIOUS INDUSTRY CHAIN (continued)

4.2 Ensuring Production Quality and Consolidating Customer Relationship

The product pricing and sales of the Group are in strict compliance with the Measures for Administration of the Market of Crude Oil (《原油市場管理辦法》), the Administrative Measures on Oil Price (《石油價格管理辦法》) and other relevant requirements.

Prior to entering into the contracts, the Group is required to provide its customers with an oil product quality report issued by qualified third party testing institutions. Meanwhile, the Group conducts strict internal tests on the water content and density of crude oil before and after dehydration on a daily basis, makes relevant records, and locates the source of problem in a timely manner in the event of any data abnormality. Upon delivery to the customers, sample tests will be conducted on every batch of crude oil under the supervision of both the Group and the customers, on-site tests of moisture content and density will also be conducted to ensure that every batch of crude oil sold meets the quality standard set out in the agreement, thereby protecting the interests of the Group and its customers.

4.3 Supplier Management

The Group values win-win cooperation relationships with its suppliers, cooperates with them to improve the ability in management of corporate environment and social risks, and continuously performs its social responsibility. Meanwhile, the Group pays attention to the suppliers' contract spirit and business ethics to prevent the occurrence of any illegal operation and non-compliant procurement.

The Group's suppliers can be categorized into two kinds, namely material suppliers who provide raw material and equipment for production, and service providers who provide professional technology services and project contracting services. The Group attaches great importance to the obligation management of suppliers and strictly implements the procedures and system for admission, maintenance, management and removal of suppliers to ensure that the products and services meet relevant requirements.

4. COMPLIANT OPERATION AND CONSTRUCTION OF A HARMONIOUS INDUSTRY CHAIN (continued)

4.3 Supplier Management (continued)

Strict preliminary review	Focus on obtaining the background information of the enterprise, such as the strength in technology, management, capital and other aspects. Establish the contractor assessment group with the Group's leader as group leader and the head of each business department as members, to select the contractors through tender and negotiation based on the principles of quality first and fair competition.
Signing of letter of undertaking related to HSE	Include it in the Group's safety and environmental protection management system and convene special meetings on safety and environmental protection on a regular basis.
Strengthening procedures tracking	Fully perform the supervision function, conduct comprehensive management of service providers, and enter into risk agreements and incentive mechanism to ensure high quality services or products.
Regular assessment	Conduct classification and regular quality assessment on the products or services provided, continuously improve the awareness of responsibility and service ability of suppliers, strive to build a sustainable service chain and supply chain, achieve the target of win-win results and mutual development with the suppliers.
Procurement	In order to reduce the cost and enhance the efficiency, the Group makes its procurement within a radius of 1,500 kilometres from the Group oilfields, and from the qualified oilfield equipment manufacturers who hold API certification and have been approved by China National Petroleum Corporation and Sinopec Limited; most of the suppliers shall be quality suppliers possessed with ISO9001 quality management system, ISO140001 environment management system and OHSAS18001 health management system, and the procurement of small spare parts shall be conducted under the principle of local or nearby procurement; use database of suppliers and service providers that fit the Group, and use systematic management and form records to enable traceable procedures.

5. COMMUNITY SERVICES AND CONTRIBUTION TO SOCIETY

The Group adheres to the guidelines of "mutual benefits and mutual development" and actively performs its social responsibility. The Group strives to establish a platform for communication with the residents in local community and set up the public relationship department as a communication channel to receive and understand the expectations and requirements from the residents in local community, thereby strengthening the mutual understanding. The Group also respects the traditional culture and practices of the place of production, actively promotes community engagement and creates value in various aspects such as job creation, poverty alleviation, infrastructure investment and tax contribution so as to facilitate and promote the economic, social and cultural development of the local community.

During the reporting year, the Group's participation and investment in social welfare projects are as follows:

Poverty Alleviation
Provided material support to eight local families in poverty which suffered from illness, disability or lonely elderly, and carried out caring activities.

Living Support Project
Provided potable water, cooking oil and other living necessities to the herdsmen living within the place of production, and financed the repairing of their vehicles, which ensured the basic livelihood of the herdsmen.

Care local soldiers
Carried out caring activities to the local soldiers on Army's Day and Chinese New Year. Provided living supplies to the local soldiers and help harden the foundation of their living sites.

Employment
Provided large amount of jobs, actively facilitated the employment of local herdsmen, and one third of the Group's employees came from the local community.

Interaction with Community
Invited the local herdsmen and local army to carry out various culture activities.

Infrastructure
Financed the repairing of pasture fence of the local herdsmen in poverty with a length of 4,500 meters.

During the reporting period, the Group visited the herdsmen families living nearby, carried out in-depth and detailed survey and study, received opinions and expectations from the local community, responded to the requirements from the residents, and was widely welcomed by the herdsmen.

Through the cooperation with the local government, army, non-profit organizations and non-governmental entities, the Group has built a positive image within the local community, created a harmonious social environment and made contribution to the overall development and harmonious improvement of the community.

6. APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
A. Environmental			
Aspect A1: Emissions			
A1	General Disclosure	56	1. Environmental Protection and Green Development 1.1.1 Waste Management 1.1.2 Wastewater Management
A1.5	Description of measures to mitigate emissions and results achieved.	56	1.1.2 Wastewater Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	56	1.1.1 Waste Management
Aspect A2: Use of Resources			
A2	General Disclosure	57	1.2.1 Energy Management
A2.3	Description of energy use efficiency initiatives and results achieved.	57	1.2.1 Energy Management
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	58	1.2.2 Water Resources Management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–	The products of the Group is crude oil, no packaging material were used, so it is not applicable
Aspect A3: Environment and Natural Resources			
A3	General Disclosure	56 58	1. Environmental Protection and Green Development 1.3 Other Environmental Impact — Reclamation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	56 58	1. Environmental Protection and Green Development 1.3 Other Environmental Impact — Reclamation

6. APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report	
B. Social				
Employment and Labour Practices				
Aspect B1: Employment				
B1	General Disclosure	60–61	3.1	Employment and Protection of Employees' Rights and Benefits
Aspect B2: Health and Safety				
B2	General Disclosure	59 60	2.1 2.2	Safe Production Protection of Occupational Health of Employees
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	59 60	2.1 2.2	Safe Production Protection of Occupational Health of Employees
Aspect B3: Development and Training				
B3	General Disclosure	59 62–63	2.1 3.2	Safe Production Employees Training and Career Development
Aspect B4: Labour Standards				
B4	General Disclosure	60	3.1	Employment and Protection of Employees' Rights and Benefits
B4.1	Description of measures to review employment practices to avoid child and forced labour.	60	3.1	Employment and Protection of Employees' Rights and Benefits
Operating Practices				
Aspect B5: Supply Chain Management				
B5	General Disclosure	65–66	4.3	Supplier Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	66	4.3	Supplier Management

6. APPENDIX — INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE (continued)

Environmental, Social and Governance Reporting Guide		Page Number	Content of the Report
Aspect B6: Product Responsibility			
B6	General Disclosure	65	4.2 Ensuring Production Quality and Consolidating Customer Relationship The product provided by the Group is oil, the quality of which is strictly monitored, and the risk of health and safety related to the product as well as the risks related to advertisement, label and consumer privacy are relatively low, therefore no disclosure is provided.
B6.4	Description of quality assurance process and recall procedures.	65	4.2 Ensuring Production Quality and Consolidating Customer Relationship
Aspect B7: Anti-corruption			
B7	General Disclosure	63–64	4.1 Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	64	4.1 Anti-corruption
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	63–64	4.1 Anti-corruption
Community			
Aspect B8: Community Investment			
B8	General Disclosure	67	5. Community Services and Contribution to the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	67	5. Community Services and Contribution to the Society

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
IDG Energy Investment Group Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of IDG Energy Investment Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 77 to 134, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for the Reverse Takeover Transaction

Refer to notes 2(b) and 28(a) to the consolidated financial statements.

The Key Audit Matter

As disclosed in note 2(b) to the consolidated financial statements, the Group completed the Reverse Takeover Transaction on 29 July 2016 (the "Completion Date"). The Reverse Takeover Transaction has been structured such that legally the Company acquired the entire equity interest of Xilin Gol League Hongbo Mining Development Company Limited 錫林郭勒盟宏博礦業開發有限公司 ("Hongbo Mining").

As a result of the Reverse Takeover Transaction, Titan Gas Technology Investment Limited ("Titan Gas") has become the majority shareholder of the combined group and the Group has ceased its hotel and restaurant operations and has become principally engaged in the exploration, development, production and sale of crude oil as carried out by Hongbo Mining.

The Group has accounted for the Reverse Takeover Transaction following principles similar to that for a reverse acquisition, with Hongbo Mining identified as the accounting acquirer which is deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company. As such, the Group's consolidated financial statements have been presented as a continuation of the financial statements of Hongbo Mining and a listing expense in the amount of HK$294,390,000 was recognised in profit or loss for the year.

How the matter was addressed in our audit

Our audit procedures to assess accounting for the Reverse Takeover Transaction included the following:

- inspecting all the agreements relating to the Reverse Takeover Transaction and, with reference to the requirements of the prevailing accounting standards, evaluating management's assessment that the overall Reverse Takeover Transaction should be accounted for following principles similar to those for a reverse acquisition, whereby Hongbo Mining is the accounting acquirer deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company;

- assessing the methodology adopted in determining the fair value of the shares deemed to have been issued by Hongbo Mining at the Completion Date with reference to the requirements of the prevailing accounting standards;

- challenging the key inputs adopted in determining the fair value of the Company's identifiable net liabilities at the Completion Date, in particular the discount rate used for the valuation of convertible bonds, by comparison with market and other externally available information;

KEY AUDIT MATTERS (continued)

Accounting for the Reverse Takeover Transaction

Refer to notes 2(b) and 28(a) to the consolidated financial statements.

The Key Audit Matter

We identified the accounting for the Reverse Takeover Transaction as a key audit matter because the Reverse Takeover Transaction has a fundamental impact on both the composition of the Group's businesses and its consolidated financial statements and because of the complexity of the associated accounting. In particular, the Reverse Takeover Transaction involved a number of interlocking transactions which required significant management judgement in determining the appropriate accounting treatment to reflect the substance of the transactions as a whole and in determining the application of the principles for a reverse acquisition which involved the quantification of a deemed element of consideration payable for the identifiable net liabilities and the listing status of the Company.

How the matter was addressed in our audit

- evaluating the recognition of the payment for services relating to the listing of Hongbo Mining's business on The Stock Exchange of Hong Kong Limited in profit or loss during the year with reference to the requirements of the prevailing accounting standards and re-calculating the listing expense relating to the Reverse Takeover Transaction;

- considering the comparative financial information presented in the consolidated financial statements, which was restated to be the financial information of Hongbo Mining for the year ended 31 March 2016 adjusted to reflect the Company's capital structure, with reference to the requirements of the prevailing accounting standards; and

- considering the disclosures in the consolidated financial statements in respect of the Reverse Takeover Transaction with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Assessing potential impairment of property, plant and equipment

Refer to note 12 to the consolidated financial statements and the accounting policies on page 87.

The Key Audit Matter

The Group's property, plant and equipment, which had a carrying value of HK$513,241,000 as at 31 March 2017, was principally used in the crude oil production operations carried out by Hongbo Mining.

As at 31 March 2017, management reviewed the property, plant and equipment, which was assessed to comprise one cash-generating unit, for the indicators of potential impairment.

Due to the decrease in crude oil prices, management considered that indicators of potential impairment existed as at 31 March 2017 and performed an impairment assessment by comparing the carrying amounts of property, plant and equipment with their recoverable amounts, which were estimated by calculating their value in use based on a discounted cash flow forecast.

The preparation of the discounted cash flow forecast involved the exercise of significant management judgment in determining the key assumptions adopted therein. Management relied on an oil and gas reserves report issued by an independent valuer to estimate future production volumes for oil and gas, future selling prices and future operating costs.

We identified assessing potential impairment of property, plant and equipment as a key audit matter because of the inherent uncertainties involved in estimating the recoverable amounts of property, plant and equipment and because the selection of the various assumptions adopted in the discounted cash flow forecast could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment included the following:

- assessing the design and implementation of key internal controls over the preparation and review of the impairment assessment;
- evaluating the methodology applied in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;
- assessing the independence, competence, capabilities and objectivity of the independent valuer engaged by the Group to estimate the oil and gas reserves and evaluating whether the methodology adopted by the independent valuer was consistent with the requirements of recognised industry standards;
- challenging the key assumptions adopted in the discounted cash flow forecast, which included forecast production volumes for oil and gas, forecast crude oil selling prices and forecast operating costs, by comparison with the Group's business plans, historical production information, market and other externally available information and the oil and gas reserves report issued by the independent valuer;
- engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cash flow forecast was within the range adopted by other companies in the same industry; and
- evaluating the sensitivity of the outcomes of the impairment assessment by considering possible downside scenarios against reasonably plausible changes to the key assumptions, which included lower production volumes for oil and gas, lower selling prices for crude oil, higher operating costs and a higher discount rate, and considering the possibility of management bias in the selection of these assumptions.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kwok Keung Raymond.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
16 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2017 HK$'000	2016 HK$'000 (restated) (note 2)
Revenue	*4*	**76,779**	110,812
Cost of sales		**(79,884)**	(106,278)
Gross (loss)/profit		**(3,105)**	4,534
Administrative expenses		**(45,333)**	(21,286)
Taxes other than income tax	*5*	**(5,358)**	(7,717)
Exploration expenses, including dry holes	*6*	**(19,215)**	(1,422)
Listing expense and related transaction costs	*7(c)*	**(360,620)**	–
Loss from operations		**(433,631)**	(25,891)
Finance income		**1,161**	138
Finance costs		**(18,149)**	(8,883)
Net finance costs	*7(a)*	**(16,988)**	(8,745)
Loss before taxation		**(450,619)**	(34,636)
Income tax	*8*	**(11,807)**	(4,307)
Loss for the year		**(462,426)**	(38,943)
Loss per share			
Basic and diluted	*11*	**HK$(0.33)**	HK$(0.04)

The notes on pages 83 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
		(note 2)
Loss for the year	**(462,426)**	(38,943)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of overseas subsidiaries	**(17,572)**	4,831
Other comprehensive income for the year	**(17,572)**	4,831
Total comprehensive income for the year	**(479,998)**	(34,112)

The notes on pages 83 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated) (note 2)	At 1 April 2015 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	12	**513,241**	571,857	652,498
Construction in progress	13	**4,792**	1,502	4,290
Intangible assets	14	**27,051**	29,664	32,424
Lease prepayments	15	**10,268**	11,248	12,156
Other non-current assets	17	**33,044**	40,290	31,881
Deferred tax assets	25(b)	**–**	–	2,220
		588,396	654,561	735,469
Current assets				
Inventories	18	**4,060**	5,765	5,075
Trade receivables	19	**49,368**	53,719	50,320
Other receivables	19	**1,063,053**	24,266	95,389
Current tax recoverable	25(a)	**–**	26,403	–
Cash and cash equivalents	20	**1,134,521**	15,266	7,601
		2,251,002	125,419	158,385
Current liabilities				
Trade and other payables	21	**272,893**	320,560	533,277
Bank and other borrowings	22	**101,375**	108,011	244,993
		374,268	428,571	778,270
Net current assets/(liabilities)		**1,876,734**	(303,152)	(619,885)
Total assets less current liabilities		**2,465,130**	351,409	115,584
Non-current liabilities				
Convertible bonds	23	**116,541**	–	–
Convertible note	24	**222,615**	–	–
Deferred tax liabilities	25(b)	**13,493**	2,087	–
Provisions	26	**35,117**	35,771	37,912
		387,766	37,858	37,912
NET ASSETS		**2,077,364**	313,551	77,672

The notes on pages 83 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Note	**At 31 March 2017 HK$'000**	At 31 March 2016 HK$'000 (restated) (note 2)	At 1 April 2015 HK$'000 (restated)
CAPITAL AND RESERVES				
Share capital	*27(c)*	**43,646**	3,473	3,473
Reserves	*27(d)*	**2,033,718**	310,078	74,199
TOTAL EQUITY		**2,077,364**	313,551	77,672

Approved and authorised for issue by the board of directors on 16 June 2017.

Wang Jingbo
Director

Lee Khay Kok
Director

The notes on pages 83 to 134 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	Share capital HK$'000 (note 27(c))	Share premium HK$'000 (note 27(d)(i))	Specific reserve HK$'000 (note 27(d)(ii))	Exchange reserves HK$'000 (note 27(d)(iii))	Other reserve HK$'000 (note 27(d)(iv))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2015 (restated)	3,473	119,068	4,019	21,602	139,606	(210,096)	77,672
Changes in equity for the year ended 31 March 2016:							
Loss for the year	–	–	–	–	–	(38,943)	(38,943)
Other comprehensive income	–	–	–	4,831	–	–	4,831
Total comprehensive income	–	–	–	4,831	–	(38,943)	(34,112)
Appropriation of safety production fund	–	–	1,298	–	–	(1,298)	–
Utilisation of safety production fund	–	–	(156)	–	–	156	–
Capitalisation of amounts due to former shareholders (note 20(b))	–	–	–	–	269,991	–	269,991
Balance at 31 March 2016 (restated)	3,473	119,068	5,161	26,433	409,597	(250,181)	313,551
Changes in equity for the year ended 31 March 2017:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(462,426)**	**(462,426)**
Other comprehensive income	**–**	**–**	**–**	**(17,572)**	**–**	**–**	**(17,572)**
Total comprehensive income	**–**	**–**	**–**	**(17,572)**	**–**	**(462,426)**	**(479,998)**
Appropriation of safety production fund	**–**	**–**	**897**	**–**	**–**	**(897)**	**–**
Utilisation of safety production fund	**–**	**–**	**(449)**	**–**	**–**	**449**	**–**
Arising from the Reverse Takeover Transaction (note 2(b))							
Issue of ordinary shares	**12,694**	**837,306**	**–**	**–**	**–**	**–**	**850,000**
Issue of preferred shares	**27,479**	**1,812,521**	**–**	**–**	**–**	**–**	**1,840,000**
Issue of convertible note	**–**	**–**	**–**	**–**	**34,583**	**–**	**34,583**
Cash consideration for the acquisition of Hongbo Mining	**–**	**–**	**–**	**–**	**(652,211)**	**–**	**(652,211)**
Deemed shares issued by Hongbo Mining (note 28(a))	**–**	**–**	**–**	**–**	**171,439**	**–**	**171,439**
Balance at 31 March 2017	**43,646**	**2,768,895**	**5,609**	**8,861**	**(36,592)**	**(713,055)**	**2,077,364**

The notes on pages 83 to 134 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

(Expressed in Hong Kong dollars)

	Note	2017 HK$'000	2016 HK$'000 (restated)
Operating activities			
Cash used in operations		**(9,085)**	(8,345)
Tax paid:			
— PRC tax paid		**–**	(26,685)
Net cash used in operating activities	*20(c)*	**(9,085)**	(35,030)
Investing activities			
Payment for the purchase of property, plant and equipment		**(54,160)**	(45,328)
Net cash outflow from the Reverse Takeover Transaction	*28(b)*	**(717,946)**	–
Payment for Stonegate Acquisition		**(194,729)**	–
Net cash used in investing activities		**(966,835)**	(45,328)
Financing activities			
Proceeds from issuing convertible note	*24*	**250,000**	–
Proceeds from issuing ordinary shares	*27(c)*	**850,000**	–
Proceeds from issuing preferred shares	*27(c)*	**986,653**	–
Proceeds from advances and borrowings		**109,299**	230,185
Repayment of advances and borrowings		**(105,401)**	(170,173)
Interest paid		**(4,572)**	(1,620)
Net cash generated from financing activities		**2,085,979**	58,392
Net increase/(decrease) in cash and cash equivalents		**1,110,059**	(21,966)
Cash and cash equivalents at the beginning of the reporting period	*20(a)*	**15,266**	7,601
Effect of foreign exchange rate changes		**9,196**	29,631
Cash and cash equivalents at the end of the reporting period	*20(a)*	**1,134,521**	15,266

The notes on pages 83 to 134 form part of these financial statements.

1 CORPORATE INFORMATION

IDG Energy Investment Group Limited (formerly known as Shun Cheong Holdings Limited) (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

Pursuant to a special resolution in relation to the change of company name passing at the special general meeting of the Company on 10 January 2017, the name of the Company was changed from Shun Cheong Holdings Limited to IDG Energy Investment Group Limited with effect from 16 January 2017.

As a result of the Reverse Takeover Transaction (as defined in note 2(b)), the Company and its subsidiaries (the "Group") have ceased its hotel and restaurant operations and have become principally engaged in the exploration, development, production and sale of crude oil in the People's Republic of China ("PRC"). The Group entered into an exploration and production cooperation contract ("EPCC") with 陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau), "Yanchang") in July 2010. The EPCC gives the Group the right to explore, develop, produce and sell the crude oil extracted from the two blocks (Block 212 and Block 378) located at Xilin Gol League, Inner Mongolia (the "Area"). Pursuant to the EPCC, all the capital expenditures and operation costs in relation to the Area shall be borne by the Group and the revenue generated from the sales of crude oil extracted from the two blocks shall be shared between the Group and Yanchang in the proportion of 80% and 20% respectively. The Group commenced production in Block 212 during 2010.

Yanchang holds the mineral right in respect of the Area pursuant to two exploration permits granted by the Ministry of Land and Resources of the PRC ("MOLR") to it. The current exploration permit of Yanchang in respect of Block 212 will expire on 5 March 2019, and the current exploration permit of Yanchang in respect of Block 378 will expire on 9 November 2017. The EPCC was renewed in July 2012, June 2015 and February 2016 respectively and the expiry date of the EPCC is extended to 30 June 2018. Current production and development in Block 212 rely upon the exploration permit held by Yanchang for Block 212 and Yanchang's successful application of the production permit in relation to the relevant areas within Block 212. Yanchang is in the process of applying to the MOLR for a production permit for Block 212. Currently, MOLR is still reviewing Yanchang's application, the expert review of overall development plan has already been approved by MOLR. Based on legal advice, subject to the fulfilment of the relevant terms of the EPCC by the Group, Yanchang is obliged to renew the EPCC with the Group with reference to the effective period of the production permit (to be obtained by Yanchang), which is usually 20 years and shall be renewable upon expiration of the initial effective period.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

On 29 July 2016 (the "Completion Date"), the following transactions (collectively referred to as "Reverse Takeover Transaction") were completed. The details of the Reverse Takeover Transaction are set out in the Company's circulars dated 29 June 2016 and 4 August 2016 and the Company's announcements dated 29 July 2016 and 26 August 2016.

- Pursuant to a sale and purchase agreement, Titan Gas Technology Investment Limited ("Titan Gas") acquired 175,000,000 ordinary shares of the Company held by Upsky Enterprises Limited ("Upsky") and the Company's convertible bonds with an aggregate principal amount of HK$96,833,000 held by Tanisca Investments Limited ("Tanisca"). Upsky was the Company's former ultimate holding company. Upsky and Tanisca are ultimately controlled by Mr. Mo Tianquan, the ultimate beneficial owner of Upsky.

- Pursuant to a subscription agreement, a total of 4,017,323,774 subscription shares were allotted and issued, comprising (i) 1,269,414,575 ordinary shares at a subscription price of HK$0.6696 each; (ii) the tranche 1 ("Tranche 1") preferred shares of 1,373,954,600 preferred shares at a subscription prices of HK$0.6696 each; and (iii) the tranche 2 ("Tranche 2") preferred shares of 1,373,954,599 preferred shares at a subscription prices of HK$0.6696 each. The 2,747,909,199 preferred shares of the Company issued pursuant to the subscription agreement are non-voting and convertible into 2,747,909,199 new ordinary shares.

- Pursuant to an acquisition agreement, the Company acquired the entire equity interest of Xilin Gol League Hongbo Mining Development Company Limited 錫林郭勒盟宏博礦業開發有限公司 ("Hongbo Mining"), a limited liability company established in the PRC, at a consideration of RMB558,880,000 (equivalent to HK$652,211,000).

- Pursuant to a convertible note subscription agreement, the Company issued the convertible note in an aggregate principal amount of HK$250,000,000 which is convertible into 373,357,228 ordinary shares at a conversion price of HK$0.6696 per share.

- Pursuant to a divestment agreement, the Company sold to Upsky the entire interests in the two wholly-owned subsidiaries, namely Aykens Holdings Limited and Hopland Enterprises Limited (collectively the "Divestment Group"), the aggregate amount of net receivables owed by the Divestment Group to the Company and the shares of SouFun Holdings Limited held by the Company at a total consideration of HK$1.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

Although the Reverse Takeover Transaction has been structured such that the Company acquired the entire equity interest of Hongbo Mining, Titan Gas became the majority shareholder of the combined group as a result. In addition, as the Company divested its original business as part of the Reverse Takeover Transaction, the overall transaction does not constitute a business combination in accordance with HKFRS 3 *Business Combinations*. Instead, Hongbo Mining was deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company in accordance with HKFRS 2 *Share-based Payment*.

Accordingly, these consolidated financial statements have been presented as a continuation of the financial statements of Hongbo Mining, such that:

(i) the assets and liabilities of Hongbo Mining were recognised and measured at their carrying amounts;

(ii) the identifiable assets and liabilities of the Company were recognised and measured initially at their fair value on the Completion Date; and

(iii) the comparative information presented in these consolidated financial statements was restated to be that of Hongbo Mining adjusted to reflect the Company's capital structure.

In addition, the difference in the fair value of the shares deemed to have been issued by Hongbo Mining and the fair value of the Company's identifiable net liabilities has been accounted for as payment for a service of a stock exchange listing for Hongbo Mining's business, and recognised in profit or loss during the year (see note 28(a)).

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)).

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j))

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, other than oil and gas properties, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings and structures	40 years
— Machinery and equipment	14 years
— Motor vehicles	8 years
— Others	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Oil and gas properties for the relevant area are amortised on a unit-of-production basis. Unit-of-production rate is based on oil and gas reserves estimated to be recoverable from known reservoirs.

(g) Exploration and evaluation costs

Geological and geophysical costs are charged to profit or loss as incurred.

Costs directly associated with an exploration well are initially capitalised as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as exploration and evaluation assets.

If no potentially commercial hydrocarbons are discovered, the exploration and evaluation asset is written off through the profit or loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as exploration and evaluation assets while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Exploration and evaluation costs (continued)

Regular review is undertaken for each area to determine the appropriateness of continuing to carry forward accumulated capitalised exploration and evaluation expenditure. To the extent that capitalised exploration and evaluation expenditure is no longer expected to be recovered, it is charged to profit or loss.

No amortisation is charged during the exploration and evaluation phase.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to property, plant and equipment — oil and gas properties.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss. Cooperation right is amortised on a unit-of-production basis. Unit-of-production rate is based on oil and gas reserves estimated to be recoverable from known reservoirs.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Lease prepayments represent land use rights paid to the relevant government authorities. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(j)). The cost of lease prepayments is amortised on a straight line basis over the respective periods of the land use rights.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised.

Impairment loss on current and non-current receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For impairment losses recognised in respect of trade debtors, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— lease prepayments; and

— investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses
An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i) and (ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(j)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Convertible note and bonds

Convertible note and bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the derivative component of the convertible note is measured at fair value and presented as part of derivative financial instruments (see note 2(e)) and the liability component of the convertible note and bonds are measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the derivative component and liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the derivative, liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note or bonds is converted or redeemed.

If the note and bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note or bonds is redeemed, the capital reserve is released directly to retained profits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Provisions for future dismantlement costs are initially recognised based on the present value of the future costs expected to be incurred in respect of the Group's expected dismantlement and abandonment costs at the end of related oil and gas development and production activities. Any subsequent change in the present value of the estimated costs, other than the change due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and the oil and gas properties.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is mainly engaged in the exploration, development, production and sales of crude oil and its external customer and non-current assets are located in the PRC.

The Group's most senior executive management regularly review its financial statements as a whole to assess the performance and make resource allocation decisions. Accordingly, no segment information is presented.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key Sources of estimation uncertainty are as follow:

(a) Oil and gas properties and reserves

The accounting for the oil and gas exploration and production activities is subject to accounting rules that are unique to the oil and gas industry. Engineering estimates of the Group's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved" or "probable". Proved and probable reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and probable reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in relation to depreciation rates.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment loss and future dismantlement costs. Depreciation rates are determined based on estimated proved developed reserve quantities (the denominator) and capitalised costs of producing properties (the numerator). Producing properties' capitalised costs are amortised based on the units of oil or gas produced.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(b) Impairment losses of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets or cash-generating units are not readily available. In determining the value in use, expected cash flows generated by the asset or the cash-generating unit are discounted to their present value, which requires significant judgement relating to level of sale volume, selling price and amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property, plant and equipment, other than oil and gas properties, are depreciated on a straight line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation charge to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future periods is adjusted if there are significant changes from previous estimates.

(d) Accounting for the Reverse Takeover Transaction

The Reverse Takeover Transaction involved a number of interlocking transactions, which required significant judgement in determining the appropriate accounting treatment to reflect the substance of the transactions as a whole. The Group has accounted for the Reverse Takeover Transaction following principles similar to that for a reverse acquisition, with Hongbo Mining identified as the accounting acquirer which is deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company. As such, the Group's consolidated financial statements have been presented as a continuation of the financial statements of Hongbo Mining and a listing expense was recognised in profit or loss for the year.

4 REVENUE

The Group is engaged in the exploration, development, production and sale of crude oil. Revenue represents the sales value of crude oil supplied to the customers, net of value added tax. The Group's customer includes only one customer with whom transactions have exceeded 10% of the Group's revenues.

5 TAXES OTHER THAN INCOME TAX

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
Resources tax	**4,607**	6,642
City construction tax	**469**	680
Education surcharge	**282**	395
	5,358	7,717

6 EXPLORATION EXPENSES, INCLUDING DRY HOLES

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
Staff cost	**274**	1,422
Dry holes	**4,135**	–
Geological and geophysical costs	**14,806**	–
	19,215	1,422

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
(a) Net finance costs		
Interest income	**(165)**	(138)
Changes in fair value on the derivative component of convertible note *(note 24)*	**(996)**	–
Interest on bank and other borrowings	**4,863**	5,737
Interest on convertible bonds and convertible note *(notes 23 and 24)*	**11,327**	–
Accretion expenses *(note 26)*	**1,631**	2,887
Foreign exchange loss, net	**316**	–
Others	**12**	259
	16,988	8,745

7 LOSS BEFORE TAXATION (continued)

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
(b) Staff costs		
Salaries, wages and other benefits	**17,645**	15,101
Contributions to defined contribution retirement plan	**1,069**	1,271
	18,714	16,372

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement scheme (the "Scheme") organised by the relevant local government authority for their employees. The Group is required to make contributions to the Scheme. The local government authority is responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
(c) Other items		
Amortisation		
— intangible assets	**810**	1,187
— lease prepayments	**296**	315
— other non-current assets	**2,979**	2,275
Depreciation		
— property, plant and equipment	**37,549**	51,319
Operating leases charges: minimum lease payments		
— buildings	**1,479**	986
Expenses incurred in relation to the Reverse Takeover Transaction *(note 2(b))*		
— listing expense *(note 28(a))*	**294,390**	–
— related transaction costs	**66,230**	–
Auditors' remuneration		
— audit services	**3,113**	62
— other services	**2,263**	–
Cost of inventories# *(note 18(b))*	**79,884**	106,278

Cost of inventories includes HK$44,239,000 (2016: HK$58,749,000) relating to staff costs, depreciation and amortisation charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
Deferred tax		
Origination and reversal of temporary differences	**11,807**	4,307

(b) Reconciliation between tax expense and accounting loss at applicable tax rate:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
Loss before taxation	**(450,619)**	(34,636)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(14,308)**	(8,659)
Effect of non-deductible expenses	**4,555**	6,605
Effect of unrecognised tax losses	**21,560**	6,361
Actual tax expense	**11,807**	4,307

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in Bermuda and the BVI.

Hongbo Mining and other PRC incorporated subsidiaries of the Company are subject to PRC enterprise income tax at the statutory rate of 25%.

Certain Hong Kong incorporated subsidiaries of the Company are subject to Hong Kong Profits Tax which is calculated at 16.5% of the estimated assessable profits.

No provisions for Hong Kong profits tax and PRC enterprise income tax have been made as the Group does not have any estimated assessable income arising in Hong Kong or the PRC for both the current and prior year.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments during the year ended 31 March 2017 disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Period ended 31 March 2017*				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	2017 Total HK$'000
Executive directors					
Wang Jingbo (appointed on 5 August 2016)	–	672	–	19	691
Cao Jing (resigned on 26 August 2016)	–	–	–	–	–
Lee Khay Kok (appointed on 5 August 2016)	–	559	288	–	847
Zhang Shaohua (resigned on 26 August 2016)	1	–	–	–	1
Non-executive directors					
Lin Dongliang (appointed on 5 August 2016)	–	–	–	–	–
Shong Hugo (appointed on 5 August 2016)	–	–	–	–	–
Mo Tianquan (resigned on 26 August 2016)	7	–	–	–	7
Independent non-executive directors					
Shi Cen (appointed on 5 August 2016)	150	–	–	–	150
Chau Shing Yim (appointed on 5 August 2016)	150	–	–	–	150
Chen Zhiwu	150	–	–	–	150
Ye Jianping (resigned on 26 August 2016)	1	–	–	–	1
Palaschuk Derek Myles (resigned on 26 August 2016)	2	–	–	–	2
Total	461	1,231	288	19	1,999

* The directors' remuneration was calculated for the period from 29 July 2016, the Completion Date of the Reverse Takeover Transaction, to 31 March 2017.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 March 2017, two are directors whose emoluments during their appointment as a director of the Company are set out in note 9 above. The aggregate of the emoluments of the five highest paid individuals are as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000 (restated)
Salaries and other emoluments	**3,215**	3,449
Discretionary bonuses	**1,564**	37
Retirement scheme contributions	**73**	114
	4,852	3,600

The emoluments of the 5 (2016: 5) individuals with the highest emoluments are within the following bands:

HK$	**2017 Number of individuals**	2016 Number of individuals (restated)
Nil – 1,000,000	**4**	4
1,000,001 – 2,000,000	**1**	1

11 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$462,426,000 (2016 (restated): HK$38,943,000) and the weighted average of 1,402,771,000 ordinary shares (2016 (restated): 974,031,000 shares) in issue during the year.

As the capital of Hongbo Mining is not sub-divided into shares, when calculating basic loss per share for the year ended 31 March 2016, the weighted average number of shares used is based on the number of ordinary shares that have been in substance issued by the Company for the acquisition of Hongbo Mining as part of the Reverse Takeover Transaction (note 2(b)).

When calculating the basic loss per share for the year ended 31 March 2017, the weighted average number of shares used from the beginning of the year to the Completion Date is based on the number of ordinary shares that have been in substance issued by the Company for the acquisition of Hongbo Mining (as described above), and the weighted average number of shares for the rest of the period is based on the actual number of the Company's ordinary shares in issue from the Completion Date to 31 March 2017.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2017 and 2016 in respect of a dilution as the impact of the convertible bonds, convertible note and preferred shares had an anti-dilutive effect on the basic loss per share amounts presented.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures $'000	Machinery and equipment $'000	Motor vehicle $'000	Oil and gas properties $'000	Others $'000	Total $'000
Cost:						
At 1 April2015 (restated)	118,879	75,436	11,488	785,158	24,306	1,015,267
Additions	–	323	–	449	321	1,093
Reassessment of provision *(note 26)*	–	–	–	(3,611)	–	(3,611)
Transferred from construction in progress	–	–	–	3,992	–	3,992
Disposals	–	–	–	–	(389)	(389)
Exchange adjustments	(5,872)	(3,734)	(567)	(38,578)	(1,194)	(49,945)
At 31 March 2016 (restated)	113,007	72,025	10,921	747,410	23,044	966,407
Additions	–	1,105	768	811	982	3,666
Reassessment of provision *(note 26)*	–	–	–	(863)	–	(863)
Transferred from construction in progress	–	–	–	10,704	–	10,704
Exchange adjustments	(6,942)	(4,450)	(689)	(46,163)	(1,439)	(59,683)
At 31 March 2017	**106,065**	**68,680**	**11,000**	**711,899**	**22,587**	**920,231**
Accumulated depreciation:						
At 1 April 2015 (restated)	(9,520)	(22,626)	(4,700)	(314,241)	(11,682)	(362,769)
Charge for the year	(2,946)	(5,810)	(1,380)	(37,569)	(3,614)	(51,319)
Written back on disposals	–	–	–	–	361	361
Exchange adjustments	542	1,260	267	16,450	658	19,177
At 31 March 2016 (restated)	(11,924)	(27,176)	(5,813)	(335,360)	(14,277)	(394,550)
Charge for the year	(2,761)	(5,675)	(1,186)	(25,041)	(2,886)	(37,549)
Exchange adjustments	797	1,802	384	21,183	943	25,109
At 31 March 2017	**(13,888)**	**(31,049)**	**(6,615)**	**(339,218)**	**(16,220)**	**(406,990)**
Net book value:						
At 1 April 2015 (restated)	109,359	52,810	6,788	470,917	12,624	652,498
At 31 March 2016 (restated)	101,083	44,849	5,108	412,050	8,767	571,857
At 31 March 2017	**92,177**	**37,631**	**4,385**	**372,681**	**6,367**	**513,241**

13 CONSTRUCTION IN PROGRESS

	Cost of wells drilled and other capital expenditure $'000
At 1 April 2015 (restated)	4,290
Additions	1,351
Transferred to property, plant and equipment	(3,992)
Exchange adjustments	(147)
At 31 March 2016 (restated)	1,502
Additions	18,301
Transferred to property, plant and equipment	(10,704)
Transferred to exploration expenses, including dry holes	(4,135)
Exchange adjustments	(172)
At 31 March 2017	**4,792**

14 INTANGIBLE ASSETS

	Cooperation right HK$'000
Cost:	
At 1 April 2015 (restated)	37,875
Exchange adjustments	(1,871)
At 31 March 2016 (restated)	36,004
Exchange adjustments	(2,212)
At 31 March 2017	33,792
Accumulated amortisation:	
At 1 April 2015 (restated)	(5,451)
Charge for the year	(1,187)
Exchange adjustments	298
At 31 March 2016 (restated)	(6,340)
Charge for the year	(810)
Exchange adjustments	409
At 31 March 2017	(6,741)
Net book value:	
At 1 April 2015 (restated)	32,424
At 31 March 2016 (restated)	29,664
At 31 March 2017	27,051

15 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Land use rights held under medium-term leases	**10,268**	11,248	12,156

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Issued and fully paid up capital	Effective percentage of equity attributable to the Company Direct	Indirect	Principal activity
Xilin Gol League Hongbo Mining Development Company Limited ("Hongbo Mining")	PRC	RMB434,920,000	–	100%	Exploration, development, production and sale of crude oil
Think Excel Investments Limited	the BVI	United States dollars ("US$") 1	100%	–	Investment holding
Valuevale Investment Limited	Hong Kong ("HK")	HK$100,000	100%	–	Investment holding
Beijing Valuevale Technology Limited	PRC	HK$679,363,214 *(note (a))*	91.9%	8.1%	Technology development and consulting
Beijing Value Top Technology Limited	PRC	RMB596,076,388 *(note (b))*	–	100%	Technology development and consulting

Note:

(a) The registered capital of this entity is HK$679,363,214. As of 31 March 2017, the registered capital has been paid up HK$634,363,214.

(b) The registered capital of this entity is RMB596,076,388. As of 31 March 2017, the registered capital has been paid up RMB560,719,988.

17 OTHER NON-CURRENT ASSETS

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Prepayments for construction in progress			
— a former fellow subsidiary	**–**	4,332	–
— third parties	**6,275**	5,027	4,511
Performance deposit due from Yanchang	**6,145**	6,546	6,886
Expenditures on public facilities	**20,624**	24,385	20,484
	33,044	40,290	31,881

18 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Spare parts and consumables	**2,442**	3,548	4,877
Finished goods	**1,618**	2,217	198
	4,060	5,765	5,075

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000 (restated)
Carrying amount of inventories sold *(note 7(c))*	**79,884**	106,278

19 TRADE AND OTHER RECEIVABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Trade receivables	**49,368**	53,719	50,320
Receivables of preferred shares *(note 27(c)(ii))*	**853,347**	–	–
Other receivables due from former related parties			
— holding company	**–**	–	27,107
— fellow subsidiaries	**–**	7,483	47,248
Others	**6,817**	7,685	12,246
Loan and receivables	**909,532**	68,887	136,921
Prepayment to suppliers	**21,005**	9,098	8,788
Performance deposit for Stonegate Acquisition (as defined in note 35)	**181,884**	–	–
	1,112,421	77,985	145,709

At 31 March 2017 and 2016, amounts due from former related parties were unsecured, interest-free and had no fixed terms of repayment.

19 TRADE AND OTHER RECEIVABLES (continued)

All of the trade and other receivables (including amounts due from former related parties) are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Within 1 month	**10,167**	8,019
1 to 6 months	**39,201**	45,700
	49,368	53,719

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables (see note 2(j)).

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Neither past due nor impaired	**39,423**	42,004
Less than 1 month past due	**9,945**	8,019
More than 1 month but less than 3 months past due	**–**	3,696
	49,368	53,719

Receivables that were past due but not impaired relate to an independent customer that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Deposit with banks	**139**	–	–
Cash at bank and on hand	**1,134,382**	15,266	7,601
	1,134,521	15,266	7,601

(b) Major non-cash transactions:

During the year ended 31 March 2016, pursuant to agreements between Hongbo Mining, Hongbo Mining's former shareholders, namely Shanghai Hongbo Investment & Management (Group) Co., Ltd ("Hongbo Investment") and Shanghai Lida Investment Management Company Limited ("Lida Investment"), and certain fellow subsidiaries (collectively "Hongbo Investment and its affiliates"), amounts due from, amounts due to and loans from Hongbo Investment and its affiliates, amounting to approximately HK$25,684,000, HK$107,682,000 and HK$187,993,000 respectively, were restructured into net amounts due to Hongbo Investment and Lida Investment of approximately HK$161,995,000 and HK$107,996,000 respectively. Pursuant to a resolution passed at Hongbo Mining's former shareholders' meeting held on 21 May 2015, the above amounts due to Hongbo Investment and Lida Investment were converted into Hongbo Mining's paid-in capital.

(c) Reconciliation of loss before taxation to cash used in operations:

	Note	**2017 HK$'000**	2016 HK$'000 (restated)
Loss before taxation		**(450,619)**	(34,636)
Adjustments for:			
Depreciation	*7(c)*	**37,549**	51,319
Amortisation of intangible assets	*7(c)*	**810**	1,187
Amortisation of lease prepayments	*7(c)*	**296**	315
Amortisation of other non-current assets	*7(c)*	**2,979**	2,275
Net financial costs	*7(a)*	**17,153**	8,883
Expenses incurred in relation to the Reverse Takeover Transaction	*7(c)*	**360,620**	–
Expenses incurred in relation to Stonegate Acquisition		**12,845**	–
Net loss on disposal of property, plant and equipment		**–**	28
Related well costs expensed as dry hole	*6*	**4,135**	–
Changes in working capital:			
Decrease/(increase) in inventories		**1,705**	(690)
(Increase)/decrease in trade and other receivables		**(2,202)**	58,842
Increase/(decrease) in trade and other payables		**5,644**	(95,868)
Income tax paid	*25(a)*	**–**	(26,685)
Cash used in operations		**(9,085)**	(35,030)

21 TRADE AND OTHER PAYABLES

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Trade payables	**129,501**	171,070	203,362
Other payables due to former related parties			
— holding company	**–**	–	71,771
— fellow subsidiaries	**–**	–	67,253
— other related party	**–**	–	24,034
Taxes other than income tax	**9,961**	9,983	16,091
Guarantee deposit	**39,424**	42,004	44,187
Payable due to Yanchang	**74,723**	92,096	104,292
Interest payable	**10,126**	3,822	–
Others	**9,158**	1,585	2,287
	272,893	320,560	533,277

All of the trade and other payables (including amounts due to former related parties) are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date (or date of recognition, if earlier), is as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Within 1 year	**55,503**	47,817
Over 1 year but within 2 years	**36,582**	103,949
Over 2 years but within 3 years	**33,226**	17,736
Over 3 years	**4,190**	1,568
Trade payables	**129,501**	171,070

22 BANK AND OTHER BORROWINGS

At 31 March 2017, the bank and other borrowings were repayable as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Within 1 year or on demand	**101,375**	108,011	244,993

At 31 March 2017, the bank and other borrowings were as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)	At 1 April 2015 HK$'000 (restated)
Bank borrowing	**–**	–	37,369
Other borrowings — unsecured			
— former related parties	**–**	–	207,624
— third party	**101,375**	24,002	–
Other borrowings — secured	**–**	84,009	–
	101,375	108,011	244,993

During the year ended 31 March 2017, the Group obtained the following short-term loans:

(i) RMB70,000,000 (equivalent to approximately HK$78,847,000) from China Merchants Bank Co., Ltd. entrusted by a third party, Guangzhou Zhang Su Investment Consulting Co., Ltd. ("Zhang Su"). This loan is unsecured, bearing interest at a fixed rate of 4.8% per annum and repayable within 3 months; and

(ii) RMB20,000,000 (equivalent to approximately HK$22,528,000) from China Merchants Bank Co., Ltd. entrusted by a third party, Xizang Zhuo Chuang Investment Co., Ltd ("Zhuo Chuang"). This loan is unsecured, bearing interest at a fixed rate of 4.35% per annum and repayable within 1 year.

23 CONVERTIBLE BONDS

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At 29 July 2016	114,208	133,092	247,300
Interest expenses *(note 7(a))*	3,133	–	3,133
Interest payable	(800)	–	(800)
At 31 March 2017	116,541	133,092	249,633

23 CONVERTIBLE BONDS (continued)

The convertible bonds have total nominal value of HK$120,000,000 and interest at 1% per annum which is payable half year in arrears. The convertible bonds are convertible into the Company's ordinary shares at a conversion price of HK$0.0672 per share at any time before 30 April 2018.

The convertible bonds have been accounted for as compound financial instruments containing an equity component and a liability component. The liability component was initially measured at fair value of HK$114,208,000 and carried at amortised cost.

The fair value of the liability component of the convertible bonds was estimated at the Completion Date was estimated by the directors of the Company with reference to the valuation performed by an independent professional valuer. The fair value of the liability component of the convertible bonds is determined by discounted cash flows over the remaining terms of the convertible bonds at discount rate of 4.12% per annum that reflect the credit risk of the Company.

24 CONVERTIBLE NOTE

	Liability component HK$'000	Derivative component HK$'000	Equity component HK$'000	Total HK$'000
At 29 July 2016	211,218	4,199	34,583	250,000
Interest expenses *(note 7(a))*	8,194	–	–	8,194
Fair value changes on the derivative component *(note 7(a))*	–	(996)	–	(996)
At 31 March 2017	219,412	3,203	34,583	257,198

On 29 July 2016, the Company issued the convertible note with an aggregate principal amount of HK$250,000,000. According to the terms of the convertible note, no interest shall be payable on the entire principal amount and the maturity date is the third anniversary of the completion date, i.e. 29 July 2019. The holder of the convertible note ("CN holder") has the right to convert the convertible note into the Company's 373,357,228 ordinary shares at a conversion price of HK$0.6696 per share. During the period starting from the first day of the 31st month following 29 July 2016, the CN holder has the right to request the Company to redeem the convertible note by paying the CN holder a redemption premium of HK$125,000,000 as well as the principal amount of HK$250,000,000.

The convertible note has been accounted for as a compound financial instrument containing an equity component, a liability component and a derivative component. The liability component was initially measured at fair value of HK$211,218,000 and carried at amortised cost. The redemption option is classified as derivative financial instruments and has been included in the balance of convertible note in the consolidated statement of financial position.

The fair value of the liability component of the convertible note at the Completion Date was estimated by the directors of the Company with reference to the valuation performed by an independent professional valuer. The fair value of the liability component of the convertible note is determined by discounted cash flows over the remaining terms of the convertible note at discount rate of 5.78% per annum that reflect the credit risk of the Company.

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax recoverable in the statement of financial position represents:

	2017 HK$'000	2016 HK$'000 (restated)
At the beginning of the reporting period	**26,403**	–
Income tax paid	**–**	26,685
Offset payable due to Yanchang *(note (i))*	**(25,736)**	–
Exchange adjustments	**(667)**	(282)
At the end of the reporting period	**–**	26,403

Note:

(i) According to the local tax bureau's correspondence on 16 August 2016, the income tax paid by Hongbo Mining with the amount of RMB22,000,000 (equivalent to approximately HK$26,685,000) in November 2015 was recognised as income tax paid on behalf of Yanchang. The Group therefore offset the payable due to Yanchang with the same amount during the year ended 31 March 2017.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the statement of financial position and the movements during the year are as follows:

	Provision for assets retirement obligation HK$'000	**Property, plant and equipment** HK$'000	**Intangible assets** HK$'000	**Accruals** HK$'000	**Total** HK$'000
Deferred tax arising from:					
At 1 April 2015 (restated)	(2,742)	10,229	73	(9,780)	(2,220)
(Credited)/charged to profit or loss	(722)	10,702	(12)	(5,661)	4,307
Exchange adjustments	153	(772)	(4)	623	–
At 31 March 2016 (restated)	(3,311)	20,159	57	(14,818)	2,087
At 1 April 2016 (restated)	(3,311)	20,159	57	(14,818)	2,087
(Credited)/charged to profit or loss	(408)	9,960	(11)	2,266	11,807
Exchange adjustments	214	(1,470)	(3)	858	(401)
At 31 March 2017	**(3,505)**	**28,649**	**43**	**(11,694)**	**13,493**

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses amounting to HK$134,940,000 and HK$53,897,000 as at 31 March 2017 and 2016 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction of the Group.

The unutilised tax losses in the PRC established entities will expire in five years after the tax losses generated under current tax legislation in 2021 and thereafter. The tax losses in those Hong Kong incorporated companies can be utilised to offset any future taxable profits under current tax legislation.

26 PROVISIONS

The amount represents provision for future dismantlement costs of oil and gas properties. Movements of provision during the reporting period are set out as follows:

	Assets retirement obligations HK$'000
At 1 April 2015 (restated)	37,912
Additions	449
Reassessment	(3,611)
Accretion expense	2,887
Exchange adjustments	(1,866)
At 31 March 2016 (restated)	35,771
Additions	811
Reassessment	(863)
Accretion expense	1,631
Exchange adjustments	(2,233)
At 31 March 2017	**35,117**

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital HK$'000 *(note 27(c))*	Share premium HK$'000 *(note 27(d)(i))*	Other reserve HK$'000 *(note 27(d)(iv))*	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 April 2015	3,473	119,068	194,142	(416,055)	(99,372)
Changes in equity for the year ended 31 March 2016:					
Total comprehensive income for the year	–	–	–	(10,930)	(10,930)
Balance at 31 March 2016 and 1 April 2016	3,473	119,068	194,142	(426,985)	(110,302)
Changes in equity for the year ended 31 March 2017:					
Total comprehensive income for the year	**–**	**–**	**–**	**(111,610)**	**(111,610)**
Arising from the Reverse Takeover Transaction *(note 2(b))*:					
Issue of ordinary shares	**12,694**	**837,306**	**–**	**–**	**850,000**
Issue of preferred shares	**27,479**	**1,812,521**	**–**	**–**	**1,840,000**
Issue of convertible note	**–**	**–**	**34,583**	**–**	**34,583**
Balance at 31 March 2017	**43,646**	**2,768,895**	**228,725**	**(538,595)**	**2,502,671**

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

There is no dividend declared attributable to the year ended 31 March 2017 (2016: Nil).

There is no dividends payable to owners of the Company attributable to previous financial year, approved and paid during the year ended 31 March 2017 (2016: Nil).

(c) Share capital

	Ordinary shares		Preferred shares		Total	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal value HK$'000
Shares of HK$0.01 each						
Authorised:						
At 1 April 2015 and 31 March 2016	8,000,000	80,000	–	–	8,000,000	80,000
Increase in authorised shares *(note (i))*	–	–	5,000,000	50,000	5,000,000	50,000
At 31 March 2017	**8,000,000**	**80,000**	**5,000,000**	**50,000**	**13,000,000**	**130,000**
Issued, paid or payable:						
At 1 April 2015 and 31 March 2016	347,326	3,473	–	–	347,326	3,473
Allotment and issuance of shares *(note (ii))*	1,269,415	12,694	2,747,909	27,479	4,017,324	40,173
At 31 March 2017	**1,616,741**	**16,167**	**2,747,909**	**27,479**	**4,364,650**	**43,646**

Note:

(i) Pursuant to a special resolution passed on 22 July 2016, the authorised share capital of the Company was increased from HK$80,000,000 to HK$130,000,000 by the creation of 5,000,000,000 preferred shares of HK$0.01 each.

(ii) At the Completion Date, the Company issued 1,269,414,575 ordinary shares at a subscription price of HK$0.6696 per share for cash and 2,747,909,199 preferred shares at a subscription price of HK$0.6696 per share.

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

Key terms of the preferred shares

- The total cash consideration for the subscription is HK$1,840,000,000, of which HK$986,653,000 has been received as at 31 March 2017 and the remaining HK$853,347,000 shall be fully received within one year of the Completion Date;
- Holders of fully-paid preferred shares will be entitled to all rights and privileges of the preferred shares;
- None of the preferred shares shall confer on the holders thereof the right to receive out of the funds of the Company available for distribution;
- The holders of the preferred shares shall be entitled to the net assets of the Company on an as-if-converted basis. Even if the preferred shares are not fully paid on liquidation, winding up or dissolution of the Company, the preferred shares shall entitle the holder the Company's net assets and at the same time the Company has the right to request full payment of the subscription price from the holder; and
- The fully-paid preferred shares are convertible into the Company's ordinary shares.

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the nominal value and the subscription price of ordinary shares and preferred shares issued by the Company.

(ii) Specific reserve

According to relevant PRC rules and regulations, the Group is required to transfer an amount to specific reserve for the safety production fund based on the production volume of crude oil and natural gas. The amount of safety production fund utilised would be transferred from the specific reserve back to retained earnings.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(iv) Other reserve

The other reserve comprises the equity component of convertible bonds and convertible note, and reserves arising from the Reverse Takeover Transaction.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

27 CAPITAL, RESERVES AND DIVIDENDS (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio (ratio of the sum of total bank and other borrowings, convertible bonds and convertible note to the total assets).

The Group's strategy is to maintain adequate funding from bank and related parties according to the operating needs and the capital commitments, and to maintain the gearing ratio at a range considered reasonable by management.

The Group's gearing ratio at 31 March 2017 and 2016 was as follows:

	Note	**2017 HK$'000**	2016 HK$'000
Interest-bearing debts:			
— Bank loans and other borrowings	*22*	**101,375**	108,011
— Convertible bonds	*23*	**116,541**	–
— Convertible note	*24*	**222,615**	–
Total debt		**440,531**	108,011
Total assets		**2,839,398**	779,980
Gearing ratio		**16%**	14%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 ACQUISITION

(a) Listing expense

As mentioned in note 2(b), although the Reverse Takeover Transaction has structured such that the Company acquired the entire equity interest of Hongbo Mining, Hongbo Mining is treated as the acquirer, for accounting purpose. Hongbo Mining is deemed to have issued shares to acquire the identifiable net liabilities and the listing status of the Company. The difference of the fair value of the shares deemed to have been issued by Hongbo Mining and the fair value of identifiable net liabilities has been accounted for as payment for the listing status.

Details of the identifiable net liabilities of the Company and listing expense arising from the Reverse Takeover Transaction as at the Completion Date are as follows:

	HK$'000
Other receivables	812
Cash at bank and on hand	495
Trade and other payables	(10,050)
Convertible bonds *(note 23)*	(114,208)
Total identifiable net liabilities at fair value	(122,951)
Listing expense	294,390
Fair value of the shares deemed to have been issued by Hongbo Mining	171,439

(b) Analysis of cash flows in respect of the Reverse Takeover Transaction

	HK$'000
Cash consideration for acquisition of Hongbo Mining	652,211
Other transaction costs paid	66,230
Cash acquired from the Company	(495)
Net outflow of cash and cash equivalents included in cash flows from investing activities	717,946

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank are deposited in the state-owned/controlled or listed banks which the directors of the Group assessed the credit risk to be insignificant.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

According to the crude oil sales agreement, a guarantee deposit of RMB35,000,000 was paid by the customer to the Group (as included in trade and other payables) in return for a maximum 180 days credit period for an amount up to RMB35,000,000.

The Group does not provide any guarantees which would expose the Group to credit risk.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Year ended 31 March 2017 Contractual undiscounted cash outflow					Year ended 31 March 2016 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**Total HK$'000**	**Carrying amount at 31 March HK$'000**	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount at 31 March HK$'000
Bank and other borrowings	**102,690**	**–**	**–**	**102,690**	**101,375**	109,473	–	–	109,473	108,011
Trade payables and other payables	**272,893**	**–**	**–**	**272,893**	**272,893**	320,560	–	–	320,560	320,560
Convertible bonds	**1,200**	**120,100**	**–**	**121,300**	**116,541**	–	–	–	–	–
Convertible note	**–**	**–**	**375,000**	**375,000**	**222,615**	–	–	–	–	–
	376,783	**120,100**	**375,000**	**871,883**	**713,424**	430,033	–	–	430,033	428,571

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group regularly reviews and monitors the mix of fixed and variable rate bank borrowing in order to manage its interest rate risks.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings at the respective reporting period end dates.

	31 March 2017 Effective interest rate %	31 March 2017 HK$'000	31 March 2016 Effective interest rate %	31 March 2016 HK$'000
Fixed rate borrowings:				
Other borrowings	4.35%-4.80%	101,375	4.80%	24,003
Convertible note	5.78%	222,615		–
Convertible bonds	4.12%	116,541		–
		440,531		24,003
Variable rate borrowings:				
Other borrowings		–	5.01%	84,008
		–		84,008
Total borrowings		440,531		108,011
Fixed rate borrowings as a percentage of total net borrowings		100%		22%

(ii) Sensitivity analysis

At 31 March 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately Nil (2016: HK$840,000). Other components of consolidated equity would have no change in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group is exposed to currency risk primarily through overseas investment which give rise to other receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars and RMB. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of other receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	31 March 2017			31 March 2016		
	United States Dollars HK$'000	**RMB HK$'000**	**Hong Kong Dollars HK$'000**	United States Dollars HK$'000	RMB HK$'000	Hong Kong Dollars HK$'000
Cash and cash equivalents	**29**	**–**	**26,496**	–	–	–
Trade and other receivables	**181,884**	**–**	**–**	–	–	–
Trade and other payables	**–**	**(2,399)**	**–**	–	–	–
Amount due to group companies	**–**	**–**	**(69,550)**	–	–	–
Net exposure arising from recognised assets and liabilities	**181,913**	**(2,399)**	**(43,054)**	–	–	–

(iii) Sensitivity analysis

The directors of the Company considered that the Group's exposure to currency risk is not significant. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil.

(f) Fair value measurement of financial instruments

The fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 March 2017 HK$'000	Fair value measurements as at 31 March 2017 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Liabilities:				
Derivative component of the convertible note *(note 24)*	**3,203**	–	**3,203**	–

The Group did not have any financial instruments measured at fair value as at 31 March 2016.

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement of financial instruments (continued)

(i) Fair value of financial assets and liabilities measured at fair value

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the derivative component of the convertible note is determined using the tree model. Details of the major parameters and assumptions adopted in the valuation are listed as follows:

	Derivative component of the convertible note	
Date of valuation	**31 March 2017**	29 July 2016 *(note (i))*
Stock price	**HK$2.45**	HK$2.05
Exercise price	**HK$0.6696**	HK$0.6696
Expected dividend yield *(note (ii))*	**0%**	0%
Annualised volatility *(note (ii))*	**120%**	108%
Time to maturity	**2.3 years**	3 years
Discount rate *(note (ii))*	**5.22%**	5.78%

Notes:

(i) These inputs represented the assumptions used in the estimate of the fair value of the derivative component of the convertibles note on 29 July 2016, which was the date the convertible note was issued.

(ii) The discount rate used is derived from the risk free interest rate with reference to the HKMA Exchange Fund Notes rate and Government Bonds yields quoted at the valuation date with same life span as life of the convertible note plus a relevant credit spread with appropriate credit rating stated in the Moody's Financial Metrics™ Key Ratios by Rating and Industry for Global Non-Financial Corporates: December 2015 and country risk premium. Annualised volatility is based on the historical volatility. Dividend yield are based on historical dividends.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

30 EXPLORATION SERVICE AGREEMENT

On 1 May 2015, Hongbo Mining entered into a service agreement ("Exploration Service Agreement") with Xilin Gol League Hongjin Engineering Technical Service Company Limited ("Hongjin Engineering"). Hongjin Engineering is held as to 60% by Hongbo Investment and 40% by Lida Investment.

The agreement signed on 1 May 2015 was subsequently superseded by a new service agreement dated 19 September 2015 ("New Exploration Service Agreement"). The expiry date of the New Exploration Service Agreement is the same as that of EPCC subject to early termination as set out in the New Exploration Service Agreement. Pursuant to which, Hongbo Mining shall pay Hongjin Engineering a fixed fee of RMB30,000,000 within 3 years from the date of the New Exploration Service Agreement based on the progress of the exploration and development works as agreed between Hongbo Mining and Hongjin Engineering. After Hongjin Engineering has spent the fixed fee of RMB30,000,000 on the exploration work on Block 378, it can choose to terminate the New Exploration Service Agreement based on its judgement of Block 378's commerciality. If Hongjin Engineering does not decide to terminate the New Exploration Service Agreement, it will be responsible to finance any further exploration work of Block 378 thereafter at its own cost and expenses. If, within the term of the New Exploration Service Agreement, certain criteria relating to the production activities of any of the exploration wells in Block 378 are met, Hongbo Mining and Hongjin Engineering will have the right to terminate the New Exploration Service Agreement ("Termination Option"). Upon termination, Hongbo Mining shall pay Hongjin Engineering a success fee of RMB200,000,000, and Hongjin Engineering shall transfer all its property, plant and equipment, intangible assets and rights relating to Block 378's exploration and development to the PRC Target.

Up until 31 March 2017, the exploration works with cost of RMB16,430,000 (approximately HK$18,941,000) has been performed by Hongjin Engineering on Block 378, while no proved reserve can be estimated for Block 378. Accordingly, the directors of the Company are of the opinion that the fair values of the Termination Option were Nil.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2017 not provided for in the financial statements were as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Contracted, but not provided for		
— property, plant and equipment	**28,553**	6,079

(b) At 31 March 2017, total future minimum lease payments under non-cancellable operating leases payable are as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Within 1 year	**1,841**	720
After 1 year but within 2 years	**365**	–
	2,206	720

The Group lease certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended 31 March	
	2017 HK$'000	2016 HK$'000 (restated)
Short-term employee benefits	**6,567**	3,984
Post-employment benefits	**113**	188
	6,680	4,172

Total remuneration is included in "staff costs" (see note 7(b)).

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Material related party transactions

The Group had the following material transactions with related parties during the reporting period.

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
		(restated)
With former holding company and fellow subsidiaries		
— advances received	**(31)**	(19,038)
— repayment of advances	**3,549**	26,029
— proceeds from borrowings	**–**	(2,769)
— repayment of borrowings	**–**	6,768
— rental expense	**317**	(1,232)
— prepayment	**–**	4,332
— decrease in net payables	**(317)**	(18,057)
With former other related party *(note (i))*		
— decrease in net payables	**–**	23,425
With the immediate holding company		
— increase in interest payable on convertible bonds *(note (ii))*	**650**	–

Note:

(i) Other related party represents a close family member of a director of Hongbo Mining.

(ii) Interest on the convertible bonds was payable to Titan Gas at 1% per annum. As disclosed in note 2(b), Titan Gas acquired the Company's convertible bonds with an aggregate principal amount of HK$96,833,000 on 29 July 2016. Details of the transaction and the terms of the convertible bonds were disclosed in note 23.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Related party balances

The Group's outstanding balances with related parties are as follows:

	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000 (restated)
Trade and other receivables		
— former fellow subsidiaries	**–**	7,483
Other non-current assets		
— a former fellow subsidiary	**–**	4,332
Trade and other payables		
— the immediate holding company *(note 32(b)(ii))*	**650**	–
Convertible bonds		
— the immediate holding company *(note 32(b)(ii))*	**94,042**	–

(d) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

33 CONTINGENT LIABILITIES

Hongbo Mining has been involved in a legal dispute with 北京炅湘鈺技術開發有限公司 (Beijing Jiongxiangyu Technology Development Co. Ltd.) (the "Claimant"). Pursuant to a judgement issued by Shaanxi Higher People's Court dated 4 April 2014, the Claimant's claims for profit and management rights of the two oil wells in Block 212 of Hongbo Mining were dismissed. On 10 August 2015, the Supreme People's Court issued an order for rehearing of the same case by the Supreme People's Court. Up to date of issue of these financial statements, there was no development of this dispute.

Based on legal advice from the legal counsel, Hongbo Mining shall not be liable for obligations in the agreement signed between Hongbo Mining's former shareholder and the Claimant. Accordingly, this matter will not have material adverse impact on the financial position of the Group. No provision has therefore been made in respect of this claim.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 March 2017 HK$'000	At 31 March 2016 HK$'000
Non-current assets			
Investments in subsidiaries		652,622	1,411
		652,622	1,411
Current assets			
Prepayments, deposits and other receivables		1,115,729	1,245
Equity investment at fair value through profit or loss		–	5,840
Cash and cash equivalents		1,086,785	713
		2,202,514	7,798
Current liabilities			
Other payables and accruals		13,309	9,738
Net current assets/(liabilities)		2,189,205	(1,940)
Total assets less current liabilities		2,841,827	(529)
Non-current liabilities			
Convertible bonds	*23*	116,541	109,773
Convertible note	*24*	222,615	–
		339,156	109,773
NET ASSETS/(LIABILITIES)		2,502,671	(110,302)
CAPITAL AND RESERVES			
Share capital	*27(c)*	43,646	3,473
Reserves		2,459,025	(113,775)
TOTAL EQUITY		2,502,671	(110,302)

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In November 2016, the Company entered into an assets purchase agreement ("APA") with Stonegate Production Company, LLC, Stonegate Dimmit Properties, LLC and/or Dimmit/La Salle Saltwater Disposal Company, LLC (the "Stonegate Sellers"). Pursuant to the APA, the Company has conditionally agreed to acquire and the Stonegate Sellers have conditionally agreed to sell the oil and gas related assets of the Stonegate Sellers in the Eagle Ford region of South Texas, the US, (the "Target Assets") at a purchase price of US$278,000,000 (equivalent to HK$2,156,000,000) (subject to adjustments in accordance with the APA) (the "Stonegate Acquisition").

The Company obtained shareholders' approval in respect of the entering into of the APA and the transactions contemplated thereunder on 31 March 2017. Completion of the Stonegate Acquisition is conditional upon the satisfaction or, if applicable, waiver of certain conditions precedent set out in the APA, one of which is the obtaining of the approval from the Committee In Foreign Investment in the United States of America (the "CFIUS").

In order to accommodate the additional time needed for CFIUS to evaluate and approve the acquisition, on 28 April 2017, a subsidiary of the Company and the Sellers have entered into the first amendment to the APA, agreeing that the end date set forth in the APA (the "End Date", i.e. 4 May 2017) would be changed to 18 July 2017, and the extension of the End Date would be changed from 30 additional days to 11 additional business days. In addition, a subsidiary of the Company and the Sellers have agreed the extension the transaction closing days from 5 business days to 10 business days and the transaction support agreement entered into by, among others, the Company, certain creditors holding liens on the Target Assets, and certain unitholders of Stonegate would also be extended to conform to the extension of the End Date of the APA.

36 COMPARATIVE FIGURES

Certain comparative figures have been categorised or reclassified to conform to current year's presentation.

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2017, the directors consider the immediate parent of the Group to be Titan Gas, incorporated in the British Virgin Islands, which is 87.76% held by Titan Gas Technology Holdings Limited. Titan Gas Technology Holdings Limited is owned as to 35.13% by Standard Gas Capital Limited, 49.14% by IDG-Accel China Capital II L.P. and IDG-Accel China Capital II Investors L.P., 8.05% by Mr. Wang Jingbo and 6.87% by Kingsbury International Holdings Co., Ltd., 0.73% by Zhang Weiwei and 0.08% by Bryce Wayne Lee.

(Expressed in Hong Kong dollars unless otherwise indicated)

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(u). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (continued)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's sales contract that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (continued)

HKFRS 16, Leases

As disclosed in note 2(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 31(b), at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$2,206,000, the majority of which is payable either between 1 and 2 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.