IDG Energy Investment Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 650

IDG Energy Investment

ANNUAL REPORT 2020

CONTENTS

CORPORATE INFORMATION

THE COMPANY
IDG Energy Investment Limited (the "**Company**")

BOARD OF DIRECTORS
Executive Directors
WANG Jingbo (Chairman and Chief Executive Officer)
LIU Zhihai (President)

Non-executive Directors
LIN Dongliang
SHONG Hugo

Independent Non-executive Directors
GE Aiji
SHI Cen
CHAU Shing Yim David

AUDIT COMMITTEE
CHAU Shing Yim David (Chairman)
SHI Cen
LIN Dongliang

REMUNERATION COMMITTEE
CHAU Shing Yim David (Chairman)
GE Aiji
SHONG Hugo

NOMINATION COMMITTEE
GE Aiji (Chairman)
SHI Cen
WANG Jingbo

JOINT COMPANY SECRETARIES
TAN Jue (Chief Financial Officer)
KU Sau Shan Lawrence James

PRINCIPAL BANKERS
Industrial Bank Co. Ltd., Hong Kong Branch
Far Eastern International Bank
DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
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
Unit 5507, 55/F, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISORS
Baker & McKenzie

AUDITOR
KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

STOCK CODE
SEHK: 00650

WEBSITE
http://www.idgenergyinv.com

CORPORATE PROFILE

The Company is an investment holding company principally engaged in the investment and management of global energy assets and the mobility services business. The financial statements of the Company is reported by consolidating the financial results of its controlled portfolio companies, whereas the Company's interests in other non-controlling portfolio companies are mostly recognized as financial assets at fair value through profit or loss in the Company's financial statements.

As at 31 March 2020, the Company has invested in various energy portfolio companies in China and abroad, which include Hongbo Mining, Stonehold, JOVO, GNL Quebec, LNGL, and JUSDA Energy, etc., covering investments in upstream crude oil assets and strategic investments throughout LNG value chain. To capture new investment opportunities, the Company has also set foot in the mobility services industry by investing in Weipin, a company that operates a mobility services platform in China, in late 2019.

- 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**") is a wholly-owned portfolio company acquired by the Company in 2016. It is an operating company engaged in exploration, development, production and sales of crude oil in China with its gross sales volume of approximately 400,279 barrels, and gross revenue from sales of approximately HK$190.2 million for FY2019. The Company holds 100% equity interest in Hongbo Mining and therefore its financial figures are fully consolidated to the Company's financial statements.

- Stonehold Energy Corporation ("**Stonehold**"), a portfolio company in the upstream oil sector invested by the Company in 2017, owns a world-class shale oil block in Eagle Ford, Texas of the United States (the "**U.S.**"). The total net production and the revenue of Stonehold for 2019 had reached approximately 856,000 boe and US$37 million, respectively. The Company invested in Stonehold through the provision of a Term Loan, with a fixed annual interest rate of 8%. In addition, the Company is also entitled to an amount equivalent to 92.5% of the net disposal proceeds upon disposal of the underlying assets. The investment in Stonehold (the "**Stonehold investment**") is recognized as a financial asset at fair value through profit or loss in the Company's financial statements.

- Jiangxi Jovo Energy Company Limited* (江西九豐能源有限公司) ("**JOVO**"), an LNG sector portfolio company invested by the Company in 2017, is principally engaged in clean energy businesses, including importing, processing and sale of liquefied natural gas ("**LNG**") and liquefied petroleum gas ("**LPG**") in China. As the first private LNG receiving terminal operator in China and one of the internationally recognized players in the LNG market, JOVO imports over 1 million tons of LNG annually. The Company holds minority interest in JOVO and recognizes this investment as a financial asset at fair value through profit or loss in the Company's financial statements.

- LNG Quebec Limited Partnership ("**GNL Quebec**") is another portfolio company in LNG value chain invested by the Company. GNL Quebec owns and operates one of the largest Canadian LNG export terminals under development with a planned capacity of 11 mmtpa. The Company holds minority interest in GNL Quebec and recognizes this investment as a financial asset at fair value through profit or loss in the Company's financial statements.

CORPORATE PROFILE

- Liquefied Natural Gas Limited ("**LNGL**"), a company listed on the Australian Securities Exchange (ASX code: LNG), is a portfolio company that the Company invested in 2018. LNGL is an independent LNG project developer which operates primarily in North America. The Company is the second-largest shareholder, holding a 9.8% equity interest in LNGL. This investment is recognized as a financial asset at fair value through profit or loss in the Company's financial statements.

- JUSDA Energy Technology (Shanghai) Co. Ltd.* (準時達能源科技(上海)有限公司) ("**JUSDA Energy**"), an investment in LNG value chain made by the Company in 2018, is engaged in LNG logistics services using LNG ISO container model. JUSDA Energy started its business in 2019, and has been providing stable logistics services to its customers helping them to distribute LNG from domestic LNG receiving terminals or source LNG to the overseas markets by using ISO containers. The Company will hold a 39% equity interest upon completion of all equity contribution in JUSDA Energy and recognizes this investment as interest in an associate in the Company's financial statements.

- Weipin ("**Weipin**"), a mobility sector portfolio company acquired by the Company in 2019, is principally engaged in the online ride-hailing services business in China. The Company effectively holds 35.5% of the equity share of Weipin and has the majority voting right of the board of directors with all the decision-making power over the activities of Weipin. Therefore, the Company has consolidated the financial results of Weipin into its financial statements upon completion of the acquisition.

Note: Terms used in this section have the same meanings as those defined in the subsequent sections of this annual report.

* *For identification purposes only*

FINANCIAL SUMMARY

	Year ended 31 March				
					2016
	2020	2019	2018	2017	(restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from sales and services	**243,546**	168,026	123,399	76,779	110,812
— Revenue from sales of crude oil (Note 1)	**152,219**	168,026	123,399	76,779	110,812
— Revenue from rendering of mobility services (Note 2)	**91,327**	–	–	–	–
Investment (loss)/income (Note 3 and Note 6)	**(244,018)**	163,289	74,395	–	–
Total (loss)/income from principal business activities, net of cost (Note 4)	**(206,152)**	237,956	106,576	(3,105)	4,534
EBITDA	**(210,978)**	236,636	101,656	(392,795)	26,197
Adjusted EBITDA (Note 5)	**(210,978)**	236,636	101,656	(32,175)	26,197
(Loss)/profit before taxation	**(303,843)**	35,482	24,323	(450,619)	(34,636)
(Loss)/profit for the year (Note 6)	**(296,725)**	27,379	14,493	(462,426)	(38,943)
Basic (loss)/earnings per share (HK$ per share)	**(4.499 cent)**	0.437 cent	0.403 cent	(0.33)	(0.04)
Diluted (loss)/earnings per share (HK$ per share)	**(4.499 cent)**	0.436 cent	0.294 cent	(0.33)	(0.04)

	As at 31 March				
					2016
	2020	2019	2018	2017	(restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,734,099**	2,606,207	2,314,740	588,396	654,561
Current assets	**1,179,910**	1,292,562	1,948,721	2,251,002	125,419
Total assets	**3,914,009**	3,898,769	4,263,461	2,839,398	779,980
Current liabilities	**277,114**	226,514	287,003	374,268	428,571
Non-current liabilities	**230,107**	128,842	386,899	387,766	37,858
Total liabilities	**507,221**	355,356	673,902	762,034	466,429
Net assets/(liabilities)	**3,406,788**	3,543,413	3,589,559	2,077,364	313,551

Note 1: The revenue from sales of crude oil represents the revenue generated from the net sales of crude oil produced by Hongbo Mining, a wholly-owned subsidiary of the Company.

Note 2: The revenue from rendering of mobility services represents the revenue from the online ride-hailing services provided by Weipin, a 35.5% owned subsidiary of the Company, from the acquisition date (15 November 2019) to 31 March 2020.

Note 3: According to accounting policy, the investment (loss)/income stated here mainly includes (i) the returns from one of the investments regarding upstream oil and gas assets, primarily in the form of interest income (interest at the rate of 8% per annum) and other fair value changes from the term loan (the "**Term Loan**") granted to Stonehold, which holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S. and (ii) the net of investment income and losses in the form of fair value gain or loss from other projects.

FINANCIAL SUMMARY

Note 4: The total (loss)/income from principal business activities, net of cost represents the above-mentioned revenue from sales of crude oil, revenue from rendering of mobility services and investment (loss)/income, net of the cost of sales of crude oil and cost of rendering of mobility services.

Note 5: 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 during FY2016 (collectively referred to as the Reverse Takeover Transaction, the "**RTO**") (as defined in the circular of the Company dated 29 June 2016 (the "**RTO Circular**")).

Note 6: The loss for FY2019 is primarily attributable to the investment loss which was primarily attributed to the following factors:

(i) the Company recorded a loss of approximately HK$143 million from the Stonehold investment in FY2019. The loss was mainly resulted from the substantial decline in oil price in the first quarter of 2020, which was largely due to the severely reduced oil demand caused by the COVID-19 pandemic. In addition, Russia's decision not to join the oil production cut in early March 2020, followed by Saudi Arabia's announcement made in March 2020 to increase production in April 2020, has further exacerbated the imbalance of the oil market, creating a massive glut and driving oil price to a historic low.

(ii) the Company recorded a loss of approximately HK$117 million from the investment in LNGL (the "**LNGL Investment**") in FY2019. The LNGL Investment is measured at fair value through profit or loss with reference to the change of unadjusted quoted price on stock market. The loss was resulted from the decreasing stock price of LNGL. LNGL's operation and financing have been affected by the adverse dynamics in the general global economy and the oil and gas market.

OPERATING SUMMARY

		Year ended 31 March	
		2020	2019
		HK$'000	HK$'000
GLOBAL ENERGY INVESTMENT	**Upstream oil and gas business from Hongbo Mining**		
	Gross production volume (barrels) (Note 1)	**406,290**	387,513
	Gross sales volume (barrels) (Note 1)	**400,279**	390,479
	Net sales volume (barrels)	**320,224**	312,384
	Average unit selling price (HK$ per barrel) (Note 1)	**475**	518
	Average daily gross production volume (barrels)	**1,129**	1,076
	Average unit production cost before depreciation and amortisation (HK$ per barrel) (Note 1)	**92**	113
	Average unit production cost (HK$ per barrel) (Note 1)	**214**	241
	Wells drilled during the year		
	— Dry holes (unit)	**–**	–
	— Oil producers (unit) (Note 2)	**12**	13
	Fracturing workover during the year (unit)	**3**	4
	Key investment (loss)/income		
	Stonehold investment (Note 4 and Note 5)	**(143,298)**	184,361
	LNGL investment (Note 5)	**(116,595)**	(25,937)
MOBILITY SERVICES BUSINESSES	**Mobility services businesses from Weipin**		
	Total orders from 15 November 2019 to 31 March 2020 (Orders) (Note 3 and 5)	**3,088,786**	–
	Average daily order(s) (Note 3 and 5)	**22,546**	–
	Average revenue per order (HK$) (Note 3 and 5)	**30**	–

OPERATING SUMMARY

Note 1: Hongbo Mining is a subsidiary of the Company engaged in exploration, development, production and sale of crude oil in China. Hongbo Mining'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 20% of crude oil production volume as the entitlement for Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau* (陝西延長石油(集團)有限責任公司(延長油礦管理局)) ("**Yanchang**"). The average unit selling price was calculated using the net sales amount and net sales volume which exclude Yanchang's 20% entitlement. Gross sales volume equals to the net sales volume plus Yanchang's 20% entitlement.

Note 2: In FY2019, Hongbo Mining had successfully drilled 12 wells. As at 31 March 2020, all of the development wells had been put into production.

Note 3: Weipin is a subsidiary of the Company engaged in online mobility services business which commenced its operations in 2019. Due to the short period of operation of the Company in this business as well as the COVID-19 pandemic, the expected revenue and the daily order volume generated from the mobility services had been unable to reach full potential in FY2019. However, China has showed great improvement on the containment of the COVID-19 pandemic recently and the mobility services business of Weipin was able to pick up with peak average daily order reaching approximately 50,000 orders in the first half of June 2020.

Note 4: The loss from the Stonehold investment mainly resulted from the substantial decline in oil price in the first quarter of 2020. However, as OPEC decided to extend the current production cut and the global oil demand recovery continues to kick in with the oil inventory increasing at a rate lower than expected, the WTI has reached to US$40/barrel in the first half of June 2020.

Note 5: Please refer to note 4 to the consolidated financial statements and the section headed "Business Review" in this annual report for further information.

For the purpose of this annual report, unless otherwise indicated, exchange rates used are for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date. In respect of information of exchange rates that have been previously disclosed in the Company's announcements, the same exchange rates as disclosed in the respective announcements have been used herein.

* *For identification purposes only*

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I hereby report to you the annual results of the Company and its subsidiaries for FY2019.

The Company is mainly engaged in global energy assets and mobility services business investment and management. The Company's objective is to achieve superior risk-adjusted returns by making privately negotiated investments primarily in the energy sectors, which is a significant component of virtually all major economies. The Company's energy portfolio comprises six active energy investments with a strong emphasis on China and North America's low-cost oil basins and strategic LNG terminal projects, which makes it well placed to take advantage of the dynamic global energy market. In November 2019, the Company expanded its business horizons by setting foot in the new mobility industry so as to diversify income stream and maximise returns for its shareholders. The mobility services platform is one of the focal businesses for the Company to concentrate and develop in the coming years.

Overall, the Company and its subsidiaries recorded a net loss of HK$296.7 million for FY2019 as compared to a net profit of approximately HK$27 million for FY2018. The loss was mainly attributable to the decrease in investment income in the form of the change in fair value from HK$163 million in FY2018 to a negative HK$244 million in FY2019 due to the substantial decline in oil price in the first quarter of 2020, which was largely due to the severely reduced oil demand caused by the COVID-19 pandemic, and the adverse dynamics in the general global economy and the oil and gas market. However, before the emergence of the COVID-19 pandemic, the Company had diversified its investments by entering into the mobility services industry which contributed to the significant increase in the top lines. The Company recorded a revenue of HK$91.3 million from mobility services for the first four months since completion of its investment in Weipin. Although the revenue from the mobility services business was also adversely affected by the COVID-19 pandemic, it had gradually recovered due to China's successful prevention and control efforts on COVID-19.

In 2019, the oil market had stabilized at a price range of US$60 to US$70 with the Brent oil price averaging at US$64.36/bbl. However, the year 2020 started with a bit of rollercoaster for the global oil market. In January, the death of an Iranian general pushed oil price above US$70/bbl for a short period before the market fell into turmoil. The outbreak of the COVID-19 pandemic and disagreement on oil price between Organization of Petroleum Exporting Countries ("**OPEC**") and Russia made the oil market extremely volatile in the first quarter of 2020. The global lockdown, as one of the measures to control the COVID-19 pandemic, has impacted 60% of the world's population which resulted in low energy consumption, especially for crude oil due to limited transportation. Signs of recovery did appear in April and May 2020, but the projection from International Energy Agency ("**IEA**") shows a demand fall of 8.6mb/d on average for the year 2020 which is subject to the possible resurgence of the COVID-19. There are difficulties in projecting the trend of the oil market. Still, with the observations that the major players, including Saudi, Russia, and the U.S. are working on oil fundamentals, it can be expected that the current oil price could not remain sustainable. In response to the above adverse effects, the Company's upstream portfolio investments have quickly adjusted their respective annual production target by actively limiting production, reducing capital investment, and taking various cost reduction and efficiency improvement measures.

CHAIRMAN'S STATEMENT

As for the global LNG market, it recorded the biggest growth ever by 40 million tonnes per annum ("**mtpa**") to 359 mtpa. Europe was the biggest growing market with an approximately 36 mtpa addition compared to 2018. The natural gas market in China has grown continuously in 2019, and the annual consumption increased by 9.4% as compared to 2018. On the supply side, natural gas import increased by 6.9% in 2019 as compared to 2018, of which LNG imports increased by 12.2% to 60.25 mtpa. The Company has been carefully managing its invested portfolios in order to maximize value to shareholders.

In addition, the Company continues to lay out the energy industry chain in depth, and extends to the energy demand side, by completing the investment in Weipin, a holding company of the mobility services platform. China has embraced the spirit of the "sharing economy" and has witnessed its rapid realization across both new and traditional industries. In China, the new mobility industry represents a market with an annual transaction volume of more than RMB300 billion, which is expected to reach RMB500 billion in 2022. Currently there are more than 10 billion ride orders recorded per year. The Company believes that the new mobility industry represents a fast growing and underpenetrated market opportunity. The Company has chosen a unique angle to initiate this ambitious venture with the mobility services platform, which manages hundreds of thousands of drivers and vehicles to supply ride services to online ride-hailing companies such as Didi. The Company aims to resolve the need of both consumers and relevant regulatory agencies to improve the quality and safety of online ride-hailing services. The Company also aims to resolve the industry's current challenge of supply shortage of compliant drivers. The Company believes that the mobility services platform is well-positioned to scale up rapidly. The Company will positively benefit from this new venture through its cash-generating capability, operational sustainability and business scalability.

As mentioned above, the Company's performance has been negatively affected by the macro environment, but the current crude oil price could not sustain and the fundamentals of oil price recovery are changing, and now both the business of energy sector and new mobility service sector are significantly picking up. If the COVID-19 pandemic continues for a prolonged period of time, it will continue to affect the Company's operations to an extent that could not be estimated as of the date of this annual report. The Company remains cautious and vigilant over the development of the COVID-19 pandemic and its impacts. The Company are committed to reacting proactively to the impact of the COVID-19 pandemic on its business operations and weathering the challenges.

The Company will continue to look for more investment opportunities. It will also be more involved in assisting the portfolio companies to create synergies for their business for the next step. The Company has now shifted to a more prudent attitude as the economy enters into a new period of considerable uncertainty for 2020. Going forward, the top priority of the Company is to navigate choppy waters and adhering to the Company's investment principal, by helping investment portfolios tap into their respective internal value and improve operation efficiency.

CHAIRMAN'S STATEMENT

Finally, I would like to take this opportunity to extend our appreciation to all fellow directors and employees for their invaluable efforts, dedication and commitment to the Company and its subsidiaries and to thank all shareholders and business associates for their continuous support. With your strong supports to the Company, Company will get through these difficulties, grasp the energy industry momentum, and the emergence of aggregation mode of online car-hailing with its first mover advantage in the new mobility industry.

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong
24 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal activities of the Company and its subsidiaries

The Company is an investment holding company principally engaged in the investment and management of global energy assets and the mobility services business. The principal activities of its subsidiaries and invested portfolio companies consist of mobility services platform, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, energy investment fund management as well as investment in energy-related and other industries and businesses.

Summary of key investment portfolios

1. Investment in global energy sector

1.1 Investment in upstream crude oil assets

The Company had made an acquisition of an upstream crude oil asset in 2016 at favourable costs and completed the investment in another upstream shale oil project in 2017.

1.1.1 Hongbo Mining Investment

Hongbo Mining, one of the upstream portfolio companies, is the Company's wholly-owned subsidiary and is engaged in exploration, development, production and sale of crude oil in China. The Company completed the acquisition of Hongbo Mining in July 2016 at the consideration of RMB558.88 million (equivalent to approximately HK$652 million) (the "**Hongbo Mining Acquisition**").

Under the exploration and production cooperation contract entered into between Hongbo Mining and Yanchang, Yanchang (as the mineral right owner) and Hongbo Mining (as the operator) cooperate to explore for crude oil in Block 212 and Block 378 which together cover a region of 591 km^2 in Inner Mongolia; and Hongbo Mining and Yanchang are entitled to 80% and 20% of the sale proceeds (net of any sales related taxes), respectively. Block 212 had obtained from the Ministry of Land and Resources of the People's Republic of China a 15-year valid production permit covering Unit 2, Unit 19 and other areas in Block 212 in May 2017. Besides, Block 212 and Block 378 are entitled to exploration permit which are renewable for a term of two years after expiration. The current exploration permit in respect of Block 212 will expire on 3 April 2022, whereas the exploration permit of Block 378 had expired on 9 November 2019 with a new permit being in the process of application preparation.

The upstream oil industry experienced a substantial business cyclical upturn and oil price stayed between US$60 and US$70 for most of the time in 2019. However, the COVID-19 pandemic and the disagreement on oil price between OPEC and Russia had disrupted the market significantly in the first quarter of 2020. On the demand side the total consumption for 2020 is expected to be much lower than that in 2019. Currently, all players of the oil market have been working together to fix the imbalance problem. Data of the recent months showed a recovery in demand but all players are cautious in managing the supply side until a sustainable balance is reached. Hongbo Mining drilled 12 wells in FY2019 (including one well, the drilling of which began at the end of March 2019), all of which were successfully completed in 2019 and had achieved the anticipated target formations with a success rate of 100%. As of 31 March 2020, all of the production wells, reserves and resources estimated by Hongbo Mining are located in Block 212.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

1.1 Investment in upstream crude oil assets (continued)

1.1.1 Hongbo Mining Investment (continued)

As a result, in FY2019 Hongbo Mining's oil production volume increased by approximately 4.8% to 406,290 barrels; its gross and net oil sales volume increased by approximately 2.5% to 400,279 barrels and 320,224 barrels, respectively. However, its gross revenue (equals to the net revenue from sale of crude oil plus the 20% crude oil entitlement for Yanchang) and net revenue from sales of crude oil decreased by approximately 9.4% to approximately HK$190.2 million and HK$152.2 million, respectively, as compared with FY2018, mainly due to the adverse effect of the COVID-19 pandemic and the imbalanced oil supply and demand. In response to the foregoing adverse effects, Hongbo Mining has quickly adjusted its production target by actively controlling production volume, reducing capital expenditures, and taking various measures for cost reduction and efficiency improvement. Besides, Hongbo Mining had actively negotiated with the buyer, and successfully reached a floor oil selling price starting from April 2020 to guarantee the interests of its shareholder.

The average unit production cost of Hongbo Mining decreased by HK$27 per barrel, or approximately 11.2%, from HK$241 per barrel (equivalent to US$30.7 per barrel) in FY2018 to HK$214 per barrel (equivalent to US$27.4 per barrel) in FY2019 due to continuous cost control and performance improvement. Accordingly, the average unit production cost before depreciation and amortization decreased by HK$21 per barrel, or approximately 18.3%, from HK$113 per barrel (equivalent to US$14.4 per barrel) in FY2018 to HK$92 per barrel (equivalent to US$11.8 per barrel) in FY2019.

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

	Year ended 31 March	
	2020	2019
Average daily gross production volume (barrels)	**1,129**	1,076
Average daily gross sales volume (barrels)	**1,112**	1,085
Average unit production cost before depreciation and amortisation (HK$ per barrel)	**92**	113
Average unit production cost (HK$ per barrel)	**214**	241
Average unit selling price (HK$ per barrel)	**475**	518

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. Investment in global energy sector (continued)

1.1 Investment in upstream crude oil assets (continued)

1.1.1 Hongbo Mining Investment (continued)

The summary of Hongbo Mining's exploration and development expenditures incurred is as follows:

	Summary of expenditures incurred for the year ended 31 March			
	2020		2019	
	Number	**Cost (HK$'000)**	Number	Cost (HK$'000)
Wells drilled during the year				
Oil producers	**12**	**51,131**	13	61,104
Total	**12**	**51,131**	13	61,104
Fracturing workover	**3**	**2,116**	4	2,453
Geological and geophysical costs	**–**	**2,914**	–	2,029

Based on the oil and gas reserves as at 31 March 2020 as estimated by independent technical consultants, the net 1P reserves of Hongbo Mining were 7.3 million barrels at stock tank conditions ("**MMstb**") and the net 2P reserves were 13.0 MMstb. Due to the macro challenges such as highly volatile prices of oil and gas industry, the net 1P and 2P reserves decreased by 19.8% and 15.0%, respectively, as compared with those as at 31 March 2019.

The below are the summary and review of the reserves and resources of Hongbo Mining as at 31 March 2020 and 31 March 2019, as conducted by the independent technical consultants, Gaffney, Cline & Associates ("**GCA**"):

	As at 31 March 2020		As at 31 March 2019	
	Gross (MMstb)	**Net (MMstb)**	Gross (MMstb)	Net (MMstb)
Proved (1P)	**9.2**	**7.3**	11.4	9.1
Proved + Probable (2P)	**16.3**	**13.0**	19.1	15.3
Proved + Probable + Possible (3P)	**20.5**	**16.4**	23.7	18.9
Contingent resources (1C)	**2.1**	**1.6**	2.1	1.6
Contingent resources (2C)	**3.5**	**2.8**	3.5	2.8
Contingent resources (3C)	**5.6**	**4.5**	5.6	4.5
Prospective resources	**9.7**	**7.76**	9.7	7.76

Note: The reserve estimates and the future net revenue have been prepared 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. Independent technical consultants 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.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

   1.1 *Investment in upstream crude oil assets* (continued)

   1.1.2 Stonehold Investment

The Company had widened its global footprint in the upstream oil sector by successfully completing the investment in Stonehold in September 2017.

Stonehold holds certain world-class unconventional shale oil and gas assets (the "**Target Assets**"), covering approximately 24,082 gross acres (9,121 net acres) across Dimmit and La Salle counties in the Eagle Ford region of South Texas of the U.S.. The area of the target assets is liquid-rich, and the majority of the reserves are crude oil and natural gas liquid. Based on the information provided by Stonehold, the Target Assets consist of 210 producing wells currently, and the total net production and revenue of the Target Assets for the year 2019 were approximately 856,000 boe[Note] and US$37 million, respectively.

On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited ("**Think Excel**"), a wholly-owned subsidiary of the Company, entered into the credit agreement (the "**Credit Agreement**") with Stonehold, pursuant to which, the Company and Think Excel have conditionally agreed to grant the Term Loan to Stonehold for the purpose of financing the acquisition of the Target Assets and the subsequent operations of such assets by Stonehold. Stonehold is a company wholly owned and solely controlled by Breyer Capital L.L.C.. The principal amount of the Term Loan shall not exceed (i) the initial payment with an amount of US$165.0 million (approximately HK$1,291.1 million) on 26 September 2017; (ii) thereafter, US$10 million (approximately HK$78.3 million); and (iii) any guarantee payment made by the Company and Think Excel to Stonehold in respect of the senior debt to be obtained from commercial bank(s). The unpaid principal amount from time to time shall bear interest at the rate of 8% per annum (after the making of or the allocation of any applicable withholding tax), with an additional interest of an amount equal to 92.5% of the disposal proceeds received or recovered by Stonehold in respect of disposal of the Target Assets after deducting outstanding principals and interests as well as relevant fees and expenses. The Term Loan shall be payable to the Company and Think Excel in full on the maturity date, which falls 10 years after 26 September 2017.

On the same date of the Credit Agreement, Stonehold entered into an acquisition agreement (the "**Acquisition Agreement**") with Stonegate Production Company, LLC ("**Stonegate**"), pursuant to which, Stonegate has conditionally agreed to sell and Stonehold has conditionally agreed to purchase the Target Assets. All Target Assets are non-operated oil and gas assets of Stonegate (the "**Stonegate Acquisition**").

On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US$165.0 million (approximately HK$1,291.1 million) under the Credit Agreement was released to Stonehold and the acquisition of the Target Assets by Stonehold from Stonegate was consummated in accordance with the terms of the Acquisition Agreement, and a subsequent payment of the Term Loan with an amount of US$5.0 million (approximately HK$39.0 million) has been released to Stonehold on 22 November 2017.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

1.1 Investment in upstream crude oil assets (continued)

1.1.2 Stonehold Investment (continued)

The income generated from the Term Loan in the form of interest income has provided the Company with a stable and considerable income with an amount of US$13.6 million in FY2019. However, due to the substantial decline in oil price in the first quarter of 2020, the Company recorded a loss in the fair value from the Stonehold investment as at 31 March 2020 amounted to US$30 million. The Company maintains its faith in the future oil price and market, and believes that any increase in the reserve and valuation of the Target Assets may increase the expected returns for its shareholders upon disposal of the Target Assets by Stonehold in the future as an amount equivalent to 92.5% of any net disposal proceeds will go to the Company under the Credit Agreement.

With liquidity challenges anticipated, Stonehold and its operators have formulated a production limit plan which had been implemented gradually since April 2020, adjusted the annual drilling plan, and effectively controlled the cost to improve the cash flow.

For details of the Term Loan and the Credit Agreement, please refer to the announcements of the Company dated 15 August 2017, 27 September 2017 and 28 February 2018, and the circular of the Company dated 29 September 2017 published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (http://www.hkexnews.hk/).

Note: The barrel of oil equivalent, an energy unit based on the level of energy released by one barrel of crude oil.

1.2 Investment regarding LNG business along the value chain

The Company, through its subsidiaries, has also made reasonable expansion of the energy related business portfolio and business model in order to capture the energy market opportunities and dynamics.

The natural gas market in China slowed down in 2019 but was still very promising, total consumption grew to 307 billion cubic meters, which was in line with the Company's estimate. In addition, with low JKM LNG price and gas supply from Russia coming into play in 2020, the natural gas market in China will become more dynamic. The Company believes that some of its portfolio companies will benefit from current market situation.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

1.2 Investment regarding LNG business along the value chain (continued)

1.2.1 JOVO Investment

On 28 July 2017, Valuevale Investment Limited, a wholly-owned subsidiary of the Company, completed the subscription of the shares allotted and issued by JOVO, which is principally engaged in clean energy businesses, including importing, processing and sale of LNG and LPG in China, at the consideration of RMB100 million (equivalent to approximately HK$115.2 million).

JOVO's operational performance was very robust in 2019, as its flexibility in supply help it to capture the value from spot market. The Company believes that the depression on spot market will continue in the year 2020 and this will significantly help JOVO to achieve a great financial performance in the eve of becoming a listed company.

The sweeping overseas outbreak of the COVID-19 pandemic in the second quarter of 2020 led to the sharp drop of the international LNG spot price to less than RMB1,000/ton, while the recovery of domestic economic activities was rapid, and the domestic LNG price remained at the level of RMB2,500 to RMB3,000/ton, so JOVO could make full use of the price differential between domestic and foreign markets to increase its profitability.

JOVO had filed its initial public offering (the "**IPO**") in China and is in the review process. The Company believes that an IPO will help JOVO to expand in size and boost its profit with more proceeds. JOVO plans to use proceeds from IPO to purchase two state-of-art mid-size LNG vessels. This will further expand its LNG business in terms of volume and coverage area and will position JOVO in a very competitive place in a more flexible LNG trading world.

The Company strongly believes that JOVO's performance is in line with its expectation and the high demand of gas supply in China will keep JOVO growing at a fast speed. Also, being internationally recognized, JOVO is expanding its business to South East Asian region and trying to apply its successful business model over there.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. Investment in global energy sector (continued)

1.2 Investment regarding LNG business along the value chain (continued)

1.2.2 GNL Quebec Investment

On 30 November 2017, the Company, through its subsidiary, entered into an agreement of purchase and sale with an investment fund for purchasing its interests in GNL Quebec at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000). On 26 July 2018, the Company made a subsequent investment of US$1 million (equivalent to approximately HK$7,800,000) to support the project's ongoing development. The Company holds minority interest in GNL Quebec as at 31 March 2020.

According to the information provided by GNL Quebec, GNL Quebec, through its wholly-owned subsidiary, is developing a state-of-the-art and low-carbon-emission LNG exporting terminal (the "**Terminal**") project with a maximum nameplate liquefaction capacity of up to 11 million tons per annum, which is one of the largest Canadian LNG export terminals under development, and a 750-km natural gas pipeline (the "**Pipeline**") to connect the Terminal to TransCanada's Canadian Mainline in Eastern Ontario (together the "**Project**"). The Terminal is designed to receive, liquefy and export up to 1.55 billion standard cubic feet of natural gas per day (equivalent to approximately 15.4 billion cubic meters per year) from gas supply sources in North America and is well-located to deliver cost-competitive LNG to Asia, Europe and South America, etc.

During the year 2019, GNL Quebec has achieved many important milestones, including significantly de-risking the project in key areas such as regulatory, commercial, environmental, technical, and stakeholding. GNL Quebec also expanded its team of experienced employees, consultants and contractors in the year 2019 which enabled it to build a strong foundation and position itself for success in the year 2020.

In the year 2019, GNL Quebec has secured additional US$21.2 million at its 1st closing of the fourth round funding in the mid-year and secured additional US$15.45 million of convertible notes in December. All these funding have successfully helped the GNL Quebec to maintain its development pace. It is expected that more funds will be required in the future, and the fund raising was delayed by the COVID-19 pandemic.

GNL Quebec remains on-track to obtain required permits for a LNG plant to achieve preliminary work decisions for the plant in the second half of 2020 (most likely in the fourth quarter) and followed by early construction work, and a full notice to proceed with a final investment decision ("**FID**") planned for the second half of 2021. In respect to the natural gas supply, the Canadian current natural gas market conditions and forecast, together with gas transportation cost, are moving in favour of increasing cost competitiveness for the Project. GNL Quebec is also very active in marketing their products in Europe and Asia, since the Project is uniquely located in the east coast of Canada, which attracts interested buyers from Europe. GNL Quebec is carefully evaluating different pricing models in order to meet customers' needs while securing good return for investors.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

   1.2 Investment regarding LNG business along the value chain (continued)

   1.2.3 LNGL Investment

   On 13 June 2018, the Company, through its subsidiary, completed the subscription for 56,444,500 shares allotted and issued by LNGL, a company principally engaged in developing LNG export terminal projects in North America, at an aggregate subscription price of A$28.2 million (equivalent to approximately HK$166.8 million). The Company is the second-largest shareholder, holding a 9.8% equity interest in LNGL.

   In 2019, LNGL continued its emphasis on signing long-term offtake contracts with market competitive contract pricing while ensuring that the best in class project execution and delivery strategy is fully ready to meet customer needs arising in this LNG market environment. LNGL had been targeting end-users and LNG-to-power projects in Asia and Europe that stand to benefit most from the stability and affordability of long-term LNG contracts. Efforts to select Asian counterparties especially in Vietnam progressed in the period.

   LNGL had over the last year evaluated potential corporate and asset transactions to provide liquidity and value for its shareholders. As at 31 December 2019, LNGL had total cash position at AU$8.3 million without debt. Affected by the adverse dynamics in the general global economy and the oil and gas market, LNGL's cash reserves were insufficient to sustain operations in the long run. To secure additional funding to continue operating, LNGL made a sale of interests in its subsidiaries that own the Magnolia LNG project to a purchaser in late May 2020. LNGL and the purchaser had also agreed to work together (on a non- exclusive basis) on a potential recapitalisation proposal for LNGL. The Bear Head LNG project, situated in Nova Scotia, Canada, remains owned by entities controlled by LNGL.

   The Company is closely monitoring the situation of LNGL, including the development of the potential recapitalisation proposal, and evaluating its options with respect to the investment, including taking any actions it considers appropriate and necessary to preserve value and mitigate risk.

   1.2.4 JUSDA Energy Investment

   On 25 September 2018, the Company, through one of its wholly-owned subsidiaries, has entered into an agreement for a joint venture (the "**JV Agreement**") with JUSDA Supply Chain Management International CO., LTD.* (準時達國際供應鏈管理有限公司) ("**JUSDA**") and the management team (the "**Management**"), in relation to the formation of JUSDA Energy, to be engaged in LNG logistics services. The Company made contribution of HK$43,937,000 to JUSDA Energy pursuant to the JV Agreement and the completion of such investment took place on 21 December 2018. On 8 January 2020, the Company made a subsequent investment of HK$17,462,200 to JUSDA Energy pursuant to the JV Agreement. The Company will hold a 39% equity interest upon completion of all capital contribution in JUSDA Energy.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

1. **Investment in global energy sector** (continued)

   1.2 Investment regarding LNG business along the value chain (continued)

   1.2.4 JUSDA Energy Investment (continued)

   JUSDA Energy has been progressing on developing new business in and outside of China in 2019. JUSDA Energy has established business relationship with multiple Chinese companies, and has signed a favourable long-term contract with an important gas company to help it to distribute its LNG in China. In addition, JUSDA Energy has signed a memorandum of understanding with a Japanese company to utilize JUSDA Energy's LNG receiving terminal to transfer and distribute LNG. The Company believes that JUSDA Energy's unique business model targets a specialized market; together with its operational ability, JUSDA Energy will extend its business to different regions.

   The COVID-19 pandemic disrupted the production and the project operation node of JUSDA Energy was postponed. However, the low-cost global price brought by the pandemic helped JUSDA Energy to rapidly expand into the markets and regions with insufficient infrastructure, and avoided the huge investment in large infrastructure by using LNG tanks.

   JUSDA Energy will benefit from the extensive network of natural gas resources of the Company, which will give its customers access to LNG resources in the North America and the Asia Pacific Region. JUSDA, as the sole logistics chain management platform designated under Foxconn Technology Group, has a wide container transportation network and strong bargaining power among the industry, which will provide strong support to JUSDA Energy in improving its LNG logistics services and reducing relevant costs.

   Although the global LNG market is slightly muted at the moment, the Company believes that the low-price environment will help the market to grow. The Company will continue to look for opportunities to invest in natural gas projects with an emphasis on downstream.

   For details of the above transactions, please refer to the Company's voluntary announcements dated 17 July 2017, 31 July 2017, 8 February 2018, 4 June 2018, 13 June 2018, 25 September 2018 and 24 December 2018 published on the website of the Stock Exchange (http://www.hkexnews.hk).

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment in mobility services business

2.1 Weipin Investment

The Company has set foot in new mobility industry to diversify income stream and maximise returns for its shareholders in late 2019. On 15 November 2019, Triple Talents Limited ("**Triple Talents**"), a wholly-owned subsidiary of the Company, entered into a series of agreements with Weipin and its affiliates, pursuant to which Triple Talents has agreed to subscribe for certain shares in Weipin. Upon completion of this transaction with a total investment of approximately RMB200 million, the Company effectively holds 35.5% of the equity share of Weipin, but has the majority voting right of the board of directors with all the decision-making power over the activities of Weipin. Weipin has become the holding company of the mobility services platform business.

The mobility services platform is one of the focal business areas of the Company, and the Company expects to closely engage in the operation and supervision of this new business to ensure its commercial development and sound financial performance. In addition, the mobility services platform is expected to enjoy synergies with the existing businesses of the Company, including but not limited to fuel cost optimization.

For more details of the Company's investment in Weipin, please refer to the voluntary announcement of the Company dated 25 November 2019.

Set out below is information of key business aspects of the mobility services business of Weipin.

Business Model

Weipin, through its operation subsidiaries (the "**Mobility OPCOs**"), is committed to creating a fast and standardized mobility services system, connecting all participants in the mobility market, tapping into the market traffic through the traffic platform in an aggregation mode, and generating synergies by optimizing vehicle energy costs. The aggregation mode has become the current trend of online car-hailing operations in China. The Mobility OPCOs, as transportation service providers, access large traffic in the aggregation platform and meet the needs of passengers through the division of labor between the upstream and downstream of the industry chain. Under the aggregation mode, the online car-hailing services consist of the passenger demand providers represented by "Didi" and "Gaode Map" which generate online traffic of passengers, and drivers and vehicle providers represented by the Mobility OPCOs, which are responsible for executing the orders of passengers. The Mobility OPCOs rely on a high-quality driver management system and refined operating cost control to ensure that the online car-hailing orders imported through the aggregation traffic platforms are perfectly executed.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. **Investment in mobility services business** (continued)

2.1 Weipin Investment (continued)

Business Model (continued)

The Mobility OPCOs have signed information service cooperation agreements with the two major aggregation traffic platforms on the mobility market, namely "Gaode Map" and "Didi". The Mobility OPCOs take full advantage of the scale, traffic and reputation of "Gaode Map" and "Didi" on the customer-end, participate in the operation on the business-end in a light-weight asset manner, and complete the orders from passengers with high quality. In the cooperation between the Mobility OPCOs and the aggregation traffic platforms, full fares paid by passengers are collected by the Mobility OPCOs. The aggregation traffic platforms collect a certain percentage of the platform charges from the Mobility OPCOs, and the remaining fares are controlled and allocated by the Mobility OPCOs. The software system of the Mobility OPCOs sets certain operating parameters to automatically calculate the proportion of fares payable to drivers, which include a fixed percentage of drivers' fees and the rules for determining drivers' incentives. Drivers can collect their confirmed payment on the driver application run by the Mobility OPCOs one week after an order is completed.

The Mobility OPCOs operate a number of brands, such as BLUE AVE Travel* (藍道出行), I.E.V Taxi* (哎呦喂打車), AA Travel* (AA出行), and Duocai Travel* (多彩出行), with business covering major cities as Guangzhou, Shenzhen, Hangzhou, Suzhou, and Chengdu etc.. In the future, the brand matrix mainly will be comprised of BLUE AVE Travel and I.E.V Taxi. In order to promote the popularity of Weipin's brands among drivers, and to improve the brand system, the Mobility OPCOs plan to promote and operate its two major brands, BLUE AVE Travel and I.E.V Taxi, in major cities, which will target premier car services and express car services in the aggregation traffic platforms of "Gaode Map" and "Didi", respectively.

Operation Process

Operations are mainly divided into strategic operation and city operation. Strategic operation focuses on adjusting customer-end prices, setting the percentage of drivers' fees in the full fares payment, and adjusting driver incentives strategies. City operation focuses on accomplishing the operation objectives through the maintenance and construction of the driver system. Weipin, through the Mobility OPCOs, implements its strategy in accordance with detailed city development plans and differentiates its strategies for different tiers of cities while constantly expanding its operation into new cities.

Weipin, through the Mobility OPCOs, has been operating in 19 major cities of China, such as Guangzhou, Hangzhou and Chengdu, with a total of approximately 80,000 registered car drivers. As of 31 March 2020, the average daily order volume in March 2020 was 22,591 orders. With the continuous improvement of the domestic COVID-19 pandemic control, people's enthusiasm and frequency for mobility services recover. By June 2020, the daily order volume of Weipin has nearly doubled, reaching 50,000 orders.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment in mobility services business (continued)

2.1 Weipin Investment (continued)

Major Customers and Suppliers

The customers of the mobility services business are individual passengers who use Weipin's platform for online car-hailing services.

The suppliers of the mobility services business consist of:

1 the drivers from Weipin's driver platform: The drivers and the Mobility OPCOs enter into an electronic contract through the platform registration procedure. After completion of the application procedure and provision of certain necessary documents, the drivers become registered drivers on Weipin's platform. The fees payable to drivers by the Mobility OPCOs represent a fixed percentage of full fares received from passengers and additional incentives and rewards; and

2 the aggregation traffic platforms: As suppliers of passenger traffic, the aggregation traffic platforms charge at a certain percentage of a fare of each order as the service fee for traffic import. Among the aggregation traffic platforms, operators of "Gaode Map" and "Didi" are both contracting parties with the Mobility OPCOs of Weipin.

Key Factors Driving Core Business Performance

1 **Trips per day:** "Trips per day" is defined as the number of completed car-hailing orders per day. It is believed that "trips per day" is a useful metric to measure the scale and usage of Weipin's platform. Changes in "trips per day" are a key factor affecting Weipin's profits. The Company expects that the number of "trips per day" continues to grow as more drivers are expected to register on Weipin's platform, and Weipin will continue to use incentives and promotions to attract more drivers. These incentives and promotions may include new driver referral programs and driver incentives strategy. It is believed that the launch of the new strategy, together with the expansion of operation into new cities, will further increase the number of "trips per day".

2 **Gross margin:** The gross margin of the mobility services business represents revenue less the following direct costs and expenses: (i) fees payable to drivers, (ii) platforms charges, (iii) amortisation of intangible asset acquired in business combination, (iv) drivers' incentives and referral incentives, and (v) other operation costs.

3 **Drivers' incentives and referral incentives:** Drivers' incentives refer to payments that the Mobility OPCOs make to drivers separate from and in addition to the fees payable to drivers from the total fare paid by the passengers over a defined period of time, and referral incentives refer to the payment the Mobility OPCOs make to existing drivers for referral of new drivers. These incentives ensure a steady supply of drivers on Weipin's platform.

4 **Percentage of full-time drivers:** A full-time driver is defined as a driver who works for more than 8 hours per day on Weipin's platform. Maintaining core driver resources, including full-time drivers, is an important factor of Weipin's competitiveness. Therefore, Weipin increases the percentage of full-time drivers by increasing their income (including reducing their operating costs), providing safeguarding measures for drivers, and improving their sense of belonging to Weipin's platform.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. Investment in mobility services business (continued)

2.1 Weipin Investment (continued)

Revenue Recognition

Weipin is the key player in providing online car-hailing services, and recognize revenue based on the full fares paid by passengers, net of value added tax and surcharge. According to the Interim Measures for the Management of Online Ride-Hailing Services* (《網絡預約出租汽車經營服務管理暫行辦法》) published by the Ministry of Transport of the People's Republic of China (the "**PRC**"), the agreements between the aggregation traffic platforms and the passengers, and the agreements between the Mobility OPCOs and the aggregation traffic platforms, the Mobility OPCOs bear the main responsibility for providing passengers with online car-hailing services, ensuring the quality of the service and handling complaints raised by passengers. In addition, the Mobility OPCOs purchase carrier liability insurance for each order.

Prospect of the New Mobility Industry

As China has fully embraced the concept of the "sharing economy", the Company believes that the online ride-hailing industry represents a fast growing and underpenetrated market opportunity. Its massive addressable market size and the variety of societal elements galvanized by its network demonstrate its significance. The Company believes that the perception of urban transportation is starting to shift away from car ownership to transportation-as-a-service, and the Company aims to be at the forefront of this revolutionary societal change.

The Company has chosen a unique angle to initiate this ambitious venture with the mobility services platform, which manages about a hundred thousand of drivers and vehicles to supply ride services to online ride-hailing companies such as Didi and Gaode Map. Weipin aims to resolve the need of both consumers and relevant regulatory agencies to improve the quality and safety of online ride-hailing services. Weipin also aims to resolve the industry's current challenge of lacking compliant drivers. With the mobility services platform, Weipin will make profit from every ride it supplies, which will secure its healthy operating cash flow. The goal is to create value through efficient drivers and fleets management. This will be achieved by a well-designed combination of online data-driven analysis and offline guided interaction with drivers.

BUSINESS REVIEW (continued)

Summary of key investment portfolios (continued)

2. **Investment in mobility services business** (continued)

2.1 Weipin Investment (continued)

Major Operational Risks and Risk Management Measures

1. **The mobility services industry is highly competitive, with well-established and low-cost alternatives that have been available for decades, low entry barriers, low switching costs, and well-capitalized competitors in nearly every major geographic region. If Weipin is unable to compete effectively in this industry, the business and financial prospects of the Company would be adversely impacted.**

   To remain competitive in the market and attract more drivers, Weipin has lowered, and shall continue to lower its operating cost. Weipin has also offered and expects to continue to offer some driver incentives which may adversely affect its financial performance.

   Weipin will continue to offer incentives to drivers. Weipin will increase the drivers' earning by increasing the fixed fees payable to drivers for a given trip and its incentives to drivers. Further, Weipin's prospective investors have indicated to continue to provide more resources and access to larger driver pools in a particular geographic market in the future.

2. **If Weipin is unable to attract or maintain a critical mass of drivers, its business will become less appealing to business partners, and the financial results of the Company would be adversely affected.**

   If the drivers choose not to offer their services through Weipin's platform, or elect to offer their service through platforms of Weipin's competitors, Weipin may lack a sufficient supply of drivers to attract business partners, which may result in a profit decrease.

   To continue to retain and attract drivers to Weipin's platform, Weipin will need to continue to invest in the development of new driver service system that provides additional value for drivers, which differentiates it from its competitors. Specific measures include:

   (1) Outstanding full-time drivers will be rewarded with the services of exclusive service managers, as well as tea breaks and other services at service stations;

   (2) Weipin will integrate the resources of the automobile service industry, cooperate with other companies in relevant industries, and provide core drivers with services such as charging, vehicle insurance, vehicle maintenance, and traffic violation handling;

   (3) Weipin will select high-performance drivers on a regular basis and reward them with a certificate or a medal, giving them a strong sense of honor and enhancing their loyalty to Weipin's platform.

BUSINESS REVIEW (continued)

Management of Energy Investment Fund

On 20 November 2018, the Company and its subsidiary set foot in energy investment funds management through entering into a framework agreement (the "**Framework Agreement**") with Yantai Jereh Petroleum Service Group Co., Ltd.* (煙台傑瑞石油服務集團股份有限公司) ("**Jereh**"), for cooperation on the establishment, operation and management of an energy investment fund (the "**Energy Investment Fund**"). Jereh, listed on the Shenzhen Stock Exchange (Stock code: 002353), is an international group specializing in equipment manufacturing, oil and gas engineering and construction and oilfield technology services.

Hengqin Harmony Rongtai Investment Management Limited* (橫琴和諧榮泰投資管理有限公司) ("**Rongtai Investment Management**"), incorporated in the PRC and a wholly-owned subsidiary of the Company, is a private equity and venture capital fund manager registered with the Asset Management Association of China (中國證券投資基金業協會) specializing in private equity fund establishment and investment management in the energy industry.

After the execution of the Framework Agreement, Jereh and Rongtai Investment Management had endeavoured to establish the Energy Investment Fund. However, with these recent events, oil prices and equity markets began to tumble around the globe, and energy equity funds experienced historic difficulties in the first quarter of 2020. Upon negotiation and mutual consent, Jereh and Rongtai Investment Management have entered into a termination agreement to terminate the Framework Agreement and the cooperation contemplated thereunder.

The Company will continue to seek for new opportunities in the area of management of energy investment fund to broaden the revenue and profit potential of the Company and enhance shareholders' value in long term.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription

On 29 July 2016, the Company completed the reverse takeover transaction (the "**RTO**", as defined in the circular of the Company dated 29 June 2016 (the "**RTO Circular**")) which involved, among others, a subscription of certain ordinary shares (the "**Ordinary Shares**") and preferred shares (the "**Preferred Shares**") of the Company by Titan Gas Technology Investment Limited ("**Titan Gas**") and other subscribers (the "**Subscription**").

The following table summarizes the intended use of proceeds and the actual use of proceeds as at 31 March 2020.

Transaction	Gross proceeds HK$ million	Amount received as at 31 March 2020 HK$ million	Amount receivable as at 31 March 2020 HK$ million	Intended use of proceeds as disclosed in the RTO Circular	Intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017)	Actual use of proceeds as at 31 March 2020
Subscription	2,690	2,626 (Note 1)	Nil (Note 1)	— approximately HK$60 million for the payment of the transaction expenses;	— approximately HK$66 million for the payment of the transaction expenses;	— approximately HK$66 million was used to settle 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;	— approximately HK$652 million for the payment of the consideration for the Acquisition;	— approximately HK$652 million was used to settle 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$400 million to finance the repayment of Hongbo Mining's outstanding payables and borrowings;	— approximately HK$400 million was used for 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$800 million to finance the development plan of the currently explored areas in Block 212 (Notes 1 and 2);	— approximately HK$194 million was used for the development work in Block 212 (Note 1);
				— 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 Company and its subsidiaries; and	— approximately HK$111 million to finance the operating expenses of Hongbo Mining as well as the Company and its other subsidiaries (Note 2); and	— approximately HK$69 million was used for the general working capital of the Company and its subsidiaries;
				— approximately HK$200 million for expanding the business of the Company and its subsidiaries by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.	— approximately HK$661 million for expanding the business of the Company and its subsidiaries through investments in other oil and gas companies or projects (Note 2).	— Approximately HK$661 million, together with HK$465 millions from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212, totalling HK$1,126 million was used in respect of the provision of the Term Loan (Note 2); and
						— approximately HK$119 million from unutilized proceeds of development of Unit 2 and Unit 19 of Block 212 and working capital was used for the subscription of shares in Jovo and the transaction expenses.

BUSINESS REVIEW (continued)

Use of proceeds from the Subscription (continued)

Notes:

1. On 29 July 2016, as part of the Subscription, the Company issued a total number of 443,369,176 Preferred Shares to Aquarius Growth Investment Limited ("**Aquarius Investment**") (the "**Aquarius Subscription**"), among which, 343,369,176 Preferred Shares were fully-paid and 100,000,000 Preferred Shares were partially-paid (the "**Unpaid Preferred Shares**"). With respect to the Unpaid Preferred Shares, Aquarius Investment partially paid an amount of HK$3,348,000 (the "**Partial Paid Amount**") and an outstanding amount of HK$63,612,000 remained unpaid, which became due and payable on 28 July 2017. On 28 September 2017, the Unpaid Preferred Shares, i.e., the whole of the 100,000,000 preferred shares, with the amount of HK$66,960,000 were forfeited and cancelled. As agreed by the Company and Aquarius Investment, the Partial Paid Amount will not be refunded to Aquarius Investment and the Board has sole discretion on the use of the Partial Paid Amount. In light of such shortfall in the amount of proceeds received as compared to that contemplated at the time of the Subscription, taking into account the actual utilization of proceeds and the circumstances of the operations of the Company and its subsidiaries, the Company has decided that a total amount of HK$736.39 million from the proceeds, being HK$800 million minus HK$63.61 million, be used to finance the development plan of the currently explored areas in Block 212. As at 31 March 2020, save for the amount of HK$63,612,000 with respect to the aforesaid cancelled and forfeited Preferred Shares, the Company had received all proceeds from the Subscription.

2. With respect to the Term Loan as disclosed in the section headed "Stonehold investment", the Company has made the following arrangements for the use of proceeds (after the reallocation as announced on 8 March 2017):

    (1) extended the use of "Acquisition and development of other oil and gas companies or projects" to "Investment in other oil and gas companies or projects, including but not limited to acquisition and development, equity or debt investment and other forms of investment that the Company considers appropriate and in line with the Company's business strategy"; and

    (2) temporarily used the unutilized proceeds of (i) an amount of HK$532 million planned to be used for the development of Unit 2 and Unit 19 of Block 212 which was not required for any then immediate use and (ii) an amount of HK$60.5 million planned to be used as working capital which was not required for any then immediate use for making the payment under the Term Loan on closing of the Stonegate Acquisition. The Term Loan has been generating a stable and considerable interest income, part of which had been used to replenish the aforesaid proceeds.

As at 31 March 2020, all of HK$2,626 million of the proceeds from the Subscription had been utilized pursuant to the intended use of proceeds (after the change as announced on 8 March 2017 and the further change as announced on 27 September 2017) and relevant arrangements for the use of proceeds as set out above.

For further details of the change in use of proceeds, the Term Loan and the further change in use of proceeds, please refer to the section headed "Stonehold Investment" and the announcements of the Company dated 8 March 2017, 15 August 2017, 27 September 2017 and 28 February 2018 respectively published on the website of the Stock Exchange (http://www.hkexnews.hk/).

For further details of the 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/).

For further details of the Aquarius Subscription, please refer to the Company's announcements dated 27 October 2015, 20 November 2015, 28 January 2016 and 23 March 2016 respectively, in relation to, among others, the amendments of the subscription agreement entered into between the Company and Aquarius Investment, as one of the subscribers, on 22 June 2015, and the RTO Circular published on the website of the Stock Exchange (http://www.hkexnews.hk/).

BUSINESS REVIEW (continued)

Use of proceeds from the Foxconn Subscription

On 22 January 2018, the Company received an aggregate subscription price of HK$1,485 million from Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited, and Q-Run Far East Corporation (collectively known as the "**Foxconn Subscribers**") and issued to each of the Foxconn Subscribers 297,000,000 subscription shares at the subscription price of HK$1.00 per subscription share totalling 1,485,000,000 subscription shares in accordance with the terms and conditions of the subscription agreement (the "**Foxconn Subscription**").

For details of the Foxconn Subscription, please refer to the announcements of Company dated 13 December 2017 and 22 January 2018 and the circular of the Company dated 23 December 2017 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

The gross proceeds from the Foxconn Subscription are HK$1,485 million. The net proceeds from the Foxconn Subscription (after deducting the expenses incurred in the Foxconn Subscription) are approximately HK$1,483 million.

The Company intended to use and has used the net proceeds from the Foxconn Subscription as follows:

(i) as to approximately HK$1,100 million for potential investment in or acquisition of targets in the natural gas industry along the value chain, both in China and in North America (including but not limited to LNG export terminal projects in Canada, LNG receiving terminal projects in China, companies engaged in importing, processing and sale of LNG, and city gas companies or natural gas distribution companies in China), among which HK$376 million had been utilized for investments in the natural gas industry as at 31 March 2020;

(ii) as to approximately HK$300 million to expand the business of the Company through investments in upstream shale gas and/or shale oil assets or projects overseas, especially within high quality basins in North America, which had not been utilized as at 31 March 2020; and

(iii) as to approximately HK$83 million to other investments for the future development that is in line with the business strategies of the Company, all of HK$83 million had been utilized for investments in the online ride-hailing industry as at 31 March 2020.

As at 31 March 2020, an aggregate amount of HK$459 million had been utilized pursuant to the intended use. On 24 June 2020, the Board resolved to change the intended use of unutilized net proceeds from the Foxconn Subscription. For details, please refer to "Subsequent Events After the Reporting Period" of this annual report and the announcement of Company dated 24 June 2020 published on the website of the Stock Exchange (http://www.hkexnews.hk/).

OUTLOOK

The Company is committed to achieving superior risk-adjusted returns, through privately negotiated investments in the energy and mobility service sector. For investments in the energy sector, the Company has a team of dedicated investment professionals focusing exclusively on energy as well as analysing opportunities across sub-sectors, geographies, and the capital structure. The Company strives to leverage its expertise to build differentiated businesses in the energy value chain where it believes to be valuable. The Company's current energy investment portfolios are primarily in the upstream crude oil assets and LNG business of the energy industry. With the deep layout of energy industry chain, the Company had expanded its investment territory to mobility service sector to diversify income stream and maximise returns for its shareholders. In addition, the mobility services platform is expected to enjoy synergies with the existing businesses of its shareholders, including but not limited to fuel cost optimization.

Oil price has been very depressed and volatile in the wake of the outbreak of COVID-19 and back-and-forth discussions about production curtailment among oil producers. According to the International Energy Agency (IEA)'s latest oil market report, oil demand has shown positive signs of recovery; however, the current level of demand is far lower than the previous level. On one hand, the market is flooded with many uncertainties including the most important one, the possible resurgence of COVID-19. On the other hand, global oil supply is set to fall by a spectacular 12 mb/d in May 2020 to a nine-year low of 88 mb/d, as the OPEC+ agreement takes effect and production of other oil producers declines. The action taken by producers has significantly rebalanced market, but they will need to monitor the development very carefully so that the market could be in a healthy situation. It is hard to predict when the oil price could return to a balanced level, but it is firmly believed that the current oil price could not sustain. In response to the adverse effects of the COVID-19, the Company's upstream portfolio investments have quickly adjusted their respective annual production target by actively limiting production, reducing capital investment, and taking various cost reduction and efficiency improvement measures. Besides, Hongbo Mining had actively negotiated with the buyer, and successfully reached a floor oil sales price to ensure the interests of its shareholder.

As for the global LNG market, although the worldwide LNG price stays in the low range, the LNG production volume continues to grow. The Company believes this low-price environment will help LNG market to grow even faster than 2019, especially in the regions with high fuel and power price. China showed some sign of slower growth in consumption, but from the aspect of the source of supply, LNG still delivered a double-digit growth rate for the year 2019. As for the investment in JOVO, the overseas spread of COVID-19 led to the sharp drop of the international LNG spot price to less than RMB1,000/ton, but the recovery of domestic economic activities was rapid, and the domestic LNG price remained at the level of RMB2,500 to RMB3,000/ton, so JOVO could make full use of the price differential between domestic and foreign markets to increase its profitability.

The Company's performance has been negatively affected by the macro environment, but as stated above, current crude oil price could not sustain, the fundamentals of oil price recovery are changing, and now the business of energy sector is significantly picking up. It's worth reflecting on the Company's longer term performance, as the energy industry has faced an incredibly tumultuous time in recent years, with highly volatile commodity prices and dynamic geopolitical environment. The Company's investment strategy has allowed the Company to exploit opportunities arising from industry's distress. And the Company will continue to focus on improving shareholder value in the following two ways. The Company will be continuously driving operational improvement and seeking attractive growth opportunities for its upstream portfolio investments. Also, the Company shall pay close attention to the market environment and consider potentially exiting its mature investments so as to seize opportunity and realize value.

OUTLOOK (continued)

In addition, the Company's focus has partially shifted to mobility services platform business before the outbreak of the COVID-19. The mobility services sector will be one of the focal businesses to develop for the Company, and the Company expects to closely engage in the operation and supervision of this new business to ensure its commercial development and sound financial performance. China has embraced the spirit of the "sharing economy" and has witnessed its rapid development across both new and traditional industries. In China, as the COVID-19 pandemic is gradually under control, the new mobility industry represents a market with an annual transaction volume of more than RMB300 billion, which is expected to reach RMB500 billion in the second half of 2022. Currently there are more than 10 billion ride orders recorded per year. The Company believes that the new mobility industry represents a fast growing and underpenetrated market opportunity. The aggregation mode effectively connects the demand and supply side of mobility services, greatly improving turnover efficiency, response efficiency and ride experience, driving the growth of the mobility industry penetration rate and promoting the high-speed development of the industry, which can positively benefit the Company and its shareholders.

Looking forward, the top priority of the Company is working with its operating teams to navigate choppy waters and protecting investment principal. Despite its solid cash position, the Company will also explore suitable capital-raising channels, including leveraging both equity and/or debt markets, as well as other financing possibilities. The Company believes that it is well positioned for rapid development when attractive investment assets become available. The Company will endeavour to present unique investment opportunities for its Shareholders to gain exposure to a diversified, top-quality asset portfolio and strive for substantial returns.

FINANCIAL RESULTS REVIEW

Revenue from sales and services

Revenue from sales and services includes revenue from sales of goods approximately HK$152.2 million and revenue from rendering of mobility services approximately HK$91.3 million:

(1) Revenue from sales of goods

The revenue from sales of goods represents the crude oil net sales from Hongbo Mining, a wholly-owned subsidiary of the Company. It decreased by HK$15.8 million, or 9.4%, from HK$168.0 million in FY2018 to HK$152.2 million in FY2019.

The decrease was mainly due to the comprehensive effect from the decrease in crude oil average selling prices and the slight increase in Hongbo Mining's net sales volume. Hongbo Mining's crude oil is priced mainly with reference to Brent Crude oil prices. The average Brent Crude oil price in FY2019 decreased to approximately HK$475 per barrel as compared to approximately HK$550 per barrel in FY2018. On one hand, the average unit selling price of Hongbo Mining's crude oil decreased to approximately HK$475 per barrel in FY2019 from HK$518 per barrel in FY2018, which was consistent with the trend of global oil prices. On the other hand, Hongbo Mining's net sales volume slightly increased to 320,224 barrels in FY2019 from 312,384 barrels in FY2018, which was mainly due to new wells drilled and the impact of fracture in FY2019. For further details on the increase of the production volume, please refer to "Business Review — Hongbo Mining Investment".

FINANCIAL RESULTS REVIEW (continued)

Revenue from sales and services (continued)

(2) Revenue from mobility services

The revenue from rendering of mobility services represents the online ride-hailing services provided by Weipin, a subsidiary of the Company. The amount of revenue from rendering of mobility services represents the value of full fares paid by passengers, net of value added tax and the surcharge. From 15 November 2019 (acquisition date of Weipin) to 31 March 2020, Weipin recorded 3,088,786 orders and a total revenue of HK$91.3 million from the operation of mobility services, with an average revenue per order of HK$30.

Cost of sales and services

Cost of sales and services includes cost of sales of goods of HK$87.0 million and cost of rendering of mobility services of HK$118.7 million:

(1) Cost of sales of goods

Cost of sales of goods represents the cost of sales of crude oil from Hongbo Mining, which decreased by HK$6.4 million, or approximately 7.0%, from HK$93.3 million in FY2018 to HK$87.0 million in FY2019.

Due to the strong operational progress made and the improvement of production efficiency, the average unit production cost decreased by HK$27 per barrel, or approximately 11.2%, from HK$241 per barrel (equivalent to US$30.7 per barrel) in FY2018 to HK$214 per barrel (equivalent to US$27.4 per barrel) in FY2019 due to continuous cost control and performance improvement. Besides, the average unit production cost before depreciation and amortization decreased by HK$21 per barrel, or approximately 18.3%, from HK$113 per barrel (equivalent to US$14.4 per barrel) in FY2018 to HK$92 per barrel (equivalent to US$11.8 per barrel) in FY2019.

(2) Cost of rendering of mobility services

The cost of rendering of mobility services represents the cost of operating the online ride-hailing services by Weipin, which includes the following:

(i) Earnings to drivers amounting to approximately HK$72.0 million, which is the cumulative payments to the drivers;

(ii) Amortization of intangible assets of approximately HK$31.1 million, which includes the online ride-hailing license, drivers lists, and business relationship. For further details of the intangible assets, please refer to Note 15 to the consolidated financial statements of this annual report;

(iii) Platforms charges amounting to approximately HK$11.0 million, which is the service fee paid to aggregation traffic platforms; and

(iv) Driver incentives and referrals amounting to approximately HK$4.6 million, which is the payments distributed to drivers as reward of achieving certain operational targets.

FINANCIAL RESULTS REVIEW (continued)

Investment (loss)/income

Investment (loss)/income mainly includes the following:

(i) the fair value loss from the Stonehold investment of HK$143.3 million. The loss of change of fair value from the Stonehold investment mainly resulted from the substantial decline in oil price in the first quarter of 2020, which was largely due to the severely reduced oil demand caused by the COVID-19 pandemic. In addition, Russia's decision not to join the oil production cut in early March 2020, followed by Saudi Arabia's announcement made in March 2020 to increase production in April 2020, has further exacerbated the imbalance of the oil market, creating a massive glut and driving oil price to a historic low;

(ii) the fair value loss resulting from the stock price changes of HK$116.6 million from the LNGL investment;

(iii) the net fair value gain from other investments, share of losses of an associate and dividend income of totalling HK$15.9 million.

Administrative expenses

Administrative expenses increased by HK$18.5 million, or approximately 27.7%, from HK$66.8 million in FY2018 to HK$85.3 million in FY2019. The increase in administrative expenses was primarily due to the consolidation of Weipin. The administrative expenses incurred in Weipin of HK$13.4 million mainly include the payroll to staffs. Other than that, the administrative expense of the Company does not have significant change.

Taxes other than income tax

Taxes other than income tax decreased by HK$3.7 million, or approximately 24.5%, from HK$15.1 million in FY2018 to HK$11.4 million in FY2019, which was mainly due to (i) the decrease in resources tax levied on the sale of crude oil attributable to the revenue decrease of Hongbo Mining, and (ii) the decrease of petroleum special profit taxation which was accrued only when the oil prices exceeding US$65 per barrel.

Exploration expenses, including dry holes

The exploration expense increased HK$0.9 million, or approximately 43.6%, from HK$2.0 million in FY2018 to HK$2.9 million in FY2019, which was mainly due to the increase of exploration activities.

Net finance income/(costs)

The Company and its subsidiaries recorded net finance cost of HK$118.5 million in FY2018 and net finance income of HK$1.9 million in FY2019. The significant change was primarily due to the redemption of certain convertible note in FY2018.

(Loss)/profit before taxation

(Loss)/profit before taxation significantly decreased by HK$339.3 million from a profit of HK$35.5 million in FY2018 to a loss of HK$303.8 million in FY2019, which was primarily due to the cumulative effects of factors as discussed above in this section.

FINANCIAL RESULTS REVIEW (continued)

Income tax

Income tax consists of deferred tax expense and current tax expense, which changed from a deferred tax expense of HK$8.0 million in FY2018 to deferred tax credit of HK$8.6 million and current tax expense of HK$1.5 million in FY2019.

The deferred tax credit in FY2019 consists of (1) deferred tax liability arising from Weipin's intangible assets recognized at the acquisition date of approximately HK$7.7 million; (2) deferred tax asset arising from the unused tax losses from Weipin of approximately HK$2.5 million; and (3) other changes on deferred tax assets and liabilities arising from the temporary differences of the provision for abandonment, depreciation of oil and gas properties of Hongbo Mining of approximately HK$1.6 million.

(Loss)/profit for the year

(Loss)/profit for the year significantly decreased by HK$324.1 million from a profit of HK$27.4 million in FY2018 to a loss of HK$296.7 million in FY2019 which was primarily due to the cumulative effects of factors as discussed above in this section.

EBITDA

The management of the Company prepared a reconciliation of EBITDA to profit/loss before taxation, its most directly comparable financial performance measures calculated and presented in accordance with financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. EBITDA refers to earnings before interest expenses, income tax, depreciation and amortisation.

The management of the Company believes that EBITDA is a financial measure commonly used as supplemental financial measures by the management of the Company and by investors, research analysts, bankers and others to assess the operating performance, cash flow, return on capital and the ability to take on financing of the Company and its subsidiaries as compared to those of other companies. However, 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 operating performance or profitability of the Company and its subsidiaries. EBITDA fails to account for income tax, interest expenses, depreciation and amortisation.

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

	Year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
(Loss)/profit before taxation	**(303,843)**	35,482
Add: Interest expenses	**7,409**	149,336
Add: Depreciation and amortisation	**85,456**	51,818
EBITDA	**(210,978)**	236,636

FINANCIAL RESULTS REVIEW (continued)

EBITDA (continued)

The EBITDA changed from a profit of HK$236.6 million in FY2018 to a loss of HK$211.0 million in FY2019. The significant decrease of EBITDA is primarily attributable to the investment loss which was primarily attributed to the following factors:

(i) the loss of fair value change from the Stonehold investment, being the return on the investment in the upstream oil and gas assets in the form of interest income and fair value gain/loss from the Term Loan granted to Stonehold.

(ii) the loss in the fair value of the investment in LNGL, which is measured by unadjusted quoted price on stock market, resulted from the decreasing stock price of LNGL.

SEGMENT INFORMATION

The Company and its subsidiaries manage its businesses by divisions, which are organised by a mixture of both business lines (products and services). In a manner consistent with the way in which information is reported internally to the Company's most senior executive management for the purposes of resource allocation and performance assessment, the Company and its subsidiaries have presented the following two reportable segments:

- Global energy investment: this segment constructs and operates upstream oil and gas business, LNG business, and generates income from processing of oil and gas and LNG, as well as investing and managing of energy-related industries and businesses.

- Mobility services business: this segment manages and operates the drivers and vehicles for rendering of online ride-hailing services to the passengers through aggregation traffic platforms and generates income from rendering of mobility services.

SEGMENT INFORMATION (continued)

	Global energy investment Year Ended 31 March		Mobility service business Year Ended 31 March		Total Year Ended 31 March	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Revenue from sales and services	**152,219**	168,026	**91,327**	–	**243,546**	168,026
Investment (loss)/income	**(244,018)**	163,289	**–**	–	**(244,018)**	163,289
Reportable segment (loss)/profit (adjusted EBITDA) (Note)	**(202,174)**	236,636	**(8,619)**	–	**(210,793)**	236,636
Depreciation and amortisation	**(53,259)**	(51,818)	**(32,197)**	–	**(85,456)**	(51,818)
Interest income	**21,811**	31,347	**42**	–	**21,853**	31,347
Interest expense	**(7,305)**	(149,336)	**(289)**	–	**(7,594)**	(149,336)
Reportable segment assets	**3,413,165**	3,898,769	**509,500**	–	**3,922,665**	3,898,769
(including interest in an associate)	**50,086**	43,778	**–**	–	**50,086**	43,778
Additions to non-current segment assets during the year	**67,817**	77,780	**3,557**	–	**71,374**	77,780
Reportable segment liabilities	**(351,209)**	(323,586)	**(47,382)**	–	**(398,591)**	(323,586)

Note: The measure used for reporting segment profit/loss is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation".

For details of segment information of the Company and its subsidiaries, please refer to Note 4(b) to the consolidated financial statements of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

The Company and its subsidiaries finance their operations primarily through a combination of bank and other borrowings and proceeds from the Subscription and the Foxconn Subscription. For further details of use of proceeds from the Subscription and the Foxconn Subscription, please refer to "Business Review — Use of Proceeds from the Subscription", "Business Review — Use of proceeds from the Foxconn Subscription" and "Subsequent Events After the Reporting Period" in this annual report.

The cash and cash equivalents are mostly denominated in US$, HK$ and RMB. As at 31 March 2020, the Company and its subsidiaries had unpledged cash and bank deposits of HK$1,114.2 million (31 March 2019: HK$1,191.5 million).

As at 31 March 2020, the Company and its subsidiaries had outstanding loans of HK$77.5 million (31 March 2019: Nil).

As at 31 March 2020, the Company had Convertible Bond (as defined in the RTO Circular) with carrying amount of approximately HK$50.0 million (31 March 2019: HK$45.7 million). The aggregate principal amount of the Convertible Bond is HK$60.0 million, with maturity date of 30 April 2022 and payable at an interest rate of 1% per annum.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Save as the information disclosed above or otherwise in this annual report, the Company and its subsidiaries 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 2020.

The Company and its subsidiaries have not used any financial instrument to hedge potential fluctuation in interest rates and exchange rates.

As at 31 March 2020, the gearing ratio (ratio of the sum of total bank and other borrowings, Convertible Bond to the total assets) was approximately 3.2% (31 March 2019: 1.2%).

MAJOR RISK MANAGEMENT

The market risk exposures of the Company in its energy investment business primarily consist of oil price risk, currency risk, liquidity risk and interest rate risk.

Oil price risk

The principal activities of the Company's subsidiaries and invested portfolios in the "global energy investment" segment consist of upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services. Hongbo Mining, a wholly-owned subsidiary of the Company, is engaged in petroleum-related activities in the PRC. The Company also has the Term Loan granted to Stonehold, which is engaged in petroleum-related activities as well. 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 Company. A decrease in such prices could adversely affect the financial result and financial position of the Company and its subsidiaries. The Company actively used derivative instruments to hedge against potential price fluctuations of crude oil.

In FY2019, the Company purchased put options for part of the production of Hongbo Mining. The put options place the Company in a hedged position, protecting the Company from the risk of decline in the oil price over the stipulated period of time and preserving the value of the assets of Hongbo Mining. As at 31 March 2020, the Company did not hold any such put options.

Currency risk

The Company and its subsidiaries are 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$, US$, A$ and RMB.

The Company and its subsidiaries currently do not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Company and its subsidiaries will continue to monitor foreign exchange changes to best preserve the cash value.

MAJOR RISK MANAGEMENT (continued)

Liquidity risk

The Company and its individual operating entities 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 policy of the Company and its subsidiaries 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 interest rate risk of the Company and its subsidiaries arises primarily from interest- bearing borrowings. The Company and its subsidiaries regularly review and monitor the mix of fixed and variable rate bank and other borrowings in order to manage the interest rate risks.

For details of the risks in relation to the operation of the mobility services, please refer to the section "Weipin Investment" in "Business Review" of the "Management Discussion and Analysis".

SIGNIFICANT INVESTMENTS

At 31 March 2020, the Company and its subsidiary held Stonehold Investment as financial assets at fair value through profit or loss. Details of the Stonehold Investment is as follows:

	Year ended 31 March 2020	At 31 March 2020		At 31 March 2019
	Investment loss	Fair Value	Approximate percentage to the total assets	Fair Value
	HK$'000	HK$'000		HK$'000
Stonehold Investment	143,298	1,264,851	32.0%	1,510,062

The Board acknowledges that the performance of the Stonehold investment may be affected by the degree of volatility in the oil and gas market and is susceptible to other external factors that may affect its values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

For details of the Stonehold investment during FY2019, please refer to the section "Stonehold investment" in the "Business Review". Except the Stonehold investment, as at 31 March 2020, there was no investment held by the Company and its subsidiaries the value of which was more than 5% of the total assets of the Company and its subsidiaries.

MAJOR ACQUISITIONS AND DISPOSALS

The Company, through its subsidiary, acquired 35.5% of the equity share of Weipin in late 2019, and Weipin became a subsidiary of the Company since 15 November 2019. Weipin is the holding company of a mobility services business platform.

For details of the investment in Weipin and its business operations during FY2019, please refer to the section "Weipin Investment" in "Business Review" of the "Management Discussion and Analysis". For more financial information of Weipin, please refer to Note 34 to the consolidated financial statements of this annual report.

Except the acquisition of Weipin, during FY2019, there was no major acquisition or disposal by the Company and its subsidiaries.

CHARGES ON ASSETS OF THE COMPANY AND ITS SUBSIDIARIES

As at 31 March 2020, the Company and its subsidiaries did not have any charges on assets (31 March 2019: Nil).

CONTINGENT LIABILITIES

So far as known to the Directors, as at 31 March 2020, there had been no litigation, arbitration or claim of material importance in which the Company or its respective subsidiaries was engaged or pending or which as threatened against the Company or its respective subsidiaries.

COMMITMENTS

As at 31 March 2020, the Company and its subsidiaries had capital commitments of HK$0.5 million (31 March 2019: HK$26.5 million) contracted but not provided for the acquisition of property, plant and equipment.

EMPLOYEES

As at 31 March 2020, the Company and its subsidiaries had 265 (31 March 2019: 115) employees in Hong Kong and the PRC. In FY2019, the total staff costs (including the directors' emoluments) amounted to HK$50.8 million (FY2018: HK$44.3 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 AND REVIEW OF RESULTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The primary duties of the Audit Committee, among other things, are to oversee the Company's financial report system, risk management and internal control procedures, provide advice and comments to the Board, and monitor the independence and objective of the external auditor. As at 31 March 2020, the Audit Committee of the Company 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.

As at the date of this annual report, 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 and the annual report of FY2019.

CHANGE OF DIRECTORS

On 5 September 2019, Mr. Liu Zhihai, President of the Company, was appointed as an executive Director, and on the same date Mr. Lee Khay Kok resigned from the same position.

For details of the change of Directors, please refer to the announcement of the Company dated 5 September 2019 published on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.idgenergyinv.com/).

* *For identification purposes only*

EXECUTIVE DIRECTORS

Mr. WANG Jingbo (王靜波) — Chairman

Mr. Wang, aged 42, was appointed as executive director 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 has over 14 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 and a director of Titan Gas Technology Holdings Limited ("**Titan Gas Holdings**"), the immediate holding company of Titan Gas, 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, where he oversees the firm's operation and private equity investment. From 2008 to 2011, Mr. Wang worked at D. E. Shaw & Co., a wall-street investment institution in the U.S.. From 2005 to 2008, Mr. Wang was a researcher at Exxon Mobil Corporation, a major integrated oil and gas company. From June 2017 to January 2019, Mr. Wang was a director of Fang Holdings Limited (stock code: SFUN), whose shares are listed on the New York Stock Exchange.

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 as well as a master's degree in Business and Administration from New York University.

Mr. LIU Zhihai (劉知海) — President

Mr. Liu, aged 36, was appointed as an executive director of the Company on 5 September 2019, and is also the president of the Company. He is primarily responsible for the Company's overall management and business operation, corporate governance, human resource management, as well as public and investor relations. Mr. Liu also holds directorship in certain subsidiaries of the Company.

Mr. Liu has over 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.

NON-EXECUTIVE DIRECTORS

Mr. LIN Dongliang (林棟梁)

Mr. Lin, aged 57, was appointed as the non-executive director of the Company on 5 August 2016. He is also a member of the Audit Committee.

Mr. Lin has presided over a variety of investment projects in the IT industry since 1995 with remarkable success. Prior to joining IDG Capital, Mr. Lin was a Senior Research Fellow at the Development Research Center of the State Council of the PRC. He also previously worked for Citibank New York from 1992 to 1993. Mr. Lin is a general partner of IDG Capital and a director of Titan Gas Holdings, and he is currently a non-executive director of NetDragon Websoft Holdings Limited (a company listed on the Stock Exchange) (stock code: 777)). Mr. Lin is also a director of Sichuan Shuangma Cement Co., Ltd.* (四川雙馬水泥股份有限公司) (stock code: 000935), which is listed on the Shenzhen Stock Exchange.

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

Mr. SHONG Hugo (熊曉鴿)

Mr. Shong, aged 64, 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 is Co-Chairman of IDG Capital and also a director of Titan Gas Holdings. Among his many affiliations, Mr. Shong has served on the Board of Trustees of Boston University, the Harvard Business School Asia Advisory Committee and the Leadership Board of the McGovern Institute for Brain Research at MIT. Mr. Shong is a non-executive director of Mei Ah Entertainment Group Ltd., (stock code: 391) and HJ Capital (International) Holdings Company Limited (stock code: 982), both of which are listed on the Main Board of the Stock Exchange.

Mr. Shong graduated with a bachelor degree from Hunan University in 1981. He studied Journalism at the Graduate School of the Chinese Academy of Social Sciences from 1984 to 1986. He was under graduate study at the Fletcher School of Law and Diplomacy from 1987 to 1988 and obtained his Master of Science degree from Boston University's College of Communication in 1987. He also completed the Harvard Business School's Advanced Management Program in the fall of 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHI Cen (石岑)

Mr. Shi, aged 44, 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 partner 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 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 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 also a director of Ningxia XiaJin Dairy Group Co., Ltd.* (寧夏夏進乳業集團股份有限公司), 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. CHAU Shing Yim David (周承炎)

Mr. Chau, aged 56, 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 23 years' experience in corporate finance and was formerly a partner of one of the big four accounting firms in Greater China, holding the position as the head of mergers and acquisition and corporate advisory. Mr. Chau is 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. He is a member as well as director of the Hong Kong Securities Institute and the Chairman of Corporate Outreach Committee. Mr. Chau is a member of Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital ("**PYNEH**") and the Trustee of the PYNEH Charitable Trust. Mr. Chau is a member of Jinan Municipal Committee of the Chinese People's Political Consultation Conference.

Mr. Chau is also an independent non-executive director of six other companies, namely, Lee & Man Paper Manufacturing Limited (stock code: 2314), Man Wah Holdings Limited (stock code: 1999), China Evergrande Group (stock code: 3333), Evergrande Health Industry Group Limited (stock code: 708), Hengten Networks Group Limited (stock code: 136) and BC Technology Group Limited (stock code: 863). All the aforesaid companies are listed on the Main Board of the Stock Exchange.

Ms. GE Aiji (葛艾繼)

Ms. Ge, aged 55, was appointed as an independent non-executive director, a member of the remuneration committee of the Company and the chairman of the nomination committee of the Company on 19 October 2018.

Ms. Ge has over 30 years of experience in the energy industry. She has played pivotal roles in many domestic enterprises' overseas upstream exploration and development projects and led various major international merger and acquisition projects in the upstream oil and gas field. Ms. Ge has been serving as the vice president of Talent Power Group Limited since 2014. From 2012 to 2016, Ms. Ge served as a non-executive director of Mining Resource Company of China Great Wall Industry Corporation. In addition, Ms. Ge held several management positions with China National Oil and Gas Exploration and Development Corporation, China National Petroleum Corporation and its affiliated companies.

Ms. Ge graduated from Beijing University of Chemical Technology with a bachelor's degree of Chemical Engineering in 1986 and a master degree of Technical Economics in 1988. Ms. Ge also obtained an Executive Master of Business Administration degree from the National University of Singapore in 2007.

SENIOR MANAGEMENT

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

Mr. Wang, aged 42, was appointed as chief executive officer of the Company on 5 August 2016. He is primarily responsible for the Company's overall business development and growth strategies, Board governance and supervision of key management issues. Please refer to the above section headed "Executive Directors" for more detailed information.

Mr. LIU Zhihai (劉知海) — President

Mr. Liu, aged 36, was appointed as the vice president of the Company on 30 September 2016 and subsequently re-designated as president on 2 January 2017. He is primarily responsible for the Company's overall management and business operation, corporate governance, human resource management, as well as public and investor relations. Please refer to the above section headed "Executive Directors" for more information.

Mr. TAN Jue (譚崛) — Chief Financial Officer

Mr. Tan, aged 37, 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 financing, financial reporting, budget planning, internal control, compliance, and financial management operations. He also leads or oversees the Company's major investment transactions. Mr. Tan also holds directorship in certain subsidiaries of the Company.

Mr. Tan has over 12 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 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)

Mr. LEE Khay Kok — Vice President

Mr. Lee, aged 54, was appointed as vice president and the chief Engineer of the Company on 30 September 2016. He is primarily responsible for the Company's engineering management, technical assessment and review, operation overseeing, and technology innovation.

Mr. Lee has over 25 years of experience in 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 to 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 roles 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 U.S. National Committee for Rock Mechanics for his Master's Thesis.

Mr. HAO Xiang (郝翔) — Vice President

Mr. Hao, aged 32, was appointed as the vice president of the Company on 1 April 2017. He is primarily responsible for the Company's investment business, including sourcing, coordinating, negotiating and executing potential mergers and acquisitions or investment opportunities, as well as acquisition transaction execution and management.

Mr. Hao has always been working in oil and gas industry for many years, including upstream and LNG. Before joining the Company, he was with KKR-Yanchang Global Energy Fund where he has been involved in more than 10 oil and gas investments in various countries across Asia, North America and Europe.

Mr. Hao holds a Master of Science degree in Engineering from University of Pennsylvania and received his bachelor's degree in Materials Science and Engineering from Beihang University.

* *For identification purposes only*

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activity of the Company is global energy assets and mobility services businesses investment and management. The principal activities of its subsidiaries and invested portfolios consist of mobility services platform, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, energy investment fund management as well as investment in energy-related and other industries and businesses.

RESULTS AND DIVIDENDS

Details of the results in FY2019 are set out in the consolidated statement of profit or loss on page 123 of this annual report.

The Directors do not recommend the payment of a final dividend in FY2019 (31 March 2019: Nil).

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Company'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 Company and an indication of likely future developments in the Company'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 its subsidiaries during FY2019 are set out in note 13 to the consolidated financial statements.

BANK LOANS AND BORROWINGS

Details of bank loans and other borrowings during FY2019 are set out in Note 27 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company and its subsidiaries for the last five financial years is set out on page 5 of this annual report.

SHARE CAPITAL AND CONVERTIBLE BOND

(A) Summary of outstanding Convertible Bond

On 28 March 2008, the Company issued the Convertible Bond in the principal amount of HK$120,000,000 to Tanisca Investments Limited ("**Tanisca**"), pursuant to the subscription agreement dated 29 October 2007 (as amended on 28 March 2013, 3 June 2014 and 15 August 2017 (the last amendment between the Company and Titan Gas only), respectively). Tanisca later transferred to Titan Gas the Convertible Bond in the principal amount of HK$96,832,526, pursuant to a conditional sell and purchase agreement dated 22 June 2015 (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016 respectively). Upon completion of the transfer, on 29 July 2016, Tanisca held the Convertible Bond in the principal amount of HK$23,167,474.

On 25 September 2017, Tanisca converted all the Convertible Bond it held with a principal amount of HK$23,167,474 into 344,754,077 Ordinary Shares at the conversion price of HK$0.0672 per conversion share in accordance with the terms and conditions of the Convertible Bond.

On 22 August 2018, Titan Gas transferred the Convertible Bond in the principal amount of HK$16,832,526 to three entities.

On 18 October 2018, certain holders converted the Convertible Bond in the principal amount of HK$18,432,526 into 274,293,540 Ordinary Shares at the conversion price of HK$0.0672 per conversion share in accordance with the terms and conditions of the Convertible Bond.

On 17 December 2018, certain holders converted the Convertible Bond in the principal amount of HK$18,400,000 into 273,809,523 Ordinary Shares at the conversion price of HK$0.0672 per conversion share in accordance with the terms and conditions of the Convertible Bond.

For details of the issuance, the amendments and the transfer of the Convertible Bond, please refer to (i) the announcement dated 31 October 2007 and the circular dated 21 November 2007; (ii) the announcement dated 28 March 2013 and the circular dated 30 April 2013, the announcement dated 3 June 2014 and the circular dated 13 June 2014, and the announcement dated 15 August 2017 and the circular dated 16 August 2017; and (iii) the announcements dated 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016, 28 June 2016 and 29 July 2016, and the RTO Circular of the Company published on the website of the Stock Exchange (http://www.hkexnews.hk/).

SHARE CAPITAL AND CONVERTIBLE BOND (continued)

(B) Dilutive impact of the Convertible Bond on the issued Ordinary Shares

As at 31 March 2020, the outstanding principal amount of the Convertible Bond was HK$60,000,000. Based on the conversion price of HK$0.0672 per Ordinary Share for the Convertible Bond, the maximum number of Ordinary Shares issuable by the Company upon full conversion of the Convertible Bond (the "**Conversion**") will be 892,857,142 Ordinary Shares.

The following table sets out the shareholding structure in terms of Ordinary Shares upon Conversion with reference to the shareholding structure of the Company as at 31 March 2020 and assuming no further issuance of Ordinary Shares by the Company:

Name of shareholders	As at the 31 March 2020 Numbers of Ordinary Shares	As at the 31 March 2020 Percentage of total issued Ordinary Shares	Immediately following the Conversion Numbers of Ordinary Shares	Immediately following the Conversion Percentage of total issued Ordinary Shares
Titan Gas	2,538,766,246	38.49	2,538,766,246	33.91
Holder of the Convertible Bond (i.e., Titan Gas)	–	–	892,857,142 (Note 1)	11.92
Foxconn Subscribers (Note 2)	1,485,000,000	22.51	1,485,000,000	19.83
Lin Dongliang (Note 3)	12,910,000	0.20	12,910,000	0.17
Public shareholders	2,559,230,668	38.80	2,559,230,668	34.17
Total	6,595,906,914	100.00	7,488,764,056	100.00

Note 1: Titan Gas will hold 892,857,142 Ordinary Shares converted by the Convertible Bond immediately following the Conversion, representing 11.92% of the then total issued Ordinary Shares. Therefore, upon the Conversion, Titan Gas will hold an aggregate of 3,431,623,388 Ordinary Shares, representing 45.83% of the then total issued Ordinary Shares.

Note 2: The Foxconn Subscribers are Foxconn Technology Pte. Ltd., High Tempo International Limited, World Trade Trading Limited, Q-Run Holdings Limited, and Q-Run Far East Corporation respectively. Each of the Foxconn Subscribers holds 297,000,000 Ordinary Shares.

Note 3: As at 31 March 2020, Mr. Lin Dongliang, a non-executive Director (being a core connected person of the Company as defined under the Listing Rules), held 12,910,000 Ordinary Shares, which are not counted as Ordinary Shares held by public shareholders.

Note 4: The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as totals may not be the arithmetic aggregation of the figures preceding them.

An analysis of the impact on the diluted earning/(loss) per share is set out in note 12 to the consolidated financial statements of this annual report.

Save as disclosed in this annual report, no other Convertible Bond had been converted during FY2019.

DONATIONS

During the year, the Company and its subsidiaries 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.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. Any distribution of dividends shall be in accordance with the Hong Kong law, the bye-laws of the Company, the Bermuda Companies Act 1981 (as amended from time to time) and any other applicable laws, rules and regulations.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of dividend will be subject to the approval of the Shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia:

- the Company and its subsidiaries' actual and expected financial performance;
- shareholders' interests;
- retained earnings, distributable reserves and contributed surplus of the Company and each of the other members of the Company and its subsidiaries;
- the level of the Company and its subsidiaries' debts to equity ratio, return on equity and financial covenants to which the Company and its subsidiaries is subject;
- possible effects on the Company and its subsidiaries' creditworthiness;
- any restrictions on payment of dividends or other covenants on the Company and its subsidiaries' financial ratios that may be imposed by the Company and its subsidiaries' financial creditors;
- the Company and its subsidiaries' expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Company and its subsidiaries' business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period.

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

In March 2020 and April 2020, the Company repurchased a total of 1,816,000 ordinary shares of the Company on the Stock Exchange, with an aggregate consideration paid amounting to HK$1,334,973.60. All the shares repurchased by the Company were subsequently cancelled and the issued share capital of the Company was reduced thereon. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of repurchase	No. of shares repurchased	Repurchase price per share Highest price paid HKD	 Lowest price paid HKD	Aggregate consideration paid HKD
March 2020	1,040,000	0.68	0.58	679,952.00
April 2020	776,000	0.89	0.80	655,021.60
Total	1,816,000			1,334,973.60

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares in FY2019.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 32(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company had no reserve available for distribution to shareholders as at 31 March 2020.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2019, the largest three customers accounted for 62% of the total revenue of the Company and its subsidiaries from sales of goods and services, and the largest customer accounted for 40% of the total revenue of the Company and its subsidiaries from sales of goods and services. During FY2019, the largest five suppliers accounted for 24% of the total purchase of the Company and its subsidiaries, and the largest supplier accounted for 5% of the total purchase of the Company and its subsidiaries.

None of 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 largest customers or five largest suppliers mentioned above.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Update on the LNGL Investment

The share price of LNGL had further decreased after 31 March 2020 and trading in the shares has been halted by the Listings Compliance Department of Australian Securities Exchange since 1 May 2020 pending the lodge of the relevant periodic report by LNGL. The Company will continuously monitor the situation and the related risk, and take appropriate actions as and when necessary.

Change in Use of Proceeds from the Foxconn Subscription

The net proceeds from the Foxconn Subscription (the "**Net Proceeds**") were approximately HK$1,483,000,000. The actual use of net proceeds up to 31 March 2020 is set out below. On 24 June 2020, the Board resolved to change the intended use of unutilized Net Proceeds (the "**Change in Use of Proceeds**"), details of which are set out below:

	Intended use of Net Proceeds set out in the Circular HK$'000	Actual use of Net Proceeds up to 31 March 2020 HK$'000	Unutilized Net Proceeds as at 31 March 2020 HK$'000	Revised intended use of unutilized Net Proceeds HK$'000
Investment or acquisition of targets in natural gas industry in China and in North America	1,100,000	376,000	724,000	524,000
Investment in up-stream shale gas and/or shale oil assets or projects overseas	300,000	–	300,000	300,000
Other investments for future development	83,000	83,000	–	–
General working capital	–	–	–	200,000

On 24 June 2020, the Board has approved the Change in Use of Proceeds by allocating the unutilized Net Proceeds of HK$200 million from investment or acquisition of targets in the natural gas industry in China and North America to general working capital as the Company requires funds for general working capital purposes.

The revised intended use of the unutilized Net Proceeds is expected to be utilized by 31 December 2023. The expected timeline for the revised intended use of unutilized Net Proceeds, which is subject to future adjustments, if required, is based on the best estimation of the Company taking into account, among others, the prevailing and future market conditions and business developments and need.

The outbreak of COVID-19 coupled with the adverse dynamics of the global economy disrupted the natural gas market, and the Company considers that any assessment of the business and financial prospects of potential acquisition targets would involve a high degree of uncertainties. Therefore, the Company decides to take a prudent attitude in the investment or acquisition of natural gas assets in the near future to lower potential investment risks, and believes that the Change in Use of Proceeds will not impair the general business plan to identify investment or acquisition opportunities of targets in natural gas industry.

Looking forward, the priority of the Company is to protect investment principal and to enhance the Shareholders' value. The Change in Use of Proceeds will enable the Company to optimize the allocation of its resources and to ensure the commercial development and sound financial performance of its businesses.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD (continued)

Change in Use of Proceeds from the Foxconn Subscription (continued)

The Board believes that the Change in Use of Proceeds will not have any material adverse effect on the existing business and operation of the Company and its subsidiaries, and is in the best interests of the Company and its shareholders as a whole. The Board will, from time to time, assess and evaluate the business need of the Company and its subsidiaries and the optimal plan for allocation and deployment of the Company's financial resources to strengthen the efficiency and effectiveness of the use of the Net Proceeds.

DIRECTORS

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

Executive Directors

Mr. Wang Jingbo (Chairman and Chief Executive Officer)
Mr. Lee Khay Kok (Resigned on 5 September 2019)
Mr. Liu Zhihai (President) (Appointed on 5 September 2019)

Non-executive Directors

Mr. Lin Dongliang
Mr. Shong Hugo

Independent Non-executive Directors

Ms. Ge Aiji
Mr. Shi Cen
Mr. Chau Shing Yim David

None of the members of the Board is related to one another.

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 83(2), Bye-law 84(1) and Bye-law 84(2) of the Bye-laws, Mr. Liu Zhihai, Mr. Shong Hugo 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.

The Company has received annual confirmations of independence from all independent non-executive directors and considers them to be independent. Under the terms of their appointment, the independent non-executive directors are appointed for a specific term and are subject to retirement by rotation in accordance with the Company's Bye-laws.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Company are set out on pages 41 to 45 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with each Director, 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 strategic objectives of the Company and its subsidiaries.

The remuneration of the Directors is reviewed by the remuneration committee of the Company and the Board, having regard to Directors' duties, responsibilities, the operating results and comparable market statistics.

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 in FY2019.

RELATED PARTIES' TRANSACTIONS

Details of related parties' transactions are set out in note 36 to the consolidated financial statements. None of the related party transactions mentioned above constitutes connected transactions/continuing connected transactions under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 36 to the consolidated financial statements, 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 2020, the interests and short positions of the Directors in the shares and underlying shares of the Company (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:

Name of Director	Nature of interest	Number of Ordinary Shares	Percentage of the Company's issued Ordinary Shares
Wang Jingbo	Corporate	2,538,766,246 (Note 1)	38.49%
Shong Hugo	Corporate	2,538,766,246 (Notes 1 and 2)	38.49%
Lin Dongliang	Corporate	2,538,766,246	38.49%
	Beneficial	12,910,000 (Notes 1 and 3)	0.20%

Note 1: These shares are held by Titan Gas, a company which is controlled as to 75.73% by 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.**") (collectively, "**IDG Funds**"), 8.05% by Mr. Wang Jingbo ("**Mr. Wang**") and 6.87% by Kingsbury International Holdings Co., Ltd.* (金世旗國際控股股份有限公司) ("**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 Ordinary 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 interest in the Ordinary 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 Mr. Liu Zhihai. 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 the Convertible Bond:

Name of Director	Nature of interest	Number of underlying shares
Wang Jingbo	Corporate	892,857,142 (Note 1)
Shong Hugo	Corporate	892,857,142 (Notes 1 and 2)
Lin Dongliang	Corporate	892,857,142 (Notes 1 and 3)

Note 1: The 892,857,142 underlying shares represented the new Ordinary Shares to be issued upon full conversion of Convertible Bond with an aggregate principal amount of HK$60,000,000 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.

Note 2: 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: 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 2020, 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.

* *For identification purposes only*

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 FY2019 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 2020, 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 Ordinary Shares (Note 2)
Tanisca Investments Limited (Note 3)	Beneficial owner	344,754,077 (L) (Note 3)	5.23%
MO Tian Quan (Note 3)	Interest of controlled corporations	379,507,486 (L) (Note 3)	5.75%
Aquarius Growth Investment Limited (Note 5)	Beneficial owner	343,369,176 (L) (Note 4)	5.21%
ZHAO Ming (Note 5)	Interest of a controlled corporation	343,369,176 (L) (Note 4)	5.21%
Titan Gas Technology Investment Limited (Note 6)	Beneficial owner	3,431,623,388 (L) (Note 6)	52.03%
Titan Gas Technology Holdings Limited (Note 6)	Interest of a controlled corporation	3,431,623,388 (L) (Note 6)	52.03%
Standard Gas Capital Limited (Note 6)	Interest of controlled corporations	3,431,623,388 (L) (Note 6)	52.03%
Kingsbury International Holdings Co., Ltd. (金世旗國際控股股份有限公司) (Note 6)	Interest of controlled corporations	3,431,623,388 (L) (Note 6)	52.03%
IDG-Accel China Capital GP II Associates Ltd. (Note 8)	Interest of controlled corporations	3,431,623,388 (L) (Notes 6, 8)	52.03%
IDG-Accel China Capital II Associates L.P. (Note 9)	Interest of controlled corporations	3,431,623,388 (L) (Notes 6, 9)	52.03%
IDG-Accel China Capital II L.P. (Note 9)	Interest of controlled corporations	3,431,623,388 (L) (Notes 6, 9)	52.03%
HO Chi Sing (Note 10)	Interest of controlled corporations	3,443,123,388 (L) (Notes 6, 8, 10)	52.20%
ZHOU Quan (Note 10)	Interest of controlled corporations	3,443,123,388 (L) (Notes 6, 8, 10)	52.20%
LUO Yuping	Interest of controlled corporations	3,431,623,388 (L) (Notes 6, 7,11)	52.03%
Foxconn Technology Co., Ltd	Interest of controlled corporations	1,485,000,000 (L) (Note 12)	22.51%
Q-Run Holding Ltd.	Interest of controlled corporations	1,188,000,000 (L) (Note 12)	18.01%
	Beneficial owner	297,000,000 (L) (Note 12)	4.50%

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

Notes:

1. In the above table, the information on the companies in which the interests are held, the capacity/nature of such interests and the number of Ordinary Shares or underlying Ordinary Shares is based on information available on the website of the Stock Exchange (http://www.hkexnews.hk/). The percentage of such Ordinary Shares or underlying Ordinary Shares in the issued Ordinary Shares is calculated with reference to the number of issued Ordinary Shares of the Company as at 31 March 2020 and is for reference only.

2. The letter "L" represents the individual's long position in the Ordinary Shares or underlying Ordinary Shares. These interests in the underlying Ordinary Shares represent the derivative interests under the Convertible Bond.

3. Mr. Mo Tianquan ("**Mr. Mo**") has control over 100% interests of Tanisca and Upsky Enterprises Limited. Upsky Enterprises Limited has interest in 34,753,409 Ordinary Shares of the Company. Under the SFO, Mr. Mo is deemed to have interest in the Ordinary Shares in which Tanisca and Upsky Enterprises Limited have interest.

4. Aquarius Investment has interests in respect of 343,369,176 Ordinary Shares.

5. Aquarius Investment is controlled as to 91% by Zhao Ming and as to 9% by Mr. Wang, who is the sole director of Aquarius Investment. Under the SFO, Zhao Ming is deemed to have interest in the underlying Ordinary Shares in which Aquarius Investment has interest.

6. Titan Gas is controlled as to 75.73% 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 and 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 3,431,623,388 Ordinary Shares in which Titan Gas has beneficial interest. Interest in such Ordinary Shares include interest in 892,857,142 underlying Ordinary Shares through derivative interests in the Convertible Bond in the principal amount of HK$60,000,000 at a conversion price of HK$0.0672 per share. As at 31 March 2020, Mr. Wang, Lin Dongliang and Shong Hugo are directors of Titan Gas Holdings.

7. 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. The Ordinary Shares and underlying Ordinary Shares in which Mr. Wang has interest comprise 3,431,623,388 Ordinary Shares in which Titan Gas has beneficial interest (including derivative interest in 892,857,142 underlying Ordinary Shares).

8. The IDG Funds is under the control of its ultimate general partner, IDG-Accel China Capital GP II Associates Ltd. ("**IDG-Accel Ultimate GP**"). Under the SFO, IDG-Accel Ultimate GP is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which the IDG Funds have interest.

9. IDG-Accel China Capital II Associates L.P. has control over IDG-Accel Capital II L.P. Under the SFO, IDG-Accel China Capital II Associates L.P. is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which IDG-Accel Capital II L.P. has beneficial interest.

10. Ho Chi Sing 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 control 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 Ordinary Shares and the underlying Ordinary Shares in which IDG-Accel Ultimate GP has interest.

11. Kingsbury is controlled as to 74.8% by Luo Yuping. By virtue of the acting in concert arrangement referred to in Note 7, Luo Yuping is deemed to have interest in the Ordinary Shares and the underlying Ordinary Shares in which Titan Gas Holdings has interest.

12. Foxconn Technology Co., Ltd. has control over Q-Run Holding Ltd., which in turn has direct and indirect controls of 297,000,000 Ordinary Shares and 1,188,000,000 Ordinary Shares of the Company, respectively. Under the SFO, Foxconn Technology Co., Ltd. is deemed to have all the interest in the Ordinary Shares of the Company in which Q-Run Holding Ltd. has interest.

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

Save as disclosed above, as at 31 March 2020, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" 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 FY2019, 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 Company.

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 on pages 71 to 83 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

SHARE OPTION SCHEME

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

ENVIRONMENTAL POLICY AND PERFORMANCE

Details of the environmental policy and performance of the Company and its subsidiaries are set out in the Environmental, Social and Governance Report on pages 84 to 115 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Details of the relationships of the Company and its subsidiaries with employees, suppliers and customers are set out in the Environmental, Social and Governance Report on pages 84 to 115 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

In FY2019, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws, rules and regulations by the Company and its subsidiaries that have significant impact on their businesses and operations.

AUDITORS

Pursuant to the resolution passed at the annual general meeting of the Company on 23 August 2019, the Company re-appointed KPMG as the auditor of the Company. The proposal of re-appointing KPMG as the auditor of the Company will be put forward at the forthcoming annual general meeting.

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 FY2019. 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 FY2019.

ON BEHALF OF THE BOARD

Wang Jingbo
Chairman and Chief Executive Officer

Hong Kong
24 June 2020

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "**Negative List**"), which was promulgated by the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC. The Negative List specifies the requirements for the market entry of foreign investment, such as requirements in equity ownership and senior management. Industries not included in the Negative List shall be regulated pursuant to the principle of equal treatment of domestic and foreign investment.

Hangzhou Shandian Chuxing Technology Co., Ltd.* (杭州閃電出行科技有限公司) (the "**Onshore Holdco 1**"), Hangzhou Junshuo Technology Co., Ltd.* (杭州鈞碩科技有限公司) (the "**Onshore Holdco 2**", together with the Onshore Holdco 1, collectively referred to as the "**Onshore Holdcos**") and their respective subsidiaries (together with the Onshore Holdcos, collectively referred to as the "**Consolidated Affiliated Entities**") provide value-added telecommunications services through the online ride-hailing platform, including on-line drivers application and community services such as on-line chatting (the "**Relevant Business**"). As confirmed by the Company's PRC legal advisor (the "**PRC Legal Advisor**"), the Relevant Business falls under the scope of the Negative List and foreign investors are restricted from holding more than 50% equity interests in companies providing such services.

The provision of internet information services in the PRC is mainly regulated by the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), according to which a provider of Operational Internet Information Services (as defined therein) is required to obtain an ICP License. According to interview and consultation with the competent PRC authorities of telecommunications administration (the "**Competent Authorities**") which approve applications for the operation of Operational Internet Information Services, the Consolidated Affiliated Entities which operate the Relevant Business shall hold ICP Licenses, and Weipin, a subsidiary of the Company and the holding company of its mobility service business, currently is practically unable to obtain an ICP License through any sino-foreign equity joint venture or wholly-owned foreign investment entity, in particular in Zhejiang Province where the Onshore Holdcos are incorporated and registered.

Qualification Requirements Under the FITE Regulations

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**") promulgated by the State Council of the PRC, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications business and a proven track record of business operations overseas (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. According to the interview and consultation with the Competent Authorities, there is no clear guidance about how a foreign investor could meet the Qualification Requirements.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS (continued)

Qualification Requirements Under the FITE Regulations (continued)

Despite the lack of clear guidance or interpretation on the Qualification Requirements, the Company has been gradually building up its track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Onshore Holdcos or any of the Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold any equity interests in enterprises which engage in the value-added telecommunications business. For the purposes of meeting the Qualification Requirements, the Company, through Triple Talents Limited ("**Triple Talents**"), its wholly-owned subsidiary and an indirect offshore holding company of the Consolidated Affiliated Entities, has established and accumulated overseas operation experience, for example:

(i) Triple Talents has obtained a domain name in Hong Kong and will set up a website in Hong Kong to help overseas investors better understand its products and business. Triple Talents can also capture and analyse overseas user data through this website;

(ii) Triple Talents has researched on further development of overseas mobility business and potential investments in relevant overseas companies, and formed preliminary research results;

(iii) Triple Talents has engaged an industry expert as its Strategic Director in charge of its operation of mobility business at home and abroad; and

(iv) certain related parties of the Company have invested in companies that are actively engaged in value-added telecommunications businesses.

In the interview and consultation with the Competent Authorities, they confirmed that such steps may be generally deemed to be one of the factors to prove that the Qualification Requirements are fulfilled, subject to a substantive examination by the relevant authorities of telecommunication administration in accordance with the approval procedures under PRC laws and regulations. The PRC Legal Advisor is of the opinion that the steps taken by the Company are reasonable and appropriate to demonstrate compliance with the Qualification Requirements.

The Company will, as applicable and when necessary, disclose the progress of its overseas business plans and any updates to the Qualification Requirements in its annual and interim reports. The Company will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether its level of overseas experience is sufficient to meet the Qualification Requirements.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS (continued)

The Foreign Investment Law

On 1 January 2020, the Foreign Investment Law (外商投資法) (the "**FIL**") and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China (the "**Implementation Regulations**") came into effect and, replace the previous laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and its Implementation Regulations embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council", which leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a method of foreign investment. On 26 December 2019, the Supreme People's Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law ("**FIL Interpretations**"), which came into effect on 1 January 2020. In accordance with the FIL Interpretations, where a party concerned claims an investment agreement to be invalid on the basis that it is for an investment in the prohibited or restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim. In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with contractual arrangements, whether or not these companies are controlled by PRC entities and/or citizens.

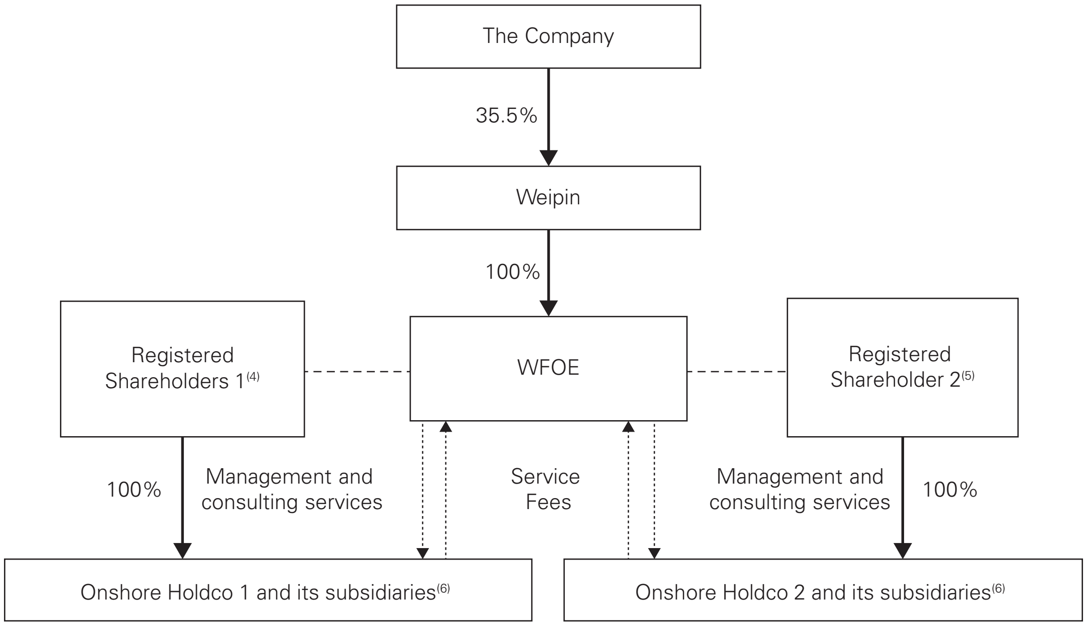
Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether the contractual arrangements will be recognized as foreign investment, whether the contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the contractual arrangements will be handled are uncertain.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations, Hangzhou Bolu Technology Co., Ltd.* (杭州伯廬科技有限公司) (the "**WFOE**"), a wholly-owned subsidiary of Weipin, the Onshore Holdcos, the registered shareholders of the Onshore Holdco 1 (the "**Registered Shareholders 1**") and the registered shareholder of the Onshore Holdco 2 (the "**Registered Shareholder 2**", together with the Registered Shareholders 1, collectively referred to as the "**Registered Shareholders**") have entered into a series of contractual arrangements (the "**Contractual Arrangements**"). Pursuant to the Contractual Arrangements, Weipin obtained effective control over, and received all the economic benefits generated by, the business operated by the Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS (continued)

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Company stipulated under the Contractual Arrangements:



Notes:

(1) "⟶" denotes direct legal and beneficial ownership in equity interests.

(2) "‧‧‧‧‧‧‧►" denotes contractual relationship.

(3) "– – – – –" denotes the control by WFOE over the Registered Shareholders and the Onshore Holdcos through (i) powers of attorney to exercise all shareholders' rights in the Onshore Holdcos, (ii) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos, (iii) exclusive options to acquire all or part of the assets used in business operation of the Onshore Holdcos, and (iv) equity pledges over the equity interests in the Onshore Holdcos.

(4) Registered Shareholders 1 refer to the registered shareholders of the Onshore Holdco 1, namely, (i) Hangzhou Juezi Investment Management Co., Ltd.* (杭州覺姿投資管理有限公司) ("**Hangzhou Juezi**"), a PRC company principally engaged in equity investment and assets management which holds 35% of the equity interests of Onshore Holdco 1; and (ii) Ms. Gao Fang, a PRC national who holds 65% of the equity interests of Onshore Holdco 1.

(5) Registered Shareholder 2 refers to the registered shareholder of the Onshore Holdco 2, namely, Guangzhou Hongyun Automobile Services Co., Ltd.* (廣州鴻運汽車服務有限公司) ("**Guangzhou Hongyun**"), a PRC company principally engaged in provision of automobile related services which holds 100% of the equity interests of Onshore Holdco 2.

(6) In terms of business operation, Onshore Holdco 1 and its subsidiaries, and Onshore Holdco 2 and its subsidiaries, each focus on working with a different major partner which provides passenger demand for the mobility service business.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS (continued)

The Company is of the view that the Contractual Arrangements are narrowly tailored because it is currently not feasible for the Company to apply for an ICP License through a sino-foreign equity joint venture or wholly-owned foreign investment entity structure and the Company is therefore required to carry out its mobility services business involving value-added telecommunications service businesses through the Contractual Arrangements. A brief description of the specific agreements that comprise the Contractual Arrangements entered into by each of the WFOE, the Onshore Holdcos and relevant Registered Shareholders is set out as follows:

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreement entered into between the Onshore Holdco 1 and the WFOE on 15 November 2019 (as amended and supplemented by the supplemental agreements dated 15 November 2019 and 7 July 2020), and the exclusive business cooperation agreement entered into among the Onshore Holdco 2, the WFOE and Registered Shareholder 2 on 30 April 2020 (as amended and supplemented by the supplemental agreements dated 30 April 2020 and 7 July 2020) (collectively, the "**Exclusive Business Cooperation Agreements**"), in exchange for a quarterly service fee, the Onshore Holdcos agreed to engage the WFOE as each of their exclusive provider of technical support, consultation and other services, including the use of any relevant software legally owned by the WFOE; development, maintenance and updating of software in respect of the Onshore Holdcos' business; design, installation, daily management, maintenance and updating of network systems, hardware and database design; providing technical support and staff training services to relevant employers of the Onshore Holdcos; providing assistance in consultancy, collection and research of technology and market information (excluding the market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws); providing business management consultation; providing marketing and promotional services; providing customer order management and customer services; leasing of equipment or properties; and other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Onshore Holdcos, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions and subject to any necessary adjustment by the WFOE.

Exclusive Equity Option Agreements

Under the exclusive equity option agreement entered into among the Onshore Holdco 1, the WFOE and the Registered Shareholders 1 on 15 November 2019 (as amended and supplemented by the supplemental agreement dated 7 July 2020) and the exclusive equity option agreement entered into among Onshore Holdco 2, the WFOE and the Registered Shareholder 2 on 30 April 2020 (as amended and supplemented by the supplemental agreement dated 7 July 2020) (collectively, the "**Exclusive Equity Option Agreements**"), the Registered Shareholders irrevocably grant an exclusive option to the WFOE, its designated person or the assignee of the rights under the Exclusive Equity Option Agreements to acquire any or all of their respective equity interests in the Onshore Holdcos in whole or in part at any time and from time to time for a nominal price of RMB1, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Equity Option Agreements shall remain effective unless the WFOE decides to terminate them and notifies the other parties.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS (continued)

Exclusive Assets Option Agreements

Under the exclusive assets option agreement entered into among the WFOE, the Registered Shareholders 1 and the Onshore Holdco 1 on 15 November 2019 (as amended and supplemented by the supplemental agreement dated 7 July 2020) and the exclusive assets option agreement entered into among the Onshore Holdco 2, the WFOE and the Registered Shareholder 2 on 30 April 2020 (as amended and supplemented by the supplemental agreement dated 7 July 2020) (collectively, the "**Exclusive Assets Option Agreements**"), the Registered Shareholders irrevocably grant an exclusive option to the WFOE, its designated person or the assignee of the rights under the Exclusive Assets Option Agreements to acquire all the used and useful assets in the business operation held by the Onshore Holdcos, including but not limited to tangible and intangible assets used in business operation, real estates, machines, facilities, equipment and parts, intellectual property rights, technical knowhow, lists of clients and suppliers and all the items and equity interests that will enable the WFOE to operate the mobility services business. The nominal consideration for the assets acquisition is RMB1, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Assets Option Agreements shall remain effective unless the WFOE decide to terminate them and notifies the other parties.

Equity Pledge Agreements

Under the equity pledge agreement entered into among the WFOE, the Registered Shareholders 1, the Onshore Holdco 1 and its subsidiaries on 15 November 2019 (as amended and supplemented by the supplemental agreement dated 7 July 2020) and the equity pledge agreement entered into among the Onshore Holdco 2, WFOE and the Registered Shareholder 2 on 30 April 2020 (as amended and supplemented by the supplemental agreement dated 7 July 2020) (collectively, the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, and the Onshore Holdco 1 and its subsidiary agreed to pledge all their respective equity interests in their subsidiaries, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts. The equity pledge in respect of the Onshore Holdcos and the relevant subsidiaries takes effect upon the completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

Powers of Attorney

Pursuant to the power of attorney executed by the Registered Shareholders 1 in connection with their rights in the Onshore Holdco 1 on 15 November 2019, the power of attorney executed by the Registered Shareholder 2 in connection with its rights in Onshore Holdco 2 on 30 April 2020, the shareholders' voting right entrustment agreement entered into among the WFOE, the Registered Shareholders 1 and the Onshore Holdco 1 on 15 November 2019 (as amended and supplemented by the supplemental agreement dated 7 July 2020), and the shareholders' voting right entrustment agreement entered into among the Onshore Holdco 2, WFOE and the Registered Shareholder 2 on 30 April 2020 (as amended and supplemented by the supplemental agreement dated 7 July 2020) (collectively, the "**Powers of Attorney**"), the Registered Shareholders irrevocably appointed the WFOE and its successor(s) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise any and all right that they have in respect of their equity interests in the Onshore Holdcos. The Powers of Attorney shall remain effective for so long as each Registered Shareholder holds equity interest in the relevant Onshore Holdcos.

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS (continued)

Spouse Undertaking

The spouse of the individual Registered Shareholder, where applicable, signed a letter of consent on 13 November 2019 to the effect and confirm, among others, that: (i) the individual Registered Shareholder's existing and future equity interests in Onshore Holdco 1 do not fall within the scope of communal properties of him and his spouse; (ii) he will fully assist with the performance of the Contractual Arrangements at any time, and (iii) he unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that he will not have any claim on such equity interests and assets.

Confirmations from the Registered Shareholders

The individual Registered Shareholder, where applicable, has confirmed to the effect that in the event of her death, incapacity, divorce or any other event which causes her inability to exercise her rights as a shareholder of the respective Onshore Holdcos, she will take necessary actions to safeguard her interests in the respective Onshore Holdcos (together with any other interests therein) and her successors (including his/her spouse) will not claim any interests in the respective Onshore Holdcos (together with any other interests therein) to the effect that the Registered Shareholder 's interests in the Onshore Holdcos shall not be affected.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Company, its subsidiaries and the Onshore Holdcos and/or Consolidated Affiliated Entities since the adoption of the Contractual Arrangements to the date of this annual report. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the same period.

Since their adoption to the date of this annual report, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

The revenue of the Onshore Holdcos and their respective subsidiaries amounted to HK$91,327,000 for FY2019, representing approximately 37.5% of the total revenue from sales of goods and provision of service of the Company and its subsidiaries for FY2019. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to HK$399,136,000 as at 31 March 2020, representing approximately 10.1% of the total assets of the Company and its subsidiaries as at 31 March 2020.

For details of the business activities of the Consolidated Affiliated Entities, please refer to the section "Weipin Investment" in "Business Review" of the "Management Discussion and Analysis" in this annual report. For details of the financial information and accounting treatment of the Consolidated Affiliated Entities, please refer to Note 34 to the consolidated financial statements in this annual report.

REASONS FOR ADOPTING THE CONTRACTUAL ARRANGEMENTS

The Consolidated Affiliated Entities conduct mobility services business involving value-added telecommunications service businesses, which are subject to foreign investment restrictions in accordance with the Negative List. After consultation with the PRC Legal Advisor, the Company determined that it was not viable for Weipin to hold the Consolidated Affiliated Entities directly through equity ownership. Instead, the Company decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, Weipin would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements between the WFOE, on the one hand, and the Consolidated Affiliated Entities and the Registered Shareholders, on the other hand.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

These are the certain risks that are associated with the Contractual Arrangements, including:

- If the PRC government finds that the agreements that establish the structure for operating the Relevant Business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the WFOE could be subject to severe penalties or be forced to relinquish its interests in those operations.

- Since the FIL remains relatively new, uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of the Company's current corporate structure, corporate governance and business operations.

- The Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Registered Shareholders may fail to perform their obligations under the Contractual Arrangements.

- The WFOE may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the Onshore Holdcos, which could render it unable to conduct some or all of its business operations and constrain its growth.

- The Contractual Arrangements may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore could substantially reduce its consolidated profit and the value of the Shareholders' investment.

- The equity holders, directors and executive officers of the Onshore Holdcos may have potential conflicts of interest with the Company.

- Certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If the WFOE exercises the option to acquire equity interests under the Exclusive Equity Option Agreements or the option to acquire assets under the Exclusive Assets Option Agreements, the ownership transfer may subject the WFOE to certain limitations and substantial costs.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS (continued)

The Company has adopted measures to ensure the effective operation of the businesses of the Company and its subsidiaries with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements, including:

Board Supervision

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

(iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Management controls

(i) The Company will conduct monthly reviews on the operations of the Onshore Holdcos and check the monthly management accounts of the Onshore Holdcos;

(ii) The Company will send a representative (the "**Representative**") to be actively involved in various aspects of the daily managerial and operational activities of the Onshore Holdcos;

(iii) Upon receiving notification of any major events of the Onshore Holdcos, the Representative must report to the Board as soon as practicable;

(iv) The chief financial officer of the Company (the "**Chief Financial Officer**") shall conduct regular site visits to the Onshore Holdcos and conduct personnel interviews quarterly and submit reports to the Board; and

(v) All seals, chops, incorporation documents and all other legal documents of the Onshore Holdcos must be kept at the office of the WFOE.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS (continued)

Financial controls

(i) The Chief Financial Officer shall collect monthly management accounts, bank statements and cash balances and major operational data of the Onshore Holdcos for review. Upon discovery of any suspicious matters, the Chief Financial Officer must report to the Board;

(ii) If the payment of the service fees from the Onshore Holdcos to the WFOE is delayed, the Chief Financial Officer must meet with the Registered Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the Registered Shareholder(s) will be removed and replaced;

(iii) The Onshore Holdcos must submit copies of latest bank statements for every bank accounts of the Onshore Holdcos to the WFOE within 15 days after each month end; and

(iv) The Onshore Holdcos must assist and facilitate the Company to conduct all on-site internal audit on the Onshore Holdcos if so required by the Company.

LISTING RULES IMPLICATIONS

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities are treated as the Company's subsidiaries, and unless they meet the conditions for the insignificant subsidiary exemption under Rule 14A.09 of the Listing Rules, their directors, chief executives or substantial shareholders and their respective associates, are treated as the Company's "connected persons" as applicable under the Listing Rules.

Upon publication of the Company's annual results for FY2019, Weipin and its subsidiaries (including the Consolidated Affiliated Entities) no longer meet the conditions for the insignificant subsidiary exemption under Rule 14A.09 of the Listing Rules, so their directors, chief executives or substantial shareholders and their respective associates are the connected persons of the Company at the subsidiary level. As a result, the relevant Registered Shareholders are connected persons of the Company at the subsidiary level in the following manners:

(i) Hangzhou Juezi is an associate of, and ultimately controlled by an individual, who is a director and a substantial shareholder of Weipin holding 35% equity interest of Weipin;

(ii) Ms. Gao Fang is a director of the Onshore Holdco 1; and

(iii) Guangzhou Hongyun is an associate of, and ultimately controlled by an individual, who was a director of Weipin and certain of its subsidiaries in the last 12 months.

LISTING RULES IMPLICATIONS (continued)

Each of the Registered Shareholders constitutes a connected person of the Company at the subsidiary level, so the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon publication of the FY2019 Results. Although the highest applicable percentage ratio in respect of the Contractual Arrangements is more than 5%, given that such transactions are (1) on normal commercial terms or better; (2) approved by the Board, and (3) confirmed by the independent non-executive Directors to be fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, such transactions are exempt from the circular, independent financial advice and shareholders' approval requirements. For details of the continuing connected transactions under the Contractual Arrangements, please refer to the announcement of the Company dated 26 June 2020.

APPLICATION FOR WAIVER

In respect of the transactions contemplated under the Contractual Arrangements, the Company has applied to the Stock Exchange for a waiver from strict compliance with: (i) the requirement of limiting the term of the relevant agreements to three years or less under Rule 14A.52 of the Listing Rules and (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to any condition to be imposed by the Stock Exchange for granting of such waiver. As at the latest practicable date prior to the bulk print of this annual report, such waiver application is still under review of the Stock Exchange. The Company will make further announcement(s) in respect of the waiver application as and when appropriate.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company 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 Listing Rules as its own corporate governance policy, subject to amendments from time to time.

In the opinion of the Board, the Company had complied with the code provisions of the CG Code throughout FY2019, except for the CG Code provision A.2.1, which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During FY2019, Mr. Wang Jingbo was both the chairman of the Board and the chief executive officer of the Company. The Board is of the opinion that such arrangement does 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.

BUSINESS MODEL AND STRATEGY

During the past year, as one of its existing strategies, the Company has aimed to widen its global footprint and develop a more diversified and balanced business portfolio through selective acquisition of overseas energy assets. On the one hand, the Company will continue to focus on the substantial investment opportunities arising from China's increasing demand for imported nature gas and the emerging North America LNG export market due to abundant low-cost shale gas supply. By investing in China's first non-state-owned LNG receiving terminal and one of the largest Canadian LNG export terminals under development, and making equity investment in LNGL, a company principally engaged in developing LNG export terminal projects in the U.S. and in Canada, the Company has been making strategic investments focusing on the LNG business value chain. On the other hand, the Company has also set foot in mobility services industry to capture new investment opportunities, diversify income stream and maximise returns for its shareholders by investing in Weipin, a mobility services platform.

The Company captures investment opportunities in the energy and mobility service sectors and realizes value appreciation and extraordinary returns through enhancing the efficiency of asset operations, the diversification of asset portfolios, the cross-border mergers and acquisitions, and funds management with economies of scale.

With strong supports from its Shareholders, mature investment strategies, sophisticated cross-border transaction capabilities and in-depth knowledge of the global energy and mobility services market, the Company has best positioned itself to grasp the industry momentum brought by China's energy structural reform, the dynamic changes of the global natural gas market, the opportunities of the new mobility industry and is committed to becoming the best cross-border energy and mobility assets investment manager in the region. In the meantime, the Company also looks for opportunities of investment in other sectors with a view to developing a sustainable corporate strategy to broaden its income stream. To satisfy the capital needs for assets investment and management, subject to the market condition, the Company will look for the most suitable fund raising channels which may include leveraging both equity and/or debt markets, as well as any other financing possibilities. The Boards believes that the Company is well positioned for rapid development when attractive assets become available, and outperform benchmarks.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises 7 directors, including 2 executive Directors (Mr. Wang Jingbo (Chairman and Chief Executive Officer) and Mr. Liu Zhihai (President)); 2 non-executive Directors (Mr. Lin Dongliang and Mr. Shong Hugo), and 3 independent non-executive Directors (Mr. Shi Cen, Ms. Ge Aiji, 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 41 to 45 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 Company'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 Company 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 the number of the Directors 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, Mr. Liu Zhihai, Mr. Shong Hugo 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 had met 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 Company'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 FY2019, the Company had provided to the Directors regular updates and presentations on changes and developments to the Company's business and to the legislative regulatory environments in which the Company and its subsidiaries operate. 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 FY2019.

BOARD OF DIRECTORS (continued)

During FY2019, 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.

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 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 FY2019, 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 Company and its subsidiaries, and met with the independent auditor. The Audit Committee reviewed the scope, extent and effectiveness of risk management and internal control systems of the Company and its subsidiaries.

Nomination Committee

The Nomination Committee currently comprises two independent non- executive Directors and one executive Director, namely Ms. Ge Aiji (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 determining the policy for the nomination of Directors, 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.

BOARD OF DIRECTORS (continued)

Nomination Committee (continued)

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 FY2019, the Nomination Committee reviewed the credentials of the incoming Director and recommended the appointment of the same to the Board for approval. In addition, the Nomination Committee reviewed the structure, size and composition (including the skills set, knowledge and experience) of the Board, and performed an assessment on the independence of all the Independent Non-executive Directors with the conclusion that all of them are independent. It also evaluated the performance and contribution of the retiring Directors and recommended them to the Board on their re-elections at the forthcoming annual general meeting.

Remuneration Committee

The remuneration committee of the Company ("**Remuneration Committee**") currently comprises two independent non-executive Directors and one non-executive Director, namely Mr. Chau Shing Yim David (Chairman), Ms. Ge Aiji 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, assessing performance of executive Directors and approving the term of executive Directors' service contracts.

During FY2019, 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.

In FY2019, the work performed by the Remuneration Committee includes, inter alia, the review of the Company's remuneration policy for its executive Directors and senior management and their levels of remuneration.

BOARD DIVERSITY POLICY

The Board adopted a board diversity 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 diversity 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.

BOARD NOMINATION POLICY

The Board has formalised the Company's existing approach and procedures and adopted a Board nomination policy in March 2019 to ensure that, with the support of the Nomination Committee, proper selection and nomination processes are in place for the appointment of additional and replacing Directors and re-election of Directors.

As noted above, the Nomination Committee will, on an ad hoc basis, recommend candidates who possess the relevant expertise as it considers appropriate when the need to select, nominate or re-elect Directors arises. In the determination of the suitability of a candidate, the Nomination Committee will consider the potential contribution a candidate can bring to the Board in terms of skills set, experience, expertise, independence, age, culture, ethnicity, gender and such other factors that it may consider appropriate for a position on the Board. The Nomination Committee will provide updated information and status of progress to the Board throughout the determination process as and when appropriate. The Board will take into consideration the benefits of a diversified Board when selecting Board candidates.

Where a retiring Director, being eligible, offers himself/herself for re-election, the relevant sub-committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules. Shareholders of the Company may nominate a person to stand for election as a Director at a general meeting in accordance with the Bye-laws of the Company and applicable laws and regulations including those of the Listing Rules. The procedures for such proposal are posted on the website of the Company.

The Board Nomination Policy is available on the website of the Company. The Board will from time to time review the Board Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at the various meetings of the Company during FY2019 are set out below:

	Attended/Eligible to Attend				
	Annual general meeting	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings
Number of meetings	1	7	3	2	2
Executive Directors					
Mr. Wang Jingbo	1/1	7/7	N/A	2/2	N/A
Mr. Lee Khay Kok[(i)]	1/1	4/4	N/A	N/A	N/A
Mr. Liu Zhihai[(ii)]	N/A	3/3	N/A	N/A	N/A
Non-executive Directors					
Mr. Lin Dongliang	1/1	7/7	N/A	N/A	N/A
Mr. Shong Hugo	1/1	7/7	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Chau Shing Yim David	1/1	7/7	3/3	N/A	2/2
Mr. Shi Cen	1/1	7/7	3/3	2/2	N/A
Ms. Ge Aiji	1/1	7/7	3/3	2/2	2/2

Notes:

(i) Mr. Lee Khay Kok resigned as an executive director of the Company on 5 September 2019.

(ii) Mr. Liu Zhihai was appointed as an executive director of the Company on 5 September 2019.

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 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 Directors have provided the joint company secretaries of the Company with their training records for FY2019.

CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

The individual training record of each Director during FY2019 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. Liu Zhiha (President)	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

Ms. Ge Aiji	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
Mr. Chau Shing Yim David	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 and make recommendations to the Board;

(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.

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. Details of the remuneration of each of the Directors for FY2019 are set out in note 10 to the consolidated financial statements.

The senior management's remuneration for FY2019 is within the following bands:

Emolument bands	Number of individuals
HK$1–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
HK$1,500,001–HK$2,000,000	1
HK$2,000,001–HK$2,500,000	1
HK$2,500,001–HK$3,000,000	1
	5

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 10, 36(a) and 11 to the consolidated financial statements.

AUDITOR'S REMUNERATION

For FY2019, services provided to the Company and its subsidiaries by KPMG, the existing auditor of the Company, and the respective fees paid and payable were:

	HK$'000
Audit services	2,825

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 by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout FY2019.

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 are 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.

In FY2019, each of the joint company secretaries of the Company had 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 Company's systems of risk management and internal control and reviewing their effectiveness. The systems of risk management and internal control systems of the Company are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Company's goals. The systems are also structured to safeguard the Company'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 Company, 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 Company 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 the Company 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.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Risk Management and Internal Control Systems (continued)

— 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.

— Hedging: place the Company in a hedged position, protecting it from a decline in the oil price over the stipulated period of time.

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 the forthcoming financial year, 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 suggestion in risk management and internal control related issues within the Company.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Review of the Effectiveness and Adequacy of 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 FY2019, the Board and the Audit Committee conducted annual review of the effectiveness of the risk management and the internal control system of the Company covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Company'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 Company and its subsidiaries 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 auditor of the Company, KPMG, with regard to their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 116 to 122 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.

The Directors present their report and the audited financial statements of the Company and its subsidiaries for FY2019.

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 no 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.

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

(continued)

The written request/statements must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal office at Unit 5507, 55/F, The Center, 99 Queen's 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 for handling. The contact details are as follows:

Address:	Unit 5507, 55/F., The Center 99 Queen's Road Central Hong Kong
Tel No.:	(852) 3903 1326
Fax No.:	(852) 2541 5562

Shareholders may also make enquiries with the Board at the general meetings of the Company.

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

There were no changes in the Company's constitutional documents during FY2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. REPORT OVERVIEW

1.1 About This Report

This is the fourth Environmental, Social and Governance Report issued by IDG Energy Investment Limited (the "**Company**"). This report mainly introduces the Company and its subsidiaries' 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 of Directors of the Company (the "**Board**") and its individual members assume full responsibility for the Company's ESG strategy and ESG reporting and are responsible for assessing and determining the Company's ESG risks and ensuring that the Company and its subsidiaries have an appropriate and effective ESG risk management and internal control system in place. The management of the Company provides the Board with confirmation as to whether the system is effective. 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 completeness of its contents.

Scope of the Report

This report covers the Company and its subsidiaries. The Company is an investment holding company principally engaged in the investment and management of global energy assets and the mobility services business. The principal activities of its subsidiaries and invested portfolio companies consist of mobility services platform, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, energy investment fund management as well as investment in energy-related and other industries and businesses.

Currently, the Company has two operating subsidiaries, being 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 Weipin ("**Weipin**"). As the product manufacturing subsidiary of the Company, Hongbo Mining is responsible for a large proportion of environmental responsibility, so the scope of disclosure of environmental data in this report is limited to Hongbo Mining. Weipin is a mobility company acquired by the Company in November 2019, it is gradually establishing an ESG information collection system, which will be disclosed in the ESG Report next year.

Time Range

The Company's ESG report is an annual report and this report is for the period from 1 April 2019 to 31 March 2020.

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 Hong Kong Exchange and Clearing Limited ("**HKEx**").

I. REPORT OVERVIEW (continued)

1.2 Vision of ESG Management

The reporting period of this report represented the fourth year of the Company's ESG disclosure. Regarding Hongbo Mining, the Company's subsidiary, engaged in upstream oil exploration, development, production and sale of crude oil in China, the Company has adhered to the development philosophy of "energy conservation, emissions reduction, green development, and safety as top priority" to achieve green and secure development while continuously improving quality and efficiency and provide society with high-quality oil resources. At the same time, the Company has further increased its comprehensive strength by focusing on talent development, technological innovation, supervision and management and performance optimization. The Company mainly focuses on investment and management of global energy assets. With respect to investment orientation, the Company is optimistic about China's huge demand for imported nature gas and the long-term availability of abundant low-price natural gas resources due to the shale gas revolution in North America, proactively making deployments along the clean energy (natural gas) industry chain, and developing itself into an upstream and downstream integrated, innovative, secure and environmentally friendly energy investment and management company. By investing in Weipin (a travel service platform), the Company has set foot in the mobility services industry. It also adheres to the concept of green and safe development in the use of energy, and further enhances the Company's comprehensive strength through innovative development."

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT

Earth is the home for human survival. Protecting the environment, conservation and recycling of resources are the incumbent obligation of the Company as an enterprise citizen. The Company and its subsidiaries have always strictly followed the national and local laws, regulations and policies on resource preservation and environmental protection, including Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Plan of Ecological and Environmental Protection during the 13th Five-Year Plan Period (《"十三五"生態環境保護規劃》). The Company and its subsidiaries have been committed to fulfilling its environmental responsibilities by increasing investment in energy conservation, emissions reduction and environmental protection, increasing resource utilization efficiency, reducing pollutant emissions, and ensuring environmental and ecological protection in the operating regions.

During the reporting period, the Company and its subsidiaries did not have any environmental pollution and ecological damage accidents, or waste management violation events.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management

Hongbo Mining, the Company's subsidiary, has formulated strict internal Rules on Environmental Protection Management ("**Management Rules**"), Management System for Protecting 212 Oil Region Environment ("**Management System for Oil Region**"), Bye-laws for Handover in Oil Well Operations and Bye-laws for Well Drilling, Withdrawal after Well Completion and Handover in accordance with relevant laws and regulations including Law of the People's Republic of China on Prevention and Control Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), and Law of the People's Republic of China on Prevention and Control Water Pollution (《中華人民共和國水污染防治法》). The Management Rules have clear provisions in six major aspects such as environmental protection measures, environmental impact assessment, "three simultaneous" management, environmental hidden danger management, environmental monitoring, and environmental performance evaluation. The Management System for Oil Region is tailored to specific oil regions, including vehicle route planning, daily environmental health maintenance and garbage collection in well site, storage of materials and waste & scraps, and deployment of impervious cloth, and ensures that various departments and teams fulfill their due responsibilities. Bye law for Handover standardized the environmental management requirements for handover and withdrawal after completion.

Hongbo Mining, in accordance with the above relevant management rules, has also put in place an effective management mechanism for implementation, and stipulates a specific implementation of the management system that led by Security Environmental Protection Department, Engineering Operation assume the organization and supervision and the relevant functional departments and project contractor units act as the principal of liability, which has distinct rights and responsibilities and implement the responsibility at various levels to integrated management, with an aim of effectively implementing environmental protection tasks.

2.1.1 Reduction of Greenhouse Gas Emissions

In line with the Greenhouse Gas Emissions Control Plan during the 13th Five-Year Plan Period (《"十三五"控制溫室氣體排放工作方案》) and other policy documents, Hongbo Mining has thoroughly implemented national environmental protection guidelines and policies and strictly controlled its greenhouse gas emissions.

Greenhouse gas (GHG) emissions generated by Hongbo Mining from its crude oil production, collection, transmission and processing activities are mainly carbon dioxide. Scope 1[1] emissions are mainly from the following sources:

- GHG emissions resulting from diesel combustion in well drilling and oil-water well maintenance activities;
- GHG emissions resulting from natural gas combustion for oil and gas transmission pipeline heating and domestic heating in winter;
- GHG emissions resulting from well testing release, process release and escape during production.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 *Emissions Management* (continued)

2.1.1 Reduction of Greenhouse Gas Emissions (continued)

Scope 2[1] emissions are mainly from the generation of purchased electricity.

Greenhouse Gas Emissions	FY2019	FY2018
Total greenhouse gas emissions (t CO_2 equivalent)	**11,891.12**	11,607.34
Scope 1 gas emissions[2] (t CO_2 equivalent)	**6,034.24**	4,883.76
Scope 2 gas emissions (t CO_2 equivalent)	**5,856.87**	6,723.58
Intensity of greenhouse gas emissions (t CO_2 equivalent/t crude output)	**0.21**	0.22

To reduce GHG emissions, Hongbo Mining has taken a series of measures. Examples include gathering associated natural gas in crude oil production and using it for heating and electricity generation of Hongbo Mining; adjusting thermal system parameters according to season in a timely way to plan natural gas utilization optimally; developing scientific working schedules with reasonable activation and deactivation for oil wells with insufficient liquid supply to pump oil by interval and thus effectively reduce electricity consumption; promoting advanced applications such as intelligent variable frequency control cabinet and alloy anti-wax devices to save electricity consumption; and add reactive power compensators to improve the power factor of power grids, reduce the loss of supply transformers and transmission lines, and enhance power supply efficiency.

During the reporting period, Hongbo Mining saved approximately 3,312.44 tonnes of standard coal equivalent and reduced 9,678.56 tonnes of carbon dioxide equivalent of GHG emissions by combusting 2.4905 million normal cubic metres of associated natural gas for heating and electricity generation.

1 In accordance with Appendix 2: Reporting Guidance on Environmental KPIs published by HKEx, Scope 1 emissions are direct emissions from operations that are owned or controlled by the company and Scope 2 emissions are "energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating, cooling and steam consumed within the company.

2 Hongbo Mining does not use gas flares in its oil and gas production and therefore does not have GHG emissions from them. GHG emissions from well testing, process release and production escape are less.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.2 Waste Gas Generation and Management

The air pollutants generated by Hongbo Mining from its business operation are mainly sulphur dioxide, oxynitride and soot resulting from natural gas combustion of its heating furnaces and generating units and petrol and diesel combustion.

Exhaust Emissions	FY2019	FY2018
Sulphur dioxide emissions (t)	**0.45**	0.32
Oxynitride emissions (t)	**5.39**	3.99
Particulate matter emissions (t)	**0.66**	0.50
Intensity of sulphur dioxide emissions (g/t crude output)	**8.12**	6.05
Intensity of oxynitride emissions (g/t crude output)	**97.24**	75.47
Intensity of particulate matter emissions (g/t crude output)	**11.91**	9.46

To reduce the impact of its business operation on the atmospheric environment, Hongbo Mining has adopted the corresponding measures, including adding natural gas collection devices to all wellheads for centralized recycling; replacing oil well maintenance equipment with oil and gas dual-purpose boilers or pure gas-fired boilers for heating; strengthening vehicle management by strictly controlling the number of vehicles and reducing frequency of use; and continuing to phase out large-displacement fuel-hungry engineering vehicles in a planned way to reduce petrol and diesel consumption.

According to the environmental impact assessment report provided by a third-party agency throughout the project construction period, the ratio of maximum landed concentration of atmospheric pollutant emission to standard concentration emitted by Hongbo Mining was only 0.23%, indicating that its business operation does not have a significant impact on ambient air quality.

In addition, the Company mainly focuses on investment and management of global energy assets. In terms of investment, the Company has successfully made deployments along the clean energy (natural gas) industry chain, because natural gas, as a clean energy source, can reduce sulphur dioxide and dust emissions by nearly 100%, carbon dioxide emissions by 60% and oxynitride emissions by 50%. At the same time, the Company also focuses on the sharing transportation industry, and expects to generate synergies in optimizing the cost of vehicle energy and other aspects.

- In July 2017, the Company through its subsidiary completed the subscription of shares allotted by Jiangxi JOVO Energy Company Limited (江西九豐能源有限公司) ("**JOVO**") by making an investment of RMB100 million. JOVO has begun operation from 1990 and is principally engaged in clean energy businesses, including importing, processing and sale of the industrial products of liquified petroleum gas and LNG.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.2 Waste Gas Generation and Management (continued)

- In February 2018, the Company through its subsidiary completed the acquisition of a stake in LNG Quebec Limited Partnership at the purchase price of US$3.15 million. LNG Quebec Limited Partnership is developing one of the largest Canadian LNG export terminals under development, with a maximum nameplate liquefaction capacity of up to 11 million tonnes per annum. In July 2018, the Company increased investment of US$1 million in LNG Quebec Limited Partnership.

- In June 2018, the Company through its subsidiary acquired a 9.9% equity in Liquefied Natural Gas Limited ("**LNGL**") listed on the Australian Securities Exchange with A$28.20 million (approximately HK$167.0 million), becoming the second largest shareholder of LNGL. LNGL is an independent LNG developer with its primary operations in North America.

- In September 2018, the Company, through its subsidiary, has enter into the agreement for a joint venture with JUSDA Supply Chain Management International CO., LTD. ("**JUSDA**") and the management team, established a joint venture company to provide liquefied natural gas ("**LNG**") logistics transportation solutions, including LNG tank logistics business. The joint venture company aims to provide separate LNG logistics services to the industry, to satisfy the global demand for LNG.

- In November 2019, Triple Talents Limited ("**Triple Talents**"), a wholly-owned subsidiary of the Company, entered into the agreements with Weipin and its affiliates to subscribe for certain shares in Weipin. Weipin has become the holding company of certain mobility services platform business upon completion of restructuring.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.3 Waste Generation and Management

All oil and gas exploitation projects of Hongbo Mining are contracted, but Hongbo Mining is responsible for supervision of waste transfer and storage of the contractors. Hongbo Mining attaches great importance to waste generation, reducing, gathering, transport, storage and disposal. Typically, Hongbo Mining signs a service contract with a project contractor, supervises its waste disposal, and conducts strict acceptance inspection of waste disposal. By promoting technological innovation, improving management mechanisms, adopting centralized recovery, and improving utilization efficiency, Hongbo Mining has been continuously advancing non-hazardous disposal and recycling of waste.

Waste Emissions	FY2019	FY2018
Total hazardous waste emissions (t)	**197.1**	11.98
Oil sludge (t)	**197.1**[3]	11.98
Intensity of hazardous wastes (kg/t crude output)	**3.56**	0.23
Total non-hazardous waste emissions (t)	**145.80**	121.89
Waste packaging materials (t)	**2.30**	2.50
Scrap metal (t)	**120.00**	99.00
Domestic waste (t)	**23.50**	20.39
Intensity of non-hazardous wastes (kg/t crude output)	**2.63**	2.31

Hazardous Waste

The main hazardous wastes resulting from the crude oil exploitation, treatment, storage and formation testing activities of Hongbo Mining are collectively referred to as oil sludge, including paraffin wax coagulated from crude oil, heavy oil deposited on tank bottoms of the gathering and transportation station, flocs formed by cleaning agents during wastewater treatment, and waste resulting from equipment and pipeline corrosion. These substances have some toxicity and flammability and if directly discharged without proper treatment will cause pollution to soil, water and air and if landfilled without remediation will cause serious pollution to underground water and seriously damage the existing ecosystem such as trees and vegetation.

3 During the reporting period, Hongbo Mining carried out dredging operations on two 1,000 cubic meters storage tanks, resulting in much higher production of oil sludge during the reporting period than that in the previous reporting period.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.3 Waste Generation and Management (continued)

Hazardous Waste (continued)

In line with the principle of reducing and recycling, Hongbo Mining has engaged a professional third-party team to design and expand the sewage treatment system, which has increased the treatment capacity by 5 times. This greatly reduced the suspended substance in the sewage, thereby reducing the sediment in the pipeline and the corrosion to the pipe wall. Meanwhile, Hongbo Mining has taken effective measures to reduce oil sludge, including injecting liquid active solvents into producing wells and washing the wax deposited on well walls and bottoms with high-temperature liquid on a regular basis; and washing pipelines with neutral or faintly acid aqueous solutions to accelerate breakdown of coagulations and sediments and achieve grease and grime removal. Hongbo Mining has formulated the Hongbo Mining Plan for Managing Hazardous Waste regarding hazardous waste collection and disposal, with a dedicated environmental protection officer responsible for having the equipment cleansed on a regular basis and supervising relevant personnel to transport hazardous wastes to the gathering and transportation station for centralized disposal, where oil sludge and other wastes are converted to non-hazardous wastes through a series of processes including heating, filtration, precipitation and dehydration. This work is contracted to a local certified hazardous waste disposal company.

Hongbo Mining has recycled all waste toner cartridges by adding carbon powder and did not generate any hazardous office waste including waste toner cartridge during the reporting period.

Non-hazardous Waste

Non-hazardous waste generated by Hongbo Mining from its business activities mainly includes packaging materials of purchased equipment, scrap metal (tools, wires and parts) and domestic waste.

Hongbo Mining has striven to reduce the generation of non-hazardous waste by tackling their sources through multiple effective measures, including: adopting new techniques; using the sucker rod centralizer and oil tube lining to reduce the eccentric wear caused by long-term sucker rod trips on the oil tube, prolong the workover intervals of oil wells, and reduce waste pipes caused by sucker rod fray; maintaining, repairing and treating for corrosion resistance pipelines and oil tube on a regular basis to extend their service life; using neutral detergents to extend the service life of pipelines and equipment; repairing and reusing decommissioned pipelines, with the decommissioned pipelines being put into use again safely after expiration of service life accounting for approximately 25% of all decommissioned pipelines; advocating paperless office, and actively implementing domestic wastes classification during the course of daily office operation.

Hongbo Mining separates non-hazardous wastes by type, with solid wastes such as packaging materials and scrap metal being handed over to qualified solid waste disposal companies, and domestic wastes being stored by category, waste classification deposition being included in management, so as temporary wastes storage facilities are also established to prevent wastes leakage, and domestic wastes being transported to sites designated by government authorities periodically for centralized disposal by relevant department.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.1 Emissions Management (continued)

2.1.4 Wastewater Management

Hongbo Mining has strictly complied with relevant laws and regulations and national, local and industry standards including Water Law of the People's Republic of China (《中華人民共和國水法》), Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》) and Integrated Wastewater Discharge Standard (《污水綜合排放標準》(GB 8978-1996)) by taking the measures of "locating the source, controlling the process, utilizing by different levels and recycling" based on the principle of source control and recycling, which involve collecting the sewage generated during crude oil exploitation through the gathering and transportation station for separation from the crude oil and sedimentation, and then injecting it back to the stratum after wastewater treatment to facilitate 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 of 79,000 cubic meters generated from oil exploitation was completely injected back to the stratum after wastewater system with a reinjection rate of 100% , which significantly reduced consumption of fresh water.

Wastewater Emissions	FY2019	FY2018
Domestic sewage discharge (t)	**28,700**	25,550

Having been biologically degraded to meet the discharge standard, all the domestic sewage was discharged for vegetation irrigation.

2.2 Use of Resources and Management

Hongbo Mining has adopted measures to use electricity, water, petrol and diesel more efficiently with a view to improve resource utilization. Hongbo Mining has established calculation systems for resource consumption, including the initial establishment of calculation systems for fresh water and natural gas, which separately calculate water for production, water for oilfield water injection and domestic water and separately calculate natural gas for domestic use, natural gas for power generation and natural gas for heating furnace in the production system, in order to achieve scientific and reasonable dispatch and utilization of fresh water and natural gas. During the reporting period, Hongbo Mining has revised the Outsourcing Vehicle Management System which controls the use of vehicles more effectively by integrating outsourcing special vehicles and operations staff into the unified management system of the company, so as to manage the consumption of petrol. The Vehicle Management Department has developed the Measures for the Administration of Regenerative Vehicle of the company which evaluates the useful life, condition, petrol consumption and annual maintenance costs of vehicles, puts forward the standard in renewal of vehicle in order to phase out the engineering vehicles of high energy consumption and excessive maintenance costs.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 *Use of Resources and Management* (continued)

2.2.1 Energy Management

The Company and its subsidiaries have strictly complied with the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and relevant requirements of the Plan of Integrated Work of Energy Conservation and Emission Reduction during the 13th Five-year Plan Period (《"十三五"節能減排綜合工作方案》) to become resource-conserving enterprises.

The Company's energy consumption is mainly from its subsidiary, Hongbo Mining, whose main sources of energy consumption include electricity for well site equipment, gas and oil gathering and transmission, and water filling; petrol for cars for inspection and supervision purposes; diesel for engineering vehicles, generators for well sites without grid connection, and domestic heating on project site in winter; and natural gas as domestic fuel and for winter heating and combustion-based electricity generation.

In daily management, Hongbo Mining has actively responded to the call for energy conservation and environmental protection by installing GPS monitoring system on all engineering vehicles with an aim to improve energy efficiency to dispatch vehicles reasonably and effectively, plan routes and raise working efficiency, as well as reduce fuel consumption. As for the electricity consumption of oil well, it applied measures such as intermittent operation and lower stroke times on low yield oil pumping wells to minimize the power consumption for ensuring routine production.

Energy Consumption	FY2019	FY2018
Total power consumption (kWh)	**6,623,175**	7,603,284
Petrol consumption (t)	**37.69**	40.82
Diesel consumption (t)	**165.20**	294.24[4]
Associated natural gas consumption (10,000 normal cubic metres)	**249.00**	177.00
Comprehensive energy consumption[5] (1,000 kWh)	**35,979.32**	48,118.88
Intensity of comprehensive energy consumption (kWh/t crude output)	**649.11**	910.19

During the reporting period, Hongbo Mining consumed 1.963 million normal cubic metres of associated natural gas for heating (saving 76,421.55 GJ of thermal energy) and 527,000 normal cubic metres of associated natural gas for electricity generation (saving approximately 922,300 kWh of electricity).

4 Some of the producing wells newly put into production were not connected to the grid, and diesel generators were used to supply electricity, resulting in an increase in diesel consumption during this reporting period.

5 Calculation on this indicator performed with reference to converted standard coal coefficient data in China Energy Statistical Yearbook (《中國能源統計年鑒》) and General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GB/T 2589-2008), etc.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 *Use of Resources and Management* (continued)

2.2.2 Water Resource Management

Hongbo Mining's water resource management goal is to achieve 100% produced water treatment, 100% produced water reinjection, and efficient and controlled use of fresh water.

Hongbo Mining's main sources of water use include water use for well drilling, completion and maintenance, water injection to supplement producing energy and increase oil recovery, and a small amount of domestic water.

In its production and operation process, Hongbo Mining has adopted measures in the following aspects to conserve water resource:

- Adopting clean production processes and implementing water saving practices to increase water recycling and reduce water withdrawal.

- Ensuring effective day-to-day maintenance, keeping the pipeline network in normal working condition, guaranteeing safe water supply, and preventing pipeline seepage, with all anti-seepage measures having a permeability coefficient of less than 1.0×10^{-7}cm/s.

- Cleaning wells with treated wastewater, which not only reduces the use of flushing fluid but also mitigates pollution and damage to oil reservoir, and recycling flushing liquid.

Water resource consumption	FY2019	FY2018
Fresh water consumption (cubic metre)	133,754	163,910[6]
Intensity of fresh water consumption (cubic metre/t crude output)	2.41	3.10

During the reporting period, the Company did not have any violation in obtaining suitable water sources.

2.2.3 Ecological Protection in Operating Regions

Land Rehabilitation

Oil field development will create a new artificial ecosystem, and its environmental impact is mainly shown as the excavation face being not entirely rehabilitated, leading to reduced vegetation coverage, vegetation biomass loss, and impaired vegetation structure.

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 Relating to Reporting and Review of Land Rehabilitation (《關於組織土地復墾編報和審查有關問題的通知》), Hongbo Mining has formulated and issued its Land Rehabilitation Plan which combines rehabilitation engineering and project development with the focus on comprehensive environment management for construction projects by prioritizing ecology protection and implementing ecological restoration by integrating a succession of measures including land levelling, topsoil coverage, forestation and grass plantation to achieve "exploiting while rehabilitating". All projects of Hongbo Mining have passed the acceptance inspection of national environmental protection authorities.

6 During the reporting period, due to the business and working conditions, Hongbo Mining took measures to inject water into the mine and increase pressure, resulting in an increase in fresh water consumption. Since the need to inject fresh water is greatly affected by factors such as the geological conditions of the mining area, there are no regular changes in the annual fresh water consumption and consumption intensity.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.2 Use of Resources and Management (continued)

2.2.3 Ecological Protection in Operating Regions (continued)

Biodiversity Conservation

It is also the responsibility of the Company to protect the ecological environment where we operate. Having considered the opinions and suggestions of experts and East Ujimqin Banner Ecology Bureau, Hongbo Mining, a subsidiary of the Company, chooses to plant forages suitable for the local soil environment and climate, such as elymus dahuricus, caragana korshinskii, alfalfa, astragalus huangheensis and tartary buckwheat, and aspens good for survival, protects wild animals around the well site, strictly prohibits hunting and lays underground pipes in living areas for irrigation of surrounding plants.

2.3 Innovation and Safety

2.3.1 Technological Innovation

The Company and its subsidiaries' innovation-driven performance enhancement policy is underpinned by the respect for labour, for knowledge, for talent, and for creation and encourages team collaboration as well as independent innovation. The Company and its subsidiaries have a Core Talent Development Program geared to developing high-level talent and making innovations in urgently needed technologies and has formed an innovative team through project research and development to nurture corporate leaders in technology innovation to support the innovation-driven sustainable development of the Company. The Company's subsidiary Hongbo Mining, based on its Staff Innovation Workshop, has mobilized its staff at various levels to make technological innovations in various ways including joint research to make breakthroughs in key technologies, technological renovation, invention, repair and waste recycling. By organising activities such as collaborative research in key technologies, management innovation and project-based research and promoting advanced concepts, technologies and methods, Hongbo Mining has solved technical bottlenecks confronting its oil blocks and achieved steady progress in the exploration and development capabilities of various projects in the oil blocks.

2.3.2 Safe Production

The Company and its subsidiaries care for every employee and are committed to protecting their health. They strictly comply with Work Safety Law of the People's Republic of China (《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》) and adhere to the guideline of "safety first, prevention foremost, and integrated management", always highlighting occupational health, work safety and environmental protection as an important part of its corporate social responsibility and reflecting this commitment into the full life cycle of Hongbo Mining's production and operation activities. It has established a health, safety and environment ("**HSE**") management system and an operating mechanism which integrate decision management, business operation, technical support, and regulation and incentivization.

During the reporting period, the Company and its subsidiaries did not have any violation of China's relevant current labour and safety laws and regulations or experience any major accident seriously jeopardizing employee safety or causing employee death, with zero lost workday due to work-related injury.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 Innovation and Safety (continued)

2.3.2 Safe Production (continued)

Improvement of HSE System

Hongbo Mining, a subsidiary of the Company, follows the PDCA management model, that is, Plan-Do-Check-Action, which forms an HSE system of cycles and continuous improvement. The main contents include:

(1) Leadership commitment, policy objectives and responsibilities. The top leader of Hongbo Mining has made a top-down commitment and established an HSE guarantee system; formulated policy objectives and performed management, and established the guiding ideology of the HSE management system; established an organization to clarify the responsibilities of different departments, different positions, and different types of jobs.

(2) Organization, responsibility, resources and document management. Hongbo Mining has established an HSE management organization, clarifying responsibilities, authorities and affiliation; reasonably allocating human, financial and material resources to conduct extensive training to improve the awareness and skills of all employees.

(3) Risk assessment and hidden danger management. Hongbo Mining has clarified the evaluation object, established evaluation methods and procedures, determined the influencing factors of hazards and accidents, selected the judgment criteria and made records; conducted assessment and treatment of hidden dangers in the course of production.

(4) Safety, health and environment system management requirements of contractors and suppliers.

(5) Design and construction of devices (facilities).

(6) Operation, maintenance, inspection and supervision of the HSE management system.

(7) Change management and emergency management.

(8) Accident handling and prevention.

(9) System audit, review and continuous improvement.

Hongbo Mining, a subsidiary of the Company, has formulated and revised the "Employee Safety Manual", "Customary Violations and Corrective Methods", "Hazard Source Identification and Risk Assessment Control Management System", "Operation Permit Management System", "Traffic Safety Management System", "Safety Rewards and Punishment System", "Special Equipment Safety Management System", "Emergency Management System", etc., including 36 safety management systems and regulations, 30 job safety responsibilities, 52 job operation regulations, 7 assessment rules and 6 emergency plans, in accordance with the HSE system standard framework planning.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 Innovation and Safety (continued)

2.3.2 Safe Production (continued)

Improvement of HSE System (continued)

Hongbo Mining, a subsidiary of the Company, has established a safety organization with the general manager as the team leader, and built an operating system guided by the decision making management, implemented by the management and achieved by the operation management, so as to fully implement the safety management among the production team and each employee, with its functions of all levels as follows:

- The decision making management is responsible for establishing and improving the Company's HSE responsibility system, setting up management institutions and personnel, organizing the formulation of rules and operating procedures, and establishing and improving relevant records and files; ensuring adequate HSE investment and effective implementation; urging and checking the Company's HSE work, timely controlling and eliminating the source of danger; organizing to formulate and implement the HSE accident emergency plan of the Company, and reporting the HSE accident timely and truthfully.

- The management implements the systems and procedures in the HSE management system according to the division of labor of the departments, and guides the subordinate departments or employees to carry out identification assessment, risk control and performance assessment.

- The operation management accepts the HSE education and training, and strictly implements the operation-level documents of this position, including operation instructions, job operation regulations, etc.

Strengthening Risk Management and Control

Hongbo Mining, a subsidiary of the Company, has established a dual prevention mechanism comprising hierarchical management of safety risks as well as safety hazard identification and rectification. With the overall work policy of "full participation, risk control, continuous improvement, performance assurance" and in accordance with the requirement of "double duties in one position", Hongbo Mining required departments at all levels and relevant departments not only to undertake the work within the scope of their own responsibilities, but also to assume the management of relevant production safety targets and perform the responsibilities of production safety in accordance with the principles of "responsibilities vest to those in charge" and "safety keeps abreast of production". Hongbo Mining also divided the HSE policy and objectives into grassroots units, and puts the measures of hazards identification and risk reduction into positions step by step, so as to truly standardize the operation of HSE management system from top to bottom and promote the implementation of safety and environmental responsibilities. The Company attaches great importance to safety management, and the Safety and Environmental Protection Department is responsible for improving the building of full-time and part-time emergency team; formulates and organizes relevant emergency drill plans every year; identifies, analyzes and evaluates the risks caused by hazard sources, considers the adequacy and effectiveness of existing control measures, determines the acceptability of risks, and compiles the accident risk assessment reports. In addition, the Company is equipped with registered safety engineers to carry out the Company's safety supervision and management work, including industrial hot work, pipelines, temporary electricity, access to restricted space, hoisting, climbing, etc.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 *Innovation and Safety* (continued)

2.3.2 Safe Production (continued)

Safety Education for Employees

Safety training covers employees at all levels of the Company and its subsidiaries and HSE induction training covers all new recruits. With highly attaching importance to the improvement of employees' safety awareness, Hongbo Mining, a subsidiary of the Company has established an integrated HSE training system based on HSE theory, which covers various and comprehensive aspects such as HSE management concept, job responsibility awareness and emergency response management. Hongbo Mining also arranges different types of safety trainings on an ongoing basis to carry out omni-directional promotion of HSE through different channels, such as safety education for employee orientation, special equipment safety learning, traffic safety training, daily safety education, safety education for workers from contractors and educational safety video watching activities, so as to improve employees' competence on safety production.

Protection of Occupational Health of Employees

The Company and its subsidiaries have been committed to strengthening their employee occupational health management systems and Hongbo Mining has established an occupational health management accountability mechanism which stipulates that:

- The safety and environmental protection department is responsible for establishing and improving the occupational health management system and the occupational health records, formulating the occupational disease prevention programme and implementation plan and the emergency rescue plan for occupational hazard accidents, organizing employee medical examination; while also responsible for the company's work on occupational disease prevention and statistical management, including identifying and evaluating occupational hazards factors, conducting promotion and education of occupational disease prevention, regularly contacting the Center for Disease Control and Prevention on a year basis, conducting inspection of dust, noise and other occupational hazards sites of each construction and production department, and promptly notifying relevant departments to implement rectification on the unqualified items identified on the sites.

- The administration and personnel department shall be responsible for signing labor contracts with employees, and shall disclose to employees the occupational hazards that may occur during the work process and their consequences as well as wages and benefits, which shall be stated in the labor contracts. The employees who are found to be suffering from occupational hazards during occupational health examinations shall be transferred in time and properly settled, and the labor contracts with employees can be annulled or terminated only after they have undergone pre-departure occupational health examinations.

- All grass-roots departments are responsible for the implementation of the prevention and control measures on occupational hazards. They should carry out regular inspection, maintenance and testing of occupational hazards prevention and control equipment to ensure their normal operation, and receive and distribute personal hygiene and protective equipment to employees according to regulations; and they shall not arrange employees with occupational contraindications to engage in tasks with occupational hazards, and shall establish and improve occupational health management archives for employees.

II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT (continued)

2.3 *Innovation and Safety* (continued)

2.3.2 Safe Production (continued)

Protection of Occupational Health of Employees (continued)

- Employees should strictly abide by the requirements of the occupational hazards prevention and management system and occupational safety and health operational rules during the production process, and shall be entitled to the rights in terms of the prevention, treatment and rehabilitation of occupational hazards.

During the reporting period, Hongbo Mining also entrusted a qualified technical service company to provide occupational hazard testing for on-site workers, and to detect noise, toxic and harmful substances and other hazardous factors. The test results all meet the requirements of occupational health limits, and the pass rate is 100%. The Company and its subsidiaries also provide health check for employees before employment, on the job and before separation and maintain their occupational health records, in addition to providing all employees with safe working conditions and adequate labour protection and carrying out employee occupational health monitoring and education, thereby implementing occupational health management in a comprehensive, well-regulated way. During the reporting period, the Company and its subsidiaries experienced no new occupational disease case.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN

The Company and its subsidiaries adhere to compliant business operation based on comprehensive compliance management policies covering business integrity, external communication, professional ethics, internal relation management, corporate interest maintenance, and taking social responsibility. The Company and its subsidiaries are committed to communicating with all internal and external stakeholders to achieve mutual benefit and win-win.

3.1 *Anti-corruption*

The Company and its subsidiaries strictly comply with laws and regulations relating to anti-corruption, anti-extortion, anti-fraud and anti-money laundering including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Prevention of Bribery Ordinance (《防止賄賂條例》). In corporate development, the Company and its subsidiaries have proceeded in a way which combines clean governance and business growth by building an ideological and institutional firewall against corruption, which clearly defines the rights and obligations of the shareholders' meeting, board of directors and the management under a check and balance mechanism where the decision-making, management and supervision functions are relatively independent from one another, and inculcating correct values. The Company has established an internal management committee led by the president with members comprising vice presidents in charge of various divisions, which operates in accordance with the principle of democratic centralism to eliminate "rule by the voice of one man alone" and backroom dealing, and enforce coordination, mutual supervision, and synergistic collaboration.

The Company and its subsidiaries make continuous innovation in education methods and carry out in-depth education of honest practices. On one hand, the Company and its subsidiaries have provided special coverage of anti-corruption in the section headed "Basic Literacy and Business Etiquettes of Employees" in the induction training materials for new employees; on the other hand, the Company and its subsidiaries have distributed the Employee Handbook (《員工手冊》) which clearly prohibits deliberate fabrication, leakage of confidential information, corruption, embezzlement, misappropriation, dinner invitation and gift exchange among the employees to improve employee loyalty and integrity.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.1 Anti-corruption (continued)

The Company 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 accounting, capital and finance and strengthening corporate self-discipline and internal control mechanisms. The Company's subsidiary Hongbo Mining requires signing suppliers and contractors to sign statements of honest practice to prevent commercial bribery while encouraging employees to file complaints or blow the whistle directly by passing the immediate leadership for non-compliance identified. If the non-compliance is proven to be true, the responsible person will be dismissed immediately, subject to further sanctions through litigation if the circumstance is severe. This represents an approach of combining process control and violation punishment to prevent non-compliance.

The Company and its subsidiaries, in response to the national call to improve party conduct, uphold integrity and fight corruption, has organized various party member and non-party member employee workshops and trainings on relevant topics to increase the overall integrity awareness of the staff, build a corporate firewall against corruption and resolutely put an end to the violation of the national call to improve party conduct, uphold integrity and fight corruption.

During the reporting period, the Company and its subsidiaries experienced no litigation brought against it or its employees on corruption charge.

3.2 Ensuring Product Quality and Consolidating Customer Relationship

The Company attaches importance to product quality responsibility, and Hongbo Mining, as the Company's product manufacturing subsidiary, has always deemed engineering quality as the lifeline for its existence and development and inculcated the management goal of "building top projects with excellence in every detail" in the mind of every employee. Besides strictly complying with national standards and quality specifications for the petroleum and natural gas industry, Hongbo Mining, in the light of the latest industry standards and its own operational characteristics, has amended a number of engineering quality management systems including Well Drilling Engineering Quality Management System, Well Testing Engineering Quality Management System, Geological Well Logging Quality Management System, Downhole Operation Quality Management System and Fracturing Engineering Quality Management System, analyzing equipment requirements, operational procedures, acceptance standards, information quality and others one by one to enhance the position management and internal control system.

In product quality management, Hongbo Mining has always asked its employees to focus on the three dimensions of safety, quality and speed, where managers have the whole picture in mind and pay attention to detail as well throughout the project by directly controlling major processes, supervising key links, eliminating all hazards, and strictly enforcing acceptance standards. It has focused on the technical disclosure before construction and acceptance of conditions for commencement of construction, further promoted workplace standardization and emphasized process control in engineering. It has put in place a "three inspections" system-self-inspection by contractor, mutual inspection by collaborative entities, and special inspection by the supervision department, to ensure its effective implementation based on clear accountability. In line with the principle of "fairness, justice and openness", Hongbo Mining has put the construction teams under comprehensive oversight and evaluation in extensive aspects including materials, manning, construction progress, project quality, work safety and environmental protection, and given rewards to excellent construction teams, with clearly defined punishments for non-compliances and violations. Through the combination of rewards and punishments, Hongbo Mining has urged the engineering teams to learn from other's strong points to offset its weakness. During the reporting period, Hongbo Mining has made stricter requirements of such aspects as solid control equipment, drilling fluid performance, well control sentry and original data, information record and oil and gas reservoir protection, so as to strengthen the process control in production and further control quality. Through these measures, Hongbo Mining has put in place a fairly comprehensive quality supervision system.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.2 *Ensuring Product Quality and Consolidating Customer Relationship* (continued)

Hongbo Mining has taken the following specific measures to control product quality: 1. adding one crude oil storage tank with a capacity of 1,000 m^3 and upgrading its double tanks circulation storage into triple tanks storage, thus increasing crude oil reserve and ensuring the stabilization time of crude oil; 2. engaging globally recognized third-party agencies to perform product testing; 3. increasing product quality testing frequency from once a year to once every half year; 4. increasing standby weighing equipment for sales to improve weighing accuracy; 5. asking the quality inspection authority to calibrate its measuring equipment on a regular basis to increase measuring equipment accuracy and avoid measuring errors. In addition, Hongbo Mining has strictly complied with relevant regulations including Measures for the Administration of the Crude Oil Market (《原油市場管理辦法》) and Administrative Measures for Oil Prices (《石油價格管理辦法》) in product pricing and sale.

Hongbo Mining has committed to protecting customer privacy in accordance with the law and has included a confidentiality clause in contracts, among other measures. The Company and its subsidiaries do not involve advertising and labelling in the process of providing products.

During the reporting period, the Company and its subsidiaries did not have any significant violation regarding product and service liability and privacy matters.

3.3 *Supplier Management*

Hongbo Mining is the sole subsidiary of the Company with businesses involving exchange and cooperation with suppliers during its production and operation. By service type, Hongbo Mining's suppliers are divided into engineering contractors (32: 14 in Xilin Gol League and 18 outside) and material suppliers (28: 6 in Xilin Gol League and 22 outside).

With highly valuing the responsibility management on its engineering contractors and material suppliers, Hongbo Mining further optimised the procurement process and system by strictly implementing its admission, maintenance, management and removal procedures on suppliers during the reporting period. In addition to ensuring the satisfactory of various requirements of its products or services, Hongbo Mining also streamlined certain approval procedures during the reporting period, which improved the practicality and operational efficiency of the system.

III. COMPLIANT BUSINESS OPERATION TO BUILD A SAFE AND HARMONIOUS PRODUCTION CHAIN (continued)

3.3 *Supplier Management* (continued)

The processes of Hongbo Mining's supplier management system include:

- Conducting strict preliminary review, with focus on obtaining the background information of the enterprise, such as the strength in technology, management, capital and other aspects. Hongbo Mining has established a contractor assessment group with members comprising the heads of its various business departments to select contractors through tender and negotiation based on the principles of quality first and fair competition;

- In light of the accumulated experience and market conditions over the years, analysing the cost structure in detail, formulating reasonable price range, and eliminating malicious competition through low price;

- Signing the HSE statement and including it in Hongbo Mining's safety management system and convening meetings on safety on a regular basis;

- Strengthening tracking of key procedures and enforcing comprehensive supervision by implementing comprehensive management on service providers to ensure high-quality services and products;

- Further improving the requirements of construction safety and product quality, and urging contractors and suppliers to update concepts and upgrade equipment, in order to advance with the times to achieve technological progress and increase production efficiency;

- Conducting graded evaluation and regular quality assessment of the products or services provided, continuously improving the awareness of responsibility and service ability of suppliers and striving to build a sustainable service chain and supply chain to achieve win-win and mutual development with the suppliers;

- Carrying out year-end inspection on major product suppliers and visiting them to register and verify basic information, inspecting their management systems and having face-to-face communication with managerial personnel in order to get a truthful understanding and comprehensive assessment of their business operation and reduce the operating risk to a controllable level;

- Procuring within a radius of approximately 1,500 kilometres surrounding the oilfields and from qualified oilfield equipment manufacturers which hold American Petroleum Institute (API) certification and have been approved by China National Petroleum Corporation and Sinopec Group, based on the principle of mainly sourcing from suppliers possessing certifications of ISO9001 quality management system, ISO14001 environmental management system and OHSAS18001 health management system and complementing it with local procurement of small spare parts, with all suppliers and service providers being confirmed in the Company' s supplier and provider database under a well-documented procedure-based system.

During the reporting period, Hongbo Mining included all its engineering contractors in its supplier management system, with 17 material suppliers obtaining API certification or management system certifications.

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT

4.1 Employment and Protection of Employees' Rights and Benefits

The Company and its subsidiaries put people first, respect and protect the lawful rights and interests of their employees and implement a labour policy of equality and non-discrimination, and are committed to continuously refining its democratic system, building an excellent career development platform for employees, advancing workforce localization and diversification, providing employees with a fair and harmonious work environment, and achieving common growth of the enterprise and the employees.

Employment Policy

The Company and its subsidiaries strictly comply 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》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other laws and regulations on recruitment and promotion, dismissal, working hours, etc., and have established comprehensive employment management rules and systems, implemented fair and nondiscriminatory employment policy, including fair and just treatment to employees with different nationalities, skin colors, ethnicities, genders, religions and culture background. The Company and its subsidiaries strictly implement the requirements of the Employee Handbook (《員工手冊》) for their employees, and have amended the Staff Reward and Punishment Management System, the Staff Leaves Management System, the Staff Occupational Accident Management Policy, the Employee Attendance Management System, the Employee Training Management System, the Employee Transaction Management System and the Administrative Measures for Talent Pool, and have also newly introduced the Rules for Recommending Talents, Management System for Skill Rating of Operating Staff and the Social Insurance and Housing Provident Fund Management System during the reporting period, which further develop and improve the Employment Policy.

The Company enters into labour contracts with its employees with a signing rate of 100%. The Company has set up a working hour system with no more than 8 hours of work time per day. The Company 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. In order to implement the paid leave system, the Company has taken various measures such as signing of agreements and strict supervision of working times to eliminate forced labour. The Company has established a staff recruitment system, reasonable and fair recruitment of personnel to meet the requirements of the Company's positions. Meanwhile, the Company 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 Company and its subsidiaries did not have any violation relating to employee rights and other labour regulations, and no child labour and forced labour incidents occurred.

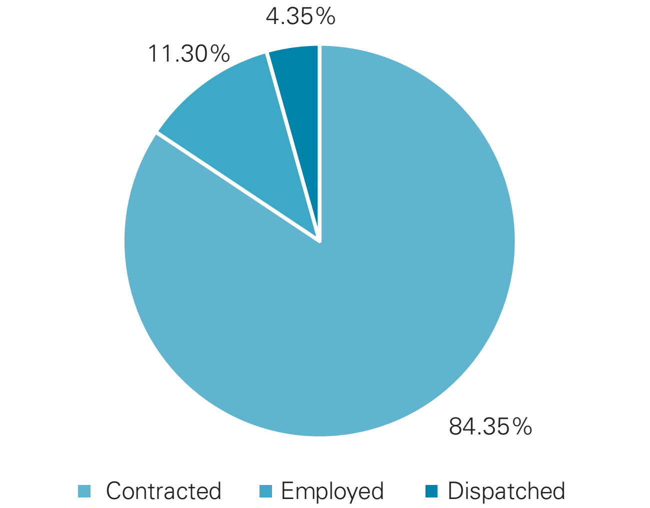
IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

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

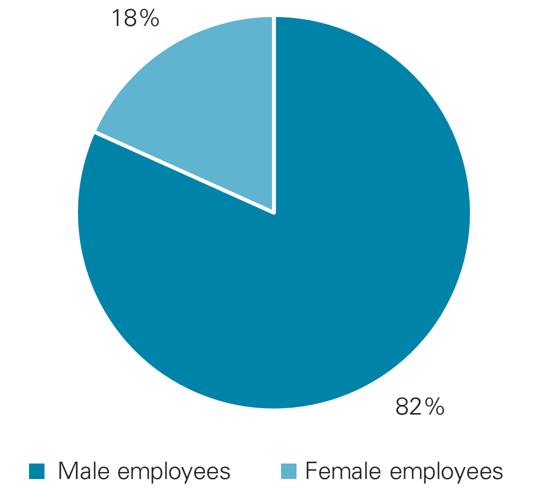
Employment Policy (continued)

During the reporting period, the Company and its subsidiaries had a total of 115 employees, with 8 employees leaving, representing a turnover rate of 6.96%. In view of factors including the Company's scope of business and work environment, it has more male employees than female employees, but there is no discrimination for gender, race, region or any other aspect.

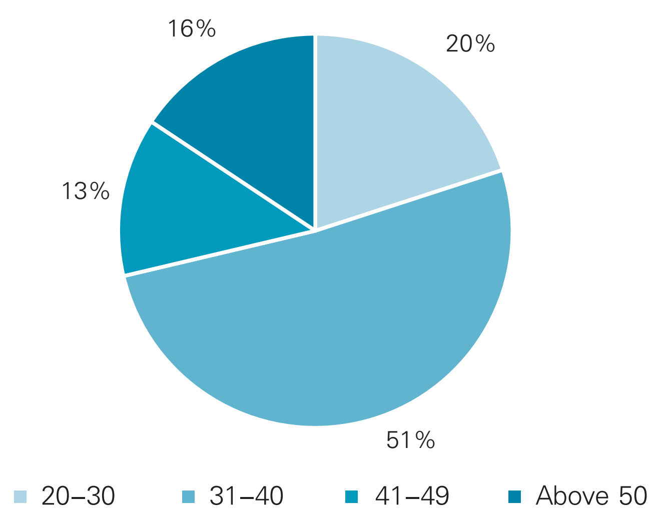
Distribution of the Employees by Employment Type of the Company



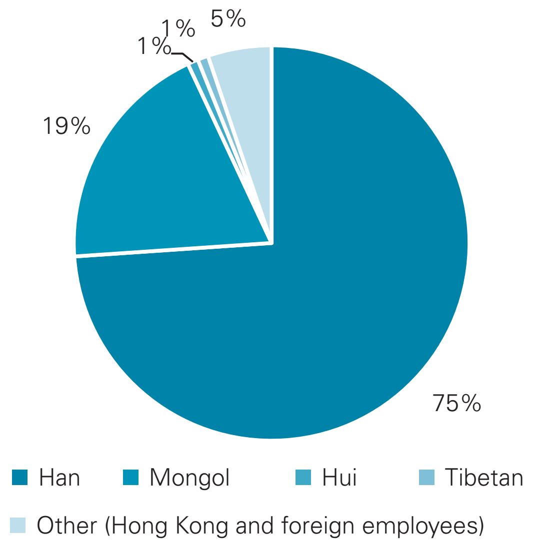
Distribution of the Employees by Genders of the Company



Distribution of the Employees by Ages of the Company



Distribution of the Employees by Ethnicities of the Company

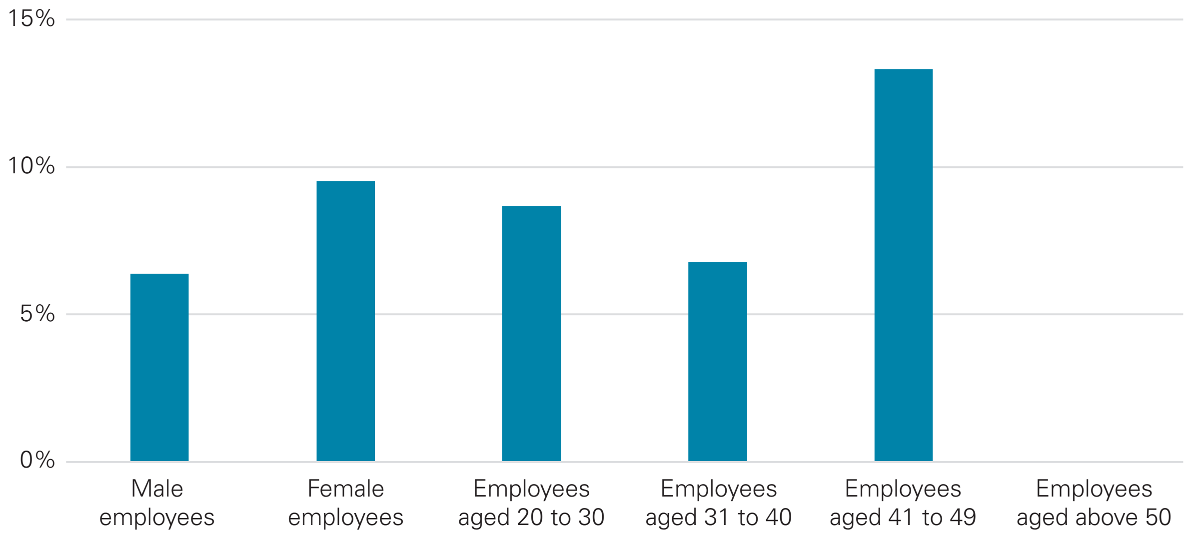


IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

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

Employment Policy (continued)

Employees Turnover Proportion[7] by Genders and Ages of the Company



Democratic Management

The Company and its subsidiaries have established a sound mechanism of democratic management, which emphasizes on giving play to the employees' function in democratic management, democratic participation and democratic supervision, and publish all matters related to the rights and benefits of their employees, such as soliciting employees' advices on the Company's related management system and feedbacks on holiday arrangements of the Company. The Company and its subsidiaries insist on implementing democratic procedures, strengthen the disclosure of factory operation through multiple channels such as departmental meetings or regular meetings of the Company, special meetings for business discussion, face-to-face conversations, internal publications and the social media platform such as WeChat, encourage the employees to participate in the discussion and receive opinions from the employees.

During the reporting period, Hongbo Mining received and dealt with 123 complaints from its employees relating to three main areas, i.e. leave, remuneration and logistics. Based on the advice from employees, Hongbo Mining and its subsidiaries have improved the relevant management process by issuing the break down of their current month's leave, leave days taken in the previous month and the remaining leave days of the year to each employee on the 27th day of each month. In terms of remuneration, the Company adheres to the distribution system with labor-based distribution dominant and a variety of distribution modes coexisting with fair grading. The Company pays on or before the 5th day of each month with the wage strips recording it on time; In terms of logistics: the Company conducted satisfaction surveys twice and 1 employee discussion every year to collect all the advice of employees on the spot, providing distinct kinds of dishes in a week with break-even price.

7 Example of Calculation Method: Turnover of male employees divided by the total number of male employees

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

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

Remuneration and Benefits

The Company and its subsidiaries have established a protective and competitive system of remuneration and benefits and built a system of remuneration management based on job values, personal ability and performance, which geared to achieving effective interaction between corporate performance and employees' income. The Company and its subsidiaries have committed to optimizing their remuneration structures with innovative incentives and remuneration communication mechanisms to make allocation fair and scientific. The Company has strictly complied with national social security, employee welfare and other relevant regulations by making corporate contributions to their social security accounts such as pension, medical care, work-related injury, maternity, unemployment and housing provident fund with a social security coverage rate of 100%. The Company also provides group accident insurance in addition to the national social insurance. In terms of holidays, in addition to the paid holidays, annual leave, marriage leave, maternity leave, paternity leave and other holidays stipulated by the country and the region, Hongbo Mining also provides lactation leave for female employees, that is, two hours of lactation leave per day for female employees with child less than one year old.

During the reporting period, the Company and its subsidiaries did not have any violation relating to employee remuneration, working time, equal opportunities, anti-discrimination and other welfare matters.

4.2 Employee Training and Career Development

The Company and its subsidiaries support talent cultivation, attach importance to facilitating talent education, pay attention to the improvement of professional ability and comprehensive quality of their employees, establish a career development platform that enables mutual development of the Company and its employees and adhere to the guidelines of "providing quality training to facilitate development". During the reporting period, the Company and its subsidiaries revised the Employee Training System to further clarify the summary and sharing of the training effects as well as the management of training certificates, issued the Skill Rating Management System for Operating Staff with the aim of improving the staff's operating skills, which formed a comprehensive training system with multiple layers, and formulated training plans based on the advices and recommendations from the employees, providing the employees with planned trainings related to corporate culture, professional knowledge, post skills and comprehensive quality. In addition to routine trainings, the Company and its subsidiaries also offer other trainings in various forms such as self-learning, special seminars, exchange sessions and job rotation, in order to enhance the training efficiency and effects and continuously improve the employees' knowledge and working initiatives. During the reporting period, the training program of the Company and its subsidiaries covered 100% of the employees, with each employee receiving an average of 32 hours of training.

Based on the training needs collected from different departments, the Company and its subsidiaries formulate a training plan for all employees at the beginning of every year and implement such plan quarterly throughout the year on a priority basis. After the completion of relevant professional and personal improvement trainings, the Company and its subsidiaries collect feedbacks from the trained employees in a timely manner. The trainings during the reporting period were well received, which provided supplemental knowledge and skills improvement for the employees' career development.

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.2 Employee Training and Career Development (continued)

During the reporting period, trainings organized by the Company and its subsidiaries included: 5 sessions of investment and management trainings, 7 sessions of professional technical trainings, 6 sessions of personal improvement trainings, 12 sessions of safety trainings, and other special trainings.

Investment and Management Trainings	
Economics of the Clean Energy Transition	Behaviorally Informed Design for Energy Conservation
Compliance and Tax Challenge and Opportunity of 2020 Offshore Private Fund	Seminar of Private Equity Fund
Regulatory Compliance Seminar of 2019 Listed Companies	
Professional Technical Trainings (Hongbo Mining)	
Special operation trainings (height climbing, pressure vessel, welding, high and low pressure)	Oil production, gathering and transportation technology competition
Well control trainings	Hydrogen sulphide protection technology trainings
HSE management position trainings	Level 3 drilling supervision trainings
Special trainings on HSE laws and regulations	
Personal Improvement Trainings	
Corporate culture and professional quality	Leadership development trainings
New individual income tax practice trainings (2 sessions)	New employee orientation trainings (2 sessions)
Safety Trainings	
Special trainings on HSE laws and regulations	Special trainings on safety hazard detection
Full-time and part-time safety officer certification trainings	Fire drill (7 sessions)
Full-time and part-time driver trainings	Outsourcing unit entry trainings

IV. CARE FOR EMPLOYEES AND MUTUAL DEVELOPMENT (continued)

4.2 Employee Training and Career Development (continued)

Employee Promotion Mechanism

The Company and its subsidiaries, in view of employees' career development needs and in the light of the characteristics of different types of talent, have committed to improving its two-channel career development system where employees can choose to develop towards the managerial or specialised direction, and establishing a platforms and mechanisms geared to "unleashing and utilising the talent of everyone". In this regard, it has put in place fair and scientific assessment methods to ensure that high-calibre employees stand out while continuously expanding the room for career development for all employees and providing them with a career development ladder in management and professional skills and the corresponding resources to support the talent development. During the reporting period, Hongbo Mining renamed the employee promotion management system to "Administrative Measures on Echelon Personnel", which strictly made a clear echelon boundary between middle management and junior management as well as screened and defined the backup personnel at each level of management.

4.3 Employee Care

In order to improve the living standards of families of employees with difficulties, the Company and its subsidiaries gradually implement employee assistance programs to care for employees with difficulties, establish a regular mechanism for visits and condolences to employees in difficulties, carry out the activities of "sending warmth and giving love" and set up a system for helping employees with major illnesses, thus gradually forming a sustainable poverty alleviation system with full coverage, strong support and multi-party participation.

During the epidemic, in order to protect employees' health of the Company and actively respond to the national epidemic prevention and fighting requirements, the Company and its subsidiaries has taken a series of anti-epidemic measures, including: extension of the Spring Festival holiday, sending special cars point-to-point to pick up and deliver employees for rework, producing preventive Chinese medicine and providing daily protective masks and granting special allowances for those who remained on duty during the epidemic.

The Company and its subsidiaries have always placed employee health at the core of the Company' s development, integrated corporate health management resources to promote the integrated management of employees' occupational health, physical health and mental health based on occupational disease prevention and control, and at the same time strengthened the construction of cultural and sports venues and fitness facilities for employees, organized the investigation of employees' health status risks, carried out outdoor activities, film watching, summer sunstroke prevention, Party building and other cultural and sports activities to improve the physical and mental health of employees.

V. COMMUNITY SERVICES AND CONTRIBUTION TO THE SOCIETY

The Company and its subsidiaries have committed to developing a platform for communication with local community, and Hongbo Mining has established the public relations department serving as the interface of communication in line with the guideline of "mutual benefit, win-win and common development" to listen to and understand their expectations and concerns, increase mutual understanding, respect local traditions and customs, and actively promote community engagement, thereby delivering value on different dimensions including job creation, environmental protection, poverty alleviation, and tax payment and driving and promoting local economic, social and cultural development.

During the reporting period, parts of the Company and its subsidiaries' participation and investment in social welfare projects were as follows:

Support Local Anti-epidemic Work

Donated RMB0.1 million to the Red Cross Society of East Ujimqin Banner to support local purchase of anti-epidemic materials during the period of the epidemic.

Poverty Alleviation

Helped local herders resist ice and snow and clear roads, and provided assistance for 20 herder households.

Interaction with Community

Invited the local herdsmen to carry out various culture activities.

Employment

Arranged employment for the local community, with some employees of the Company being from the local community.

Through the cooperation with the local government, non-profit organizations and non-governmental entities, the Company and its subsidiaries have 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.

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
Subject Area A. Environmental			
Aspect A1: Emissions			
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	87	II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT 2.1 Emissions Management
A1.1	The types of emissions and respective emissions data.	89 93	2.1.2 Waste Gas Generation and Management 2.1.4 Wastewater Management
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	87	2.1.1 Reduction of Greenhouse Gas Emissions
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	91	2.1.3 Waste Generation and Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	91	2.1.3 Waste Generation and Management
A1.5	Description of measures to mitigate emissions and results achieved.	87 89 93	2.1.1 Reduction of Greenhouse Gas Emissions 2.1.2 Waste Gas Generation and Management 2.1.4 Wastewater Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	91	2.1.3 Waste Generation and Management

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

Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	93	2.2 Use of Resources and Management
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	94	2.2.1 Energy Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	95	2.2.2 Water Resource Management
A2.3	Description of energy use efficiency initiatives and results achieved.	94	2.2.1 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.	95	2.2.2 Water Resource Management
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.		The product of the Company is crude oil; no packaging material were used, so it is not applicable
Aspect A3: Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer' s significant impact on the environment and natural resources.	86	II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	86	II. ENVIRONMENTAL PROTECTION AND GREEN DEVELOPMENT

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

Subject Area B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	104	4.1 Employment and Protection of Employees' Rights and Benefits
B1.1	Total workforce by gender, employment type, age group and geographical region.	104	4.1 Employment and Protection of Employees' Rights and Benefits
B1.2	Employee turnover rate by gender, age group and geographical region.	104	4.1 Employment and Protection of Employees' Rights and Benefits
Aspect B2: Health and Safety			
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	96	2.3.2 Safe Production
B2.1	Number and rate of work-related fatalities.	96	2.3.2 Safe Production
B2.2	Lost days due to work injury.	96	2.3.2 Safe Production
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	96	2.3.2 Safe Production

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

Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	107	4.2 Employee Training and Career Development
B3.2	The average training hours completed per employee by gender and employee category.	107	4.2 Employee Training and Career Development
Aspect B4: Labour Standards			
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	104	4.1 Employment and Protection of Employees' Rights and Benefits
B4.1	Description of measures to review employment practices to avoid child and forced labour.	104	4.1 Employment and Protection of Employees' Rights and Benefits
B4.2	Description of steps taken to eliminate such practices when discovered.	104	4.1 Employment and Protection of Employees' Rights and Benefits
Operating Practices			
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	102	3.3 Supplier Management
B5.1	Number of suppliers by geographical region.	102	3.3 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.	102	3.3 Supplier Management

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

Aspect B6: Product Responsibility			
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	101	3.2 Ensuring Product Quality and Consolidating Customer Relationship
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not applicable
B6.4	Description of quality assurance process and recall procedures.	101	3.2 Ensuring Product Quality and Consolidating Customer Relationship The business of the Company does not involve product recalls
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	101	3.2 Ensuring Product Quality and Consolidating Customer Relationship
Aspect B7: Anti-corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	100	3.1 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.	100	3.1 Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	100	3.1 Anti-corruption
Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	110	V. COMMUNITY SERVICES AND CONTRIBUTION TO THE SOCIETY
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	110	V. COMMUNITY SERVICES AND CONTRIBUTION TO THE SOCIETY

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IDG ENERGY INVESTMENT LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of IDG Energy Investment Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 123 to 210, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 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.

KEY AUDIT MATTERS (continued)

Valuation of the Stonehold investment

Refer to note 20(a) to the consolidated financial statements and the accounting policies on page 140.

The Key Audit Matter	How the matter was addressed in our audit
On 14 August 2017, the Group granted a term loan to Stonehold Energy Corporation ("**Stonehold**") for the purpose of financing Stonehold's acquisition of certain oil and gas related assets of Stonegate Production Company, LLC ("**Stonegate**") (the "**Target Assets**") and the subsequent operations of such assets (the "**Stonehold investment**"). On 26 September 2017, the initial payment with an amount of US$165 million (approximately HK$1,291.1 million) was released to Stonehold and the acquisition of the Target Assets from Stonegate was completed. The Group is entitled to interest on the principal amount of the Stonehold investment at a rate of 8% per annum (after the making of or the allocation of any applicable withholding tax). The Group is also entitled to additional interest at an amount equal to 92.5% of the remainder cash proceeds received or recovered by Stonehold in respect of any disposal of the Target Assets after repayment of outstanding principal and interest and after deducting fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable. The maturity date of the Stonehold investment is 10 years after the initial payment. The carrying amount of the Stonehold investment formed a significant part of the Group's assets. At 31 March 2020, the fair value of the Stonehold investment was HK$1,264.9 million, which was determined by the directors of the Company with reference to a valuation report issued by an external valuer. Valuation of the Stonehold investment is based on a combination of market data and valuation model which requires a considerable number of inputs. We identified the valuation of the Stonehold investment as a key audit matter because of the degree of complexity involved in valuing the Stonehold investment and the degree of judgement exercised by management in determining the inputs used in the valuation model.	Our audit procedures to assess the valuation of the Stonehold investment included the following: • performing recalculation of interest income generated from the Stonehold investment; • involving our internal valuation specialists to assist us in evaluating the assumptions, inputs and methodology adopted by management in their valuation of the Stonehold investment by checking the computation logic with the key terms of the agreements relating to the Stonehold investment, performing our own valuation and comparing the results with the valuation report issued by the external valuer; and • considering the disclosures in the consolidated financial statements in respect of the fair value measurement of the Stonehold investment with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Impairment assessment of oil and gas properties

Refer to note 13 to the consolidated financial statements and the accounting policies on page 148.

The Key Audit Matter	How the matter was addressed in our audit
As included in property, plant and equipment, oil and gas properties amounting to HK$463.8 million as at 31 March 2020 were principally used in the crude oil production by Xilin Gol League Hongbo Mining Development Company Limited, a subsidiary of the Company. All of the Group's oil and gas properties were within one identifiable cash-generating unit ("**CGU**"). Due to the continuing decline of crude oil price and the decrease in oil and gas reserve volume, management considered that indicators of potential impairment existed as at 31 March 2020 and performed an impairment assessment by comparing the carrying amount of the CGU with its recoverable amount, which was estimated by calculating its 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 estimated future production volumes for crude oil, future selling prices and future operating costs with reference to the oil and gas reserves report issued by an external valuer. We identified impairment assessment of oil and gas properties as a key audit matter because of the inherent uncertainties involved in estimating the recoverable amounts of the CGU and because the selection of the various assumptions adopted in the discounted cash flow forecast could be subject to management bias.	Our audit procedures to impairment assessment of oil and gas properties included the following: • 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 competence, capabilities and objectivity of the external valuer engaged by the Group and evaluating the methodology adopted by the external valuer against the recognised industry standards; • challenging the forecast crude oil production volumes, forecast selling prices and forecast operating costs adopted in the discounted cash flow forecast by comparison with the Group's business plans, historical production information, forecasts by external analysts and the oil and gas reserves report issued by the external valuer; • involving 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, such as lower crude oil production volumes, lower selling prices, higher operating costs and higher discount rate, and considering the possibility of management bias in the selection of these assumptions.

KEY AUDIT MATTERS (continued)

Accounting for the acquisition of Weipin

Refer to note 34 to the consolidated financial statements and the accounting policies on page 137.

The Key Audit Matter	How the matter was addressed in our audit
On 15 November 2019, the Group completed the acquisition of 35.5% equity interest of Weipin and its affiliates (collectively, the "**Weipin Group**") at a consideration of HK$223.3 million. Upon completion of the acquisition, the Group has become the controlling shareholder of the Weipin Group. The Weipin Group manages the drivers and vehicles for provision of online ride-hailing services to the passengers through aggregation traffic platform. Management conducted a purchase price allocation exercise with reference to a report issued by an external valuer. Goodwill arising from the acquisition amounted to HK$112.8 million, which represented the excess of the consideration paid over the Group's share of the fair value of the identifiable net assets of the Weipin Group, including intangible assets related to the business relationship, drivers list and online ride-hailing license. These intangible assets were not previously recognised by the Weipin Group in its financial statements. Fair value of the business relationship amounting to HK$371.3 million was estimated based on a discounted cash flow forecast, which involved the exercise of significant management judgment in determining the key assumptions including the forecast revenue growth rate, favourable platform charges and discount rate. We identified the accounting for the acquisition of Weipin as a key audit matter because purchase price allocation based on the fair values of the identifiable net assets acquired can be inherently subjective and requires significant judgement and estimation which increase the risk of error or potential management bias.	Our audit procedures to assess the accounting for the acquisition of Weipin included the following: • inspecting all agreements and legal documents relating to the acquisition and evaluating whether the Group has obtained control of Weipin and its affiliates upon completion of the transaction with reference to the requirements of the prevailing accounting standards; • evaluating whether the business relationship, drivers list and online ride-hailing license met the identifiability criteria for recognition as intangible assets separately from goodwill with reference to the requirements of the prevailing accounting standards; • assessing the competence, capabilities and objectivity of the external valuer engaged by the management and evaluating the purchase price allocation methodology adopted by the external valuer against the recognised industry standards; • challenging the forecast revenue growth rate and favourable platform charges in the discounted cash flow forecast by comparison with the Group's business plan, terms of cooperation agreement and external market data; • involving our internal valuation specialists to assist us in assessing whether the discount rate adopted in the discounted cash flow forecast was within the range adopted by comparable companies and external market data; and • considering the disclosures in the consolidated financial statements in respect of the acquisition of Weipin with reference to the requirements of the prevailing accounting standards.

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.

- 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.

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

- 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

24 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 (Note) HK$'000
Revenue from sales and services		**243,546**	168,026
Cost of sales and services		**(205,680)**	(93,359)
		37,866	74,667
Investment (loss)/income		**(244,018)**	163,289
Total (loss)/income from principal business activities, net of cost	4(a)	**(206,152)**	237,956
Other net gains	5	**39**	15
Administrative expenses		**(85,326)**	(66,843)
Taxes other than income tax	6	**(11,391)**	(15,080)
Exploration expenses, including dry holes	7	**(2,914)**	(2,029)
(Loss)/profit before net finance income/(costs) and taxation		**(305,744)**	154,019
Finance income		**22,771**	34,934
Finance costs		**(20,870)**	(153,471)
Net finance income/(costs)	8(a)	**1,901**	(118,537)
(Loss)/profit before taxation	8	**(303,843)**	35,482
Income tax	9	**7,118**	(8,103)
(Loss)/profit for the year		**(296,725)**	27,379
Attributable to:			
Equity shareholders of the company		**(276,790)**	27,379
Non-controlling interests		**(19,935)**	–
(Loss)/profit for the year		**(296,725)**	27,379
(Loss)/earnings per share	12		
Basic		**HK$(4.499 cent)**	HK$0.437 cent
Diluted		**HK$(4.499 cent)**	HK$0.436 cent

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 129 to 210 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Year ended 31 March	
	2020	2019
		(Note)
	HK$'000	HK$'000
(Loss)/profit for the year	**(296,725)**	27,379
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Equity investment at FVOCI — net movement in fair value reserve (non-recycling)	**(840)**	(12,331)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(39,143)**	(33,277)
Other comprehensive income for the year	**(39,983)**	(45,608)
Total comprehensive income for the year	**(336,708)**	(18,229)
Attributable to:		
Equity shareholders of the company	**(313,022)**	(18,229)
Non-controlling interests	**(23,686)**	–
Total comprehensive income for the year	**(336,708)**	(18,229)

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 129 to 210 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020 (Expressed in Hong Kong dollars)

	Note	At 31 March 2020 HK$'000	At 31 March 2019 (Note) HK$'000
Non-current assets			
Property, plant and equipment	13	**571,992**	597,163
Construction in progress	14	**15,623**	18,193
Intangible assets	15	**384,276**	26,175
Goodwill	16	**112,837**	–
Right-of-use assets	17	**22,798**	–
Lease prepayments		**–**	10,029
Interest in an associate	19	**50,086**	43,778
Financial assets at fair value through profit or loss	20	**1,506,377**	1,836,876
Financial assets at fair value through other comprehensive income	21	**36,476**	44,038
Other non-current assets	22	**31,161**	29,955
Deferred tax assets	30(b)	**2,473**	–
		2,734,099	2,606,207
Current assets			
Inventories	23	**6,492**	5,099
Trade receivables	24	**10,825**	46,298
Other receivables	24	**31,393**	31,588
Financial assets at fair value through profit or loss	20	**16,999**	18,043
Cash and cash equivalents	25	**1,114,201**	1,191,534
		1,179,910	1,292,562
Current liabilities			
Trade and other payables	26	**193,275**	226,514
Contract liabilities		**1,087**	–
Bank and other borrowings	27	**77,543**	–
Lease liabilities	28	**5,209**	–
		277,114	226,514
Net current assets		**902,796**	1,066,048
Total assets less current liabilities		**3,636,895**	3,672,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020 (Expressed in Hong Kong dollars)

	Note	At 31 March 2020 HK$'000	At 31 March 2019 (Note) HK$'000
Non-current liabilities			
Convertible bond	29	**50,018**	45,653
Lease liabilities	28	**8,458**	–
Deferred tax liabilities	30(b)	**119,759**	31,770
Provisions	31	**51,872**	51,419
		230,107	128,842
NET ASSETS		**3,406,788**	3,543,413
CAPITAL AND RESERVES			
Share capital	32(c)	**65,959**	65,959
Treasury shares	32(c)	**(680)**	–
Reserves	32(d)	**3,164,432**	3,477,454
Total equity attributable to equity shareholders of the company		**3,229,711**	3,543,413
Non-controlling interests		**177,077**	–
TOTAL EQUITY		**3,406,788**	3,543,413

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

Approved and authorised for issue by the board of directors on 24 June 2020.

Wang Jingbo	)	
	)	*Director*
Liu Zhihai	)	

The notes on pages 129 to 210 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the company										
	Note	Share capital HK$'000 (note 32(c))	Treasury shares HK$'000 (note 32(c))	Share premium HK$'000 (note 32 (d)(i))	Specific reserve HK$'000 (note 32 (d)(ii))	Exchange reserve HK$'000 (note 32 (d)(iii))	Fair value reserve (non-recycling) HK$'000 (note 32 (d)(iv))	Other reserve HK$'000 (note 32 (d)(v))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2018		60,944	–	4,215,251	6,551	34,794	(1,127)	(27,350)	(699,504)	3,589,559	–	3,589,559
Changes in equity for the year ended 31 March 2019:												
Profit for the year		–	–	–	–	–	–	–	27,379	27,379	–	27,379
Other comprehensive income		–	–	–	–	(33,277)	(12,331)	–	–	(45,608)	–	(45,608)
Total comprehensive income		–	–	–	–	(33,277)	(12,331)	–	27,379	(18,229)	–	(18,229)
Appropriation of safety production fund		–	–	–	1,050	–	–	–	(1,050)	–	–	–
Utilisation of safety production fund		–	–	–	(304)	–	–	–	304	–	–	–
Conversion of convertible bond	29(e)	5,481	–	74,477	–	–	–	(52,867)	–	27,091	–	27,091
Purchase of own shares		(466)	–	(54,542)	–	–	–	–	–	(55,008)	–	(55,008)
Redemption of convertible note		–	–	–	–	–	–	(34,583)	34,583	–	–	–
Balance at 31 March 2019 and 1 April 2019 (Note)		**65,959**	**–**	**4,235,186**	**7,297**	**1,517**	**(13,458)**	**(114,800)**	**(638,288)**	**3,543,413**	**–**	**3,543,413**
Changes in equity for the year ended 31 March 2019:												
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(276,790)**	**(276,790)**	**(19,935)**	**(296,725)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(35,392)**	**(840)**	**–**	**–**	**(36,232)**	**(3,751)**	**(39,983)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(35,392)**	**(840)**	**–**	**(276,790)**	**(313,022)**	**(23,686)**	**(336,708)**
Appropriation of safety production fund		**–**	**–**	**–**	**1,059**	**–**	**–**	**–**	**(1,059)**	**–**	**–**	**–**
Utilisation of safety production fund		**–**	**–**	**–**	**(1,549)**	**–**	**–**	**–**	**1,549**	**–**	**–**	**–**
Purchase of own shares	32(c)	**–**	**(680)**	**–**	**–**	**–**	**–**	**–**	**–**	**(680)**	**–**	**(680)**
Disposal of financial assets at fair value through other comprehensive income		**–**	**–**	**–**	**–**	**–**	**750**	**–**	**(750)**	**–**	**–**	**–**
Acquisition of Weipin	34	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**200,763**	**200,763**
Balance at 31 March 2020		**65,959**	**(680)**	**4,235,186**	**6,807**	**(33,875)**	**(13,548)**	**(114,800)**	**(915,338)**	**3,229,711**	**177,077**	**3,406,788**

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 129 to 210 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020 (Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 (Note) HK$'000
Operating activities			
Cash generated from operations	25(b)	**43,396**	46,974
Net cash generated from operating activities		**43,396**	46,974
Investing activities			
Net cash inflow for the Stonehold investment		**–**	42,120
Payment for the purchase of property, plant and equipment		**(61,581)**	(106,918)
Payment for the purchase of intangible assets		**(1,623)**	–
Proceeds from sales of property, plant and equipment		**47**	30
Payment for acquisition of Weipin	34	**(210,568)**	–
Payment for investment in an associate		**(17,462)**	(43,937)
Payment for other investments		**(303,520)**	(996,576)
Proceeds from interest generated from the Stonehold investment		**101,913**	63,505
Dividends received		**4,305**	1,938
Proceeds from sales of other investments		**303,697**	826,823
Net cash inflow from disposal of subsidiaries		**2,278**	–
Net cash used in investing activities		**(182,514)**	(213,015)
Financing activities			
Proceeds from advances and borrowings	25(c)	**78,413**	–
Payment for redemption of convertible note	25(c)	**–**	(375,000)
Purchase of own shares	32(c)	**(680)**	(55,008)
Capital element of lease rentals paid	25(c)	**(2,978)**	–
Interest element of lease rentals paid	25(c)	**(406)**	–
Interest paid	25(c)	**(2,188)**	(1,262)
Other cash flow arising from financing activities		**(1,560)**	–
Net cash generated from/(used in) financing activities		**70,601**	(431,270)
Net decrease in cash and cash equivalents		**(68,517)**	(597,311)
Cash and cash equivalents at the beginning of the reporting period	25(a)	**1,191,534**	1,786,403
Effect of foreign exchange rate changes		**(8,816)**	2,442
Cash and cash equivalents at the end of the reporting period	25(a)	**1,114,201**	1,191,534

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

The notes on pages 129 to 210 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE INFORMATION

IDG Energy Investment Limited (the "**Company**") is an investment holding company, which 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 Unit 5507, 55/F., The Center, 99 Queen's Road Central, Hong Kong.

On 29 July 2016, the Company completed a reverse takeover transaction which involved, among others, the acquisition by the Company of 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 People's Republic of China ("**PRC**").

During the year ended 31 March 2020, the Company is an investment holding company principally engaged in the investment and management of global energy assets and mobility services businesses. The principal activities of its subsidiaries and invested portfolio companies consist of mobility services platform, upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services, energy investment fund management as well as investment in energy-related and other industries and businesses.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2020 comprises the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Financial assets at fair value through profit or loss (see note 2(g));

— Financial assets at fair value through other comprehensive income (see note 2(g));

— Derivative financial instruments (see note 2(h)).

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.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Changes in accounting policies* (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to land and building as disclosed in note 35. For an explanation of how the Group applies lessee accounting, see note 2(l).

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments were from 4.75% to 5.125%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

— the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

The following table reconciles the operating lease commitments as disclosed in note 35(b) as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 HK$'000
Operating lease commitments at 31 March 2019	5,660
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases with remaining lease term ending on or before 31 March 2020	(495)
	5,165
Less: total future interest expenses	(467)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019	4,698
Add: finance lease liabilities recognised as at 31 March 2019	–
Total lease liabilities recognised at 1 April 2019	4,698

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

b. *Lessee accounting and transitional impact* (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 March 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 March 2019 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1 April 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	14,727	14,727
Lease prepayments	10,029	(10,029)	–
Total non-current assets	2,606,207	4,698	2,610,905
Current assets	1,292,562	–	1,292,562
Lease liabilities (current)	–	1,462	1,462
Current liabilities	226,514	1,462	227,976
Net current assets	1,066,048	(1,462)	1,064,586
Total assets less current liabilities	3,672,255	3,236	3,675,491
Lease liabilities (non-current)	–	3,236	3,236
Total non-current liabilities	128,842	3,236	132,078
Net assets	3,543,413	–	3,543,413

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Changes in accounting policies* (continued)

HKFRS 16, *Leases* (continued)

c. *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 25(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 25(d)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply for the year ended 31 March 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for the year ended 31 March 2020 with the actual for the year ended 31 March 2019 corresponding amounts which were prepared under HKAS 17.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Changes in accounting policies* (continued)

HKFRS 16, *Leases* (continued)

c. *Impact on the financial result, segment results and cash flows of the Group* (continued)

	Year ended 31 March				
	2020				2019
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK$'000	Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Financial result for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
(Loss)/profit before net finance Income/(costs) and taxation	(305,744)	2,975	(3,384)	(306,153)	154,019
Net finance income/(costs)	1,901	406	–	2,307	(118,537)
(Loss)/profit before taxation	(303,843)	3,381	(3,384)	(303,846)	35,482
(Loss)/profit for the year	(296,725)	3,381	(3,384)	(296,728)	27,379
Reportable segment (loss)/profit (adjusted EBITDA) for year ended 31 March 2020 (note 4(b)) impacted by the adoption of HKFRS 16:					
— Global energy investment	(202,174)	2,453	(2,300)	(202,021)	236,636
— Mobility services businesses	(8,619)	928	(1,084)	(8,775)	–
— Total	(210,793)	3,381	(3,384)	(210,796)	236,636

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

HKFRS 16, *Leases* (continued)

c. *Impact on the financial result, segment results and cash flows of the Group* (continued)

	Year ended 31 March			
	2020			2019
	Amounts reported under HKFRS 16 (A)	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B)	Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B)	Compared to amounts reported for 2019 under HKAS 17
	HK$'000	HK$'000	HK$'000	HK$'000
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	43,396	(3,384)	40,012	46,974
Net cash generated from operating activities	43,396	(3,384)	40,012	46,974
Capital element of lease rentals paid	(2,978)	2,978	–	–
Interest element of lease rentals paid	(406)	406	–	–
Net cash generated from/(used in) financing activities	70,601	3,384	73,985	(431,270)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in the year ended 31 March 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in the year ended 31 March 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in the year ended 31 March 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in the year ended 31 March 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests

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.

The Group does not have any equity interest in certain structured entities. However, as a result of the contractual arrangements, the Group has rights to exercise power over these structured entities, receive variable returns from its involvement with these structured entities and has the ability to affect those returns through its power over these structured entities and is considered to control these structured entities. Consequently, the Company regards these structured entities as indirect subsidiaries under HKFRS 10. The Group has consolidated the financial position and results of these structured entities in the consolidated financial statements of the Group.

Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over these structured entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of these structured entities. The directors of the Company, based on the advice of its legal counsel, consider that the contractual arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company.

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(m)(ii)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2 (m)(ii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Associates (continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(m)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(g). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Other investments in debt and equity securities (continued)

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as investment income/(loss).

(h) 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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(i) Property, plant and equipment

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

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(z)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

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 vehicle	5–8 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.

(j) 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)

(j) 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.

(k) Intangible assets (other than goodwill)

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(m)(ii)). 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. Other intangible assets are amortised on a straight-line basis over the assets' estimated useful lives as follows:

—	Online car-hailing license	5 years
—	Drivers list	5 years
—	Business relationship	5 years
—	Others	4-5 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leased assets

At inception of a contract, the Group as a lessee assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Policy applicable from 1 April 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) *Leased assets* (continued)

As a lessee (continued)

Policy applicable prior to 1 April 2019

Assets that are held by the Group under leases which transfer to the Group substantially all the risk 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.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were 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. The cost of lease prepayments is amortised on a straight line basis over the respective periods of the land use rights.

(m) *Credit losses and impairment of assets*

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables). Financial assets measured at fair value, including equity securities measured at FVTPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Credit losses and impairment of assets* (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. Impairment losses on trade receivables are presented under 'Administrative expenses ', similar to the presentation under IAS 39.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) *Credit losses and impairment of assets* (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(x)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable 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;

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

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current 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, except the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment,

— right-of-use assets;

— construction in progress;

— intangible assets;

— goodwill; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *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).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

— *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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the 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*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reserved.

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 note 2(m)(i) and (ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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 loss allowances (see note 2(m)(i)).

(p) 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.

(q) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(x)).

(r) 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.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Convertible note and bond

Convertible note and bond 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(h)) and the liability component of the convertible note and bond 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 bond is converted or redeemed.

If the note and bond 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 bond is redeemed, the capital reserve is released directly to retained profits.

(u) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

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 those temporary difference arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) *Income tax* (continued)

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.

(w) *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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, and the rendering of services in the ordinary course of the Group's business.

Revenue is recognised when the Group satisfied the performance obligation in the contract by transferring the control over relevant goods or services to the customers, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Customers obtain control of the goods when the goods are delivered and have been accepted at the Group's premises. Revenue of sales of goods is recognised at that point in time.

(ii) Rendering of services

Revenue of rendering of services is recognised at point in time when relevant services are delivered to and have been accepted by the customers.

(iii) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) 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.

(z) 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.

(aa) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Related parties (continued)

(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.

(bb) 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 most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Company and its subsidiaries' 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.

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 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.

(b) Impairment losses of non-financial assets

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised. The carrying amounts of non-financial 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. Goodwill is tested annually for impairment. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount of the cash-generating unit containing goodwill 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 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.

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING

(a) Total (loss)/income from principal business activities, net of cost

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customers and recognised at point in time within the scope of HKFRS 15		
— sales of crude oil (note (i))	**152,219**	168,026
— rendering of mobility services (note (ii))	**91,327**	–
Cost of sales and services		
— sales of crude oil	**(86,960)**	(93,359)
— rendering of mobility services	**(118,720)**	–
	37,866	74,667
Investment (loss)/income (note (iii))	**(244,018)**	163,289
Total (loss)/income from principal business activities, net of cost	**(206,152)**	237,956

Notes:

(i) Revenue from sales of crude oil is generated by Hongbo Mining. Hongbo Mining, one of the Company's wholly-owned subsidiaries, entered into an exploration and production cooperation contract ("**EPCC**") with Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau) (陝西延長石油(集團)有限責任公司(延長油礦管理局), "**Yanchang**") in July 2010. The EPCC gives Hongbo Mining 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 and shared between Hongbo Mining and Yanchang in the proportion of 80% and 20% respectively. Hongbo Mining commenced production in Block 212 in 2010. The EPCC was renewed in June 2018 and the expiry date of the EPCC is extended to 30 June 2020. According to the communication with Yanchang, the EPCC is expected to be extended before the expiry date. Yanchang had obtained from the Ministry of Land and Resources of PRC a 15-year valid production permit for Unite 2, Unit 19 and other areas in Block 212 in May 2017. Besides, Block 212 and Block 378 are entitled to exploration permit which are renewable for a term of two years after expiration. The current exploration permit in respect of Block 212 will expire on 3 April 2022, whereas the current exploration of Block 378 had expired on 9 November 2019 with a new exploration being in the process of application preparation. The amount represents the sales value of crude oil supplied to the customers, net of value added tax. There are two major customers with whom transactions have exceeded 10% of the revenue from sales of crude oil.

(ii) Revenue from rendering of mobility services is generated from rendering of online ride-hailing services to passengers through Gaode platform and Didi platform. Passengers send requests for mobility service through these two platforms, and the system automatically matches the requests with the registered drivers. The amount of revenue from rendering of mobility services represents the value of full fares paid by passengers, net of value added tax and surcharge.

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING (continued)

(a) *Total (loss)/income from principal business activities, net of cost* (continued)

Notes: (continued)

(iii) Investment (loss)/income

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Stonehold investment (note (1))	**(143,298)**	184,361
JOVO investment (note (1))	**2,167**	9,002
GNL Quebec investment (note (1))	**29,140**	6,102
Trading securities listed in the U.S. and France (note (1))	**(7,049)**	(2,762)
LNGL investment (note (1))	**(116,595)**	(25,937)
Dividend income (note (2))	**1,612**	4,928
Net realised and unrealised losses on derivative financial instruments (note (3))	**(1,641)**	(11,122)
Share of losses of an associate (note (4))	**(8,952)**	(829)
Others	**598**	(454)
	(244,018)	163,289

Notes:

(1) These amounts represent fair value changes on the Stonehold investment, JOVO investment, GNL Quebec investment, trading securities listed in the U.S. and France, and LNGL investment during the year. Such assets are measured at FVTPL (see note 20), any interest income arising from such assets is included in fair value changes.

(2) The amount represents the dividend income from JOVO investment, equity investment designated as FVOCI (see note 21) and trading securities listed in the U.S..

(3) The amount represents net changes in the fair value of crude oil price option contracts and crude oil price swap contracts held for risk management purpose. The derivative financial instruments are measured at FVTPL.

(4) The amount represents share of an associate's profit or loss under equity method (see note 19).

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING (continued)

(b) Segment reporting

The Company and its subsidiaries manage its businesses by divisions, which are organised by a mixture of both business lines (products and services). In a manner consistent with the way in which information is reported internally to the Company and its subsidiaries' most senior executive management for the purposes of resource allocation and performance assessment, the Company and its subsidiaries have presented the following two reportable segments. Details of the Company and its subsidiaries' reportable segments as follows:

- Global energy investment: this segment constructs and operates upstream oil and gas business, LNG business, and generates income from processing of oil and gas and LNG, as well as investing and managing of energy-related industries and businesses.

- Mobility services business: this segment manages and operates the drivers and vehicles for rendering of online ride-hailing services to the passengers through aggregation traffic platform and generates income from rendering of mobility services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Company and its subsidiaries' senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all liabilities with the exception of deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue from sales and services generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit/loss includes investment income/loss.

The measure used for reporting segment profit/loss is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation".

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, and additions to non-current segment assets used by the segments in their operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(bb).

(Expressed in Hong Kong dollars unless otherwise indicated)

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING (continued)

(b) *Segment reporting* (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers, as well as information regarding the Company and its subsidiaries' reportable segments as provided to the Company and its subsidiaries' most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below.

	Global energy investment Year ended 31 March		Mobility services businesses Year ended 31 March		Total Year ended 31 March	
	2020	2019 (note (b))	**2020**	2019	**2020**	2019 (note (b))
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from sales and services (note (a))	**152,219**	168,026	**91,327**	–	**243,546**	168,026
Investment (loss)/income	**(244,018)**	163,289	**–**	–	**(244,018)**	163,289
Reportable segment (loss)/ profit (adjusted EBITDA)	**(202,174)**	236,636	**(8,619)**	–	**(210,793)**	236,636
Depreciation and amortisation	**(53,259)**	(51,818)	**(32,197)**	–	**(85,456)**	(51,818)
Interest income	**21,811**	31,347	**42**	–	**21,853**	31,347
Interest expense	**(7,305)**	(149,336)	**(289)**	–	**(7,594)**	(149,336)
Reportable segment assets	**3,413,165**	3,898,769	**509,500**	–	**3,922,665**	3,898,769
(including interest in an associate)	**50,086**	43,778	**–**	–	**50,086**	43,778
Additions to non-current segment assets during the year	**67,817**	77,780	**3,557**	–	**71,374**	77,780
Reportable segment liabilities	**(351,209)**	(323,586)	**(47,382)**	–	**(398,591)**	(323,586)

Notes:

(a) Revenue from sales and services reported above represents reportable segment revenue generated from external customers. There was no inter-segment revenue during both the current and prior year.

(b) The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING (continued)

(b) *Segment reporting* (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Revenue from sales and services	**243,546**	168,026

	Year ended 31 March	
	2020	2019
		(Note)
	HK$'000	HK$'000
(Loss)/profit		
Reportable segment (loss)/profit (adjusted EBITDA)	**(210,793)**	236,636
Elimination of inter-segment profits	**(185)**	–
Depreciation and amortisation	**(85,456)**	(51,818)
Interest expense	**(7,409)**	(149,336)
Consolidated (loss)/profit before taxation	**(303,843)**	35,482

	At 31 March	At 31 March
	2020	2019
		(Note)
	HK$'000	HK$'000
Assets		
Reportable segment assets	**3,922,665**	3,898,769
Deferred tax assets	**2,473**	–
Elimination of inter-segment receivables	**(11,129)**	–
Consolidated total assets	**3,914,009**	3,898,769

4 TOTAL (LOSS)/INCOME FROM PRINCIPAL BUSINESS ACTIVITIES, NET OF COST AND SEGMENT REPORTING (continued)

(b) *Segment reporting* (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	At 31 March 2020 HK$'000	At 31 March 2019 (Note) HK$'000
Liabilities		
Reportable segment liabilities	**398,591**	323,586
Deferred tax liabilities	**119,759**	31,770
Elimination of inter-segment payables	**(11,129)**	–
Consolidated total liabilities	**507,221**	355,356

Note: The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(iii) Geographic information

The external customer and non-current assets (excluded deferred tax assets, right-of-use assets, financial instruments and interest in an associate) are located in the PRC, which are mainly held by Hongbo Mining and Weipin.

5 OTHER NET GAINS

	Year ended 31 March	
	2020 HK$'000	2019 HK$'000
Net gain on disposal of property, plant and equipment	**39**	15

(Expressed in Hong Kong dollars unless otherwise indicated)

6 TAXES OTHER THAN INCOME TAX

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Resources tax	**9,126**	10,082
Petroleum special profit taxation	**613**	3,027
City construction tax	**701**	793
Education surcharge	**408**	476
Water resources tax	**543**	702
	11,391	15,080

7 EXPLORATION EXPENSES, INCLUDING DRY HOLES

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Staff cost	**1,960**	2,029
Technical service fee	**954**	–
	2,914	2,029

Exploration expenses, including dry holes were related to the exploration activities conducted by Hongbo Mining.

8 (LOSS)/PROFIT BEFORE TAXATION

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

	Year ended 31 March	
	2020	2019 (Note)
	HK$'000	HK$'000
(a) Net finance income/(costs)		
Interest income	**21,668**	31,347
Net gain on bank financing products	**1,103**	1,494
Changes in fair value on the derivative component of convertible note	**–**	2,093
Interest on bank and other borrowings	**(2,036)**	–
Interest on lease liabilities	**(406)**	–
Interest on convertible bond and convertible note	**(4,967)**	(17,786)
Redemption of convertible note	**–**	(131,550)
Accretion expenses (note 31)	**(2,386)**	(2,425)
Foreign exchange loss, net	**(9,461)**	(1,660)
Others	**(1,614)**	(50)
	1,901	(118,537)

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(b) Staff costs		
Salaries, wages and other benefits	**48,625**	42,710
Contributions to defined contribution retirement plan	**2,187**	1,639
	50,812	44,349

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

8 (LOSS)/PROFIT BEFORE TAXATION (continued)

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(c) Other items		
Amortisation		
— intangible assets	**32,002**	860
— lease prepayments	**–**	300
— other non-current assets	**2,732**	3,261
Depreciation*		
— property, plant and equipment	**47,459**	47,436
— right-of-use assets	**3,263**	–
Operating leases charges: minimum lease payments		
— buildings under HKAS 17	**–**	1,219
Impairment losses of trade receivables	**1,832**	–
Auditors' remuneration		
— audit services	**2,825**	3,132
Cost of inventories# (note 23(b))	**86,960**	93,359

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(c).

\# Cost of inventories includes HK$59,585,000 (2019: HK$59,103,000) relating to staff costs, depreciation and amortisation charges, which amount is also included in the respective total amounts disclosed separately above or in note 8(c) for each of these types of expenses.

(Expressed in Hong Kong dollars unless otherwise indicated)

9 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	
	2020	2019
	HK$'000	HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	–
Current tax — Outside of Hong Kong		
Provision for the year	**1,448**	–
	1,448	–
Deferred tax		
Origination and reversal of temporary differences	**(8,566)**	8,103
	(7,118)	8,103

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

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
(Loss)/profit before taxation	**(303,843)**	35,482
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**(8,900)**	2,297
Effect of non-taxable income	**(3,556)**	(3,098)
Effect of non-deductible expenses	**12,212**	7,610
Effect of unrecognised tax losses	**7,427**	8,588
Use of unrecognised tax losses	**(14,301)**	(7,294)
Actual tax expense	**(7,118)**	8,103

Pursuant to the rules and regulations of Cayman, Bermuda and the British Virgin Islands (the "**BVI**"), the Company and its subsidiaries are not subject to any income tax in Cayman, Bermuda and the BVI.

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries' operations in Hong Kong had no assessable profits for the year. The provision for Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the years.

The provision for PRC current income tax is based on a statutory rate of 25% (2019: 25%) of the assessable profit as determined in accordance with the relevant income tax rules and regulations of the PRC.

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' EMOLUMENTS

Directors' emoluments 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:

	Year ended 31 March 2020				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary Bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wang Jingbo	–	47	–	–	47
Lee Khay Kok (resigned on 5 September 2019)*	–	833	–	–	833
Liu Zhihai (appointed on 5 September 2019)*	–	1,162	100	38	1,300
Non-executive directors					
Lin Dongliang	–	–	–	–	–
Shong Hugo	–	–	–	–	–
Independent non-executive directors					
Shi Cen	300	–	–	–	300
Chau Shing Yim	300	–	–	–	300
Ge Aiji	300	–	–	–	300
Total	900	2,042	100	38	3,080

* The amounts disclosed as directors' emoluments were amounts related to qualifying services provided by person during the period when he/she served as director.

(Expressed in Hong Kong dollars unless otherwise indicated)

10 DIRECTORS' EMOLUMENTS (continued)

	Year ended 31 March 2019				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary Bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Wang Jingbo	–	1,899	–	50	1,949
Lee Khay Kok	–	1,505	200	–	1,705
Non-executive directors					
Lin Dongliang	–	–	–	–	–
Shong Hugo	–	–	–	–	–
Independent non-executive directors					
Shi Cen	300	–	–	–	300
Chau Shing Yim	300	–	–	–	300
Chen Zhiwu (resigned on 19 October 2018)	165	–	–	–	165
Ge Aiji (appointed on 19 October 2018)	135	–	–	–	135
Total	900	3,404	200	50	4,554

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 March 2020, two (2019: two) are directors whose emoluments during their appointment as a director of the Company are set out in note 10 above. The aggregate of the emoluments of the five highest paid individuals are as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Salaries and other emoluments	**8,262**	6,516
Discretionary bonuses	**1,643**	2,362
Retirement scheme contributions	**335**	242
	10,240	9,120

The emoluments of the 5 (2019: 5) individuals with the highest emoluments are within the following bands:

	Year ended 31 March	
	2020	2019
	Number of individuals	Number of individuals
HK$		
Nil–1,000,000	**–**	–
1,000,001–2,000,000	**2**	4
2,000,001–3,000,000	**3**	1

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$296,725,000 (2019: profit HK$27,379,000) and the weighted average of 6,595,881,000 ordinary shares (2019: 6,268,569,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 March	
	2020	2019
	'000	'000
Issued ordinary shares at 1 April	**6,595,907**	6,094,404
Effect of conversion of convertible bond (note 29(e))	**–**	202,763
Effect of shares repurchased (note 32(c))	**(26)**	(28,598)
Weighted average number of ordinary shares at 31 March	**6,595,881**	6,268,569

12 (LOSS)/EARNINGS PER SHARE (continued)

(b) *Diluted (loss)/earnings per share*

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 March 2020 in respective of a dilution as the impact of the conversional bond had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of diluted loss per share for the year ended 31 March 2019 is based on the loss attributable to ordinary equity shareholders of the Company of HK$32,748,000 and the weighted average number of ordinary shares of 7,506,766,000 shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Year ended 31 March 2019 HK$'000
Profit attributable to ordinary equity shareholders	27,379
After tax effect of effective interest on the liability component of convertible bond	5,369
Profit attributable to ordinary equity shareholders (diluted)	32,748

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 March 2019 '000
Weighted average number of ordinary shares at 31 March	6,268,569
Effect of conversion of ordinary shares for convertible bond (note 29(e))	1,238,197
Weighted average number of ordinary shares (diluted) at 31 March	7,506,766

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures HK$'000	Machinery and equipment HK$'000	Motor vehicle HK$'000	Oil and gas assets HK$'000	Others HK$'000	Total HK$'000
Cost:						
At 1 April 2018	117,520	83,562	11,525	890,636	24,405	1,127,648
Additions	–	3,635	217	4,137	207	8,196
Reassessment of provision (note 31)	–	–	–	(8,009)	–	(8,009)
Transferred from construction in progress	–	–	–	63,059	–	63,059
Disposals	–	–	(233)	–	(62)	(295)
Exchange adjustments	(7,745)	(5,835)	(760)	(58,851)	(1,609)	(74,800)
At 31 March 2019	109,775	81,362	10,749	890,972	22,941	1,115,799
Additions	–	3,276	188	3,914	217	7,595
Acquisition of Weipin (note 34)	–	–	98	–	285	383
Reassessment of provision (note 31)	–	–	–	(2,602)	–	(2,602)
Transferred from construction in progress	–	–	–	53,776	–	53,776
Disposals	–	–	(331)	–	(40)	(371)
Exchange adjustments	(6,718)	(5,065)	(655)	(55,973)	(1,413)	(69,824)
At 31 March 2020	103,057	79,573	10,049	890,087	21,990	1,104,756
Accumulated depreciation:						
At 1 April 2018	(18,375)	(40,140)	(7,789)	(418,592)	(19,978)	(504,874)
Charge for the year	(2,798)	(5,574)	(981)	(36,280)	(1,803)	(47,436)
Written back on disposals	–	–	221	–	59	280
Exchange adjustments	1,218	2,660	515	27,680	1,321	33,394
At 31 March 2019	(19,955)	(43,054)	(8,034)	(427,192)	(20,401)	(518,636)
Charge for the year	(2,692)	(4,978)	(795)	(37,603)	(1,391)	(47,459)
Written back on disposals	–	–	314	–	38	352
Exchange adjustments	1,291	2,766	505	27,133	1,284	32,979
At 31 March 2020	(21,356)	(45,266)	(8,010)	(437,662)	(20,470)	(532,764)
Net book value:						
At 31 March 2019	89,820	38,308	2,715	463,780	2,540	597,163
At 31 March 2020	81,701	34,307	2,039	452,425	1,520	571,992

14 CONSTRUCTION IN PROGRESS

	Cost of wells drilled and other capital expenditure HK$'000
At 1 April 2018	12,509
Additions	69,584
Transferred to property, plant and equipment	(63,059)
Exchange adjustments	(841)
At 31 March 2019	18,193
Additions	52,279
Transferred to property, plant and equipment	(53,776)
Exchange adjustments	(1,073)
At 31 March 2020	15,623

15 INTANGIBLE ASSETS

	Cooperation right HK$'000	Online car-hailing license HK$'000	Drivers list HK$'000	Business relationship HK$'000	Others HK$'000	Total HK$'000
Cost:						
At 1 April 2018	37,441	–	–	–	–	37,441
Exchange adjustments	(2,467)	–	–	–	–	(2,467)
At 31 March 2019	34,974	–	–	–	–	34,974
Acquisition of Weipin (note 34)	–	3,963	20,264	371,297	361	395,885
Addition	–	–	–	–	3,390	3,390
Exchange adjustments	(2,140)	(94)	(413)	(7,566)	(66)	(10,279)
At 31 March 2020	32,834	3,869	19,851	363,731	3,685	423,970
Accumulated amortisation:						
At 1 April 2018	(8,498)	–	–	–	–	(8,498)
Charge for the year	(860)	–	–	–	–	(860)
Exchange adjustments	559	–	–	–	–	559
At 31 March 2019	(8,799)	–	–	–	–	(8,799)
Charge for the year	(921)	(344)	(1,515)	(29,218)	(4)	(32,002)
Exchange adjustments	560	19	26	502	–	1,107
At 31 March 2020	(9,160)	(325)	(1,489)	(28,716)	(4)	(39,694)
Net book value:						
At 31 March 2019	26,175	–	–	–	–	26,175
At 31 March 2020	23,674	3,544	18,362	335,015	3,681	384,276

16 GOODWILL

	HK$'000
Cost:	
At 1 April 2018 and 31 March 2019	–
Acquisition of Weipin (note 34)	112,837
At 31 March 2020	112,837

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the cash-generating unit ("**CGU**") of Weipin.

The recoverable amount of the CGU is determined based on the calculation of fair value less cost of disposal. The Company used best-low scenarios with 50% possibilities applied separately to each scenario to reach a fair value, and then less the cost of disposal to reach a final conclusion. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Under the best scenario, the Company used an estimated weighted average growth rate of 3% for cash flows beyond the five-year period which was consistent with the forecasts included in industry reports. The growth rates used did not exceed the long-term average growth rates for the business in which the CGU operates.

Under the low scenario, the Company didn't consider the cash flows beyond five-year period, while referred to the market multiplier of comparable listed companies as the exit multiple to calculate the terminal value at the end of five-year period. EV/revenue multiple of 1.4 was adopted after considering the discount for lack of marketability ("**DLOM**") of 30%.

The cash flows in best-low scenarios were discounted using a discount rate of 29%. The discount rate used was post-tax and reflected specific risks relating to the relevant segment.

Based on the result of the impairment test of goodwill, no impairment provision was considered necessary for the goodwill arising from the acquisition of Weipin.

17 RIGHT-OF-USE ASSETS

	Land HK$'000	Leasehold property HK$'000	Total HK$'000
Cost:			
At 1 April 2019	10,029	4,698	14,727
Additions	–	8,110	8,110
Acquisition of Weipin (note 34)	–	4,537	4,537
Exchange adjustments	(613)	(760)	(1,373)
At 31 March 2020	9,416	16,585	26,001
Accumulated depreciation:			
At 1 April 2019	–	–	–
Charge for the year	(288)	(2,975)	(3,263)
Exchange adjustments	7	53	60
At 31 March 2020	(281)	(2,922)	(3,203)
Net book value:			
At 1 April 2019	10,029	4,698	14,727
At 31 March 2020	9,135	13,663	22,798

(Expressed in Hong Kong dollars unless otherwise indicated)

18 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	Particulars of issued registered and paid up capital	Effective percentage of equity attributable to the Company		Principal activity
			Direct	Indirect	
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
Golden Libra Investment Limited	HK	HK$100,000	100%	–	Investment holding
Beijing Valuevale Technology Limited	PRC	HK$709,363,214 (note ii)	88.02%	11.98%	Technology development and consulting
Beijing Value Top Technology Limited	PRC	RMB596,076,388	–	100%	Technology development and consulting
Weipin	Cayman Islands	US$50,000	–	35.5%	Provision of mobility service
Hangzhou Bolu Technology Limited	PRC	US$30,000,000	–	35.5%	Provision of mobility service
Hangzhou Shandian Chuxing Technology Limited (note i)	PRC	RMB1,000,000	–	35.5%	Provision of mobility service
Hangzhou Junshuo Technology Limited (note i)	PRC	RMB10,000,000	–	35.5%	Provision of mobility service
Hangzhou Chuang Wei Technology Limited (note i)	PRC	RMB10,000,000	–	35.5%	Provision of mobility service
Fujian Huawei Yi Xing Tong Transportation Technology Limited (note i)	PRC	RMB50,000,000	–	35.5%	Provision of mobility service

Notes:

(i) The Company does not have directly and indirectly legal ownership in equity of these structured entities or their subsidiaries. In accordance with accounting policy note 2(d), the Company and its other legally owned subsidiaries has rights to exercise power over these structured entities, receives variable retunes from its involvement in these structured entities, and has the ability to affect those returns through its power over these structured entities. As a result, they are presented as subsidiaries of the Company.

(ii) The registered capital of this entity is HK$779,363,214. As of 31 March 2020, the registered capital of HK$709,363,214 has been fully paid up.

19 INTEREST IN AN ASSOCIATE

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Interest in an associate	**50,086**	43,778

On 25 September 2018, Valuevale Investment Limited ("**Valuevale**"), a wholly-owned subsidiary of the Company, entered into the agreement for JUSDA Supply Chain Management International CO., LTD. (準時達國際供應鏈管理有限公司) ("**JUSDA**") (the "**Agreement**") and the management team, in relation to the formation of JUSDA Energy Technology (Shanghai) Co Ltd. (准時達能源科技(上海)有限公司), which is engaged in liquefied natural gas logistics services. Pursuant to the Agreement, Valuevale agreed to contribute RMB78 million (in equivalent of HK$85 million) to the investee. At 31 March 2020, the Valuevale has completed its capital injections with amount of HK$61.4 million.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Non-current assets		
Stonehold investment (note (a))	**1,264,851**	1,510,062
JOVO investment (note (b))	**140,321**	138,154
GNL Quebec investment (note (c))	**75,061**	45,921
LNGL investment (note (d))	**26,144**	142,739
	1,506,377	1,836,876
Current assets		
Trading securities listed in the U.S. and France	**3,661**	8,689
Bank financing products	**13,338**	9,354
	16,999	18,043

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(a) On 14 August 2017 (local time in Houston, Texas, the U.S.), the Company and Think Excel Investments Limited ("**Think Excel**"), a wholly-owned subsidiary of the Company, entered into a credit agreement (the "**Credit Agreement**") with Stonehold Energy Corporation ("**Stonehold**"), pursuant to which, the Company and Think Excel have conditionally agreed to grant a Term Loan to Stonehold (the "**Stonehold investment**") for the purpose of financing the acquisition of certain oil and gas related assets (the "**Target Assets**") and the subsequent operations of such assets by Stonehold. On the same date, Stonehold entered into an acquisition agreement (the "**Acquisition Agreement**") with Stonegate Production Company, LLC (the "**Stonegate**"), pursuant to which, Stonegate has conditionally agreed to sell and Stonehold has conditionally agreed to purchase the Target Assets. All Target Assets are oil and gas assets owned by Stonegate as a non-operator.

On 26 September 2017 (local time in Houston, Texas, the U.S.), the initial payment of the Term Loan with an amount of US$165.0 million (approximately HK$1,291.1 million) under the Credit Agreement has been released to Stonehold and the acquisition of the Target Assets by Stonehold from Stonegate has also been consummated in accordance with the terms of the Acquisition Agreement, and a subsequent payment of the Term Loan with an amount of US$5.0 million (approximately HK$39.0 million) has been released to Stonehold on 22 November 2017. Under the Credit agreement, the Company and Think Excel are entitled to interest on the principal amount of the Stonehold investment at a rate of 8% per annum (after the making of or the allocation of any applicable withholding tax). The Company and Think Excel are also entitled to additional interest at an amount equal to 92.5% of the remainder cash proceeds received or recovered by Stonehold in respect of any disposal of the Target Assets after deducting outstanding principals and interests pursuant to the Credit Agreement, as well as after deducting any fees, costs and expenses reasonably incurred by Stonehold with respect to such disposal, if applicable. The maturity date of the Stonehold investment is 10 years after the initial payment of the Stonehold investment.

Stonehold holds the unconventional shale oil and gas assets in the Eagle Ford core region in the U.S.

(b) On 14 July 2017, Valuevale entered into a subscription agreement with Jiangxi Jovo Energy Company Limited ("**JOVO**"), pursuant to which Valuevale has conditionally agreed to subscribe for, and JOVO has conditionally agreed to allot and issue, shares of JOVO at a consideration of RMB100 million (equivalent to approximately HK$115.2 million). The completion of the Subscription took place on 28 July 2017.

JOVO is a limited liability company incorporated in the PRC which engages in clean energy businesses, including importing, processing and sale of LNG and LPG.

(c) On 30 November 2017, Golden Libra Investment Limited ("**Golden Libra**"), a wholly-owned subsidiary of the Company, entered into an agreement of purchase and sale with an investment fund for purchasing its interests in LNG Quebec Limited Partnership (the "**GNL Quebec**") at the purchase price of US$3.15 million (equivalent to approximately HK$24,633,000). The completion of the acquisition took place on 7 February 2018.

On 26 July 2018, Golden Libra invested another US$1 million (equivalent to approximately HK$7,800,000) in GNL Quebec to support ongoing development. On 30 December 2018, Golden Libra has transferred GNL Quebec investment to Valuevale.

GNL Quebec, through its wholly-owned subsidiary GNL Quebec Inc., is developing a state-of-the-art and low-carbon-emission LNG exporting terminal with a maximum nameplate liquefaction capacity of up to eleven million tons per annum.

(d) On 2 June 2018, the Company through its subsidiary, entered into a subscription agreement with Liquefied Natural Gas Limited ("**LNGL**"), which is listed in Australia, pursuant to which the Company has agreed to subscribe for, and LNGL has agreed to issue, 56,444,500 ordinary shares of LNGL at an aggregate subscription price of A$28.2 million (equivalent to approximately HK$166.8 million). Upon completion of the subscription, the Company became the second largest shareholder of LNGL. The completion of the subscription took place on 13 June 2018.

LNGL is an independent LNG developer with its primary operations in North America.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Equity investment designated as FVOCI (non-recycling) — listed in HK	**36,476**	44,038

The equity investment designated as FVOCI is shares of a company listed in Hong Kong. Golden Libra designated the investment at FVOCI (non-recycling), as the investment is held for strategic purposes. During the year ended 31 March 2020, dividends amounting to HK$1,585,371 have been received (2019: HK$1,937,676) (see note 4(a)).

22 OTHER NON-CURRENT ASSETS

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Prepayments for construction in progress	**4,108**	7,368
Performance deposit due from Yanchang	**5,970**	6,360
Expenditures on public facilities	**12,810**	16,227
Prepayment for mobility service	**1,673**	–
Loans to employees	**6,600**	–
	31,161	29,955

23 INVENTORIES

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

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Spare parts and consumables	**4,455**	4,518
Finished goods	**2,037**	581
	6,492	5,099

(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	
	2020 HK$'000	2019 HK$'000
Carrying amount of inventories sold (note 8(c))	**86,960**	93,359

24 TRADE AND OTHER RECEIVABLES

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Trade receivables, net of allowance for doubtful debts	**10,825**	46,298
Other receivables	**8,691**	10,900
Prepayment to suppliers	**22,702**	17,698
Dividends receivable from financial instruments measured at FVTPL	**–**	2,990
	42,218	77,886

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Aging analysis

As of the end of the reporting period, the aging 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 2020 HK$'000	At 31 March 2019 HK$'000
Within 1 month	**10,825**	24,344
1 to 6 months	**–**	21,954
	10,825	46,298

(b) ECLs

As at 31 March 2020, the Group provided allowance amounting to HK$1,784,000 for doubtful debts due from a customer of Hongbo Mining. The remaining trade receivables are related to external companies that do not have any historical default record with Weipin. Based on past experience, current condition and management's view of economic condition over the expected lives of the trade receivables, management believes that there is not any possible default events over the expected lives of the trade receivables, so no loss allowance is necessary in respect of these balances.

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Deposit with banks	**738,714**	1,002,259
Cash at bank and on hand	**375,487**	189,275
	1,114,201	1,191,534

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(b) Reconciliation of (loss)/profit before taxation to cash generated from operations:

		Year ended 31 March	
		2020	2019 (Note)
	Notes	**HK$'000**	HK$'000
(Loss)/profit before taxation		**(303,843)**	35,482
Adjustments for:			
Depreciation of property, plant and equipment	8(c)	**47,459**	47,436
Depreciation of right-of-use assets	8(c)	**3,263**	–
Amortisation of intangible assets	8(c)	**32,002**	860
Amortisation of lease prepayments	8(c)	**–**	300
Amortisation of other non-current assets	8(c)	**2,732**	3,261
Impairment losses of trade receivables	8(c)	**1,832**	–
Net financial costs		**19,767**	149,884
Net realised and unrealised losses/(gains) on financial assets at FVTPL and derivative financial instruments	4(a)	**235,664**	(164,118)
Share of losses of an associate	4(a)	**8,952**	829
Net gains on disposal of property, plant and equipment	5	**(39)**	(15)
Net gains on disposal of subsidiaries		**(598)**	–
Changes in working capital:			
(Increase)/decrease in inventories		**(1,393)**	2,195
Increase in trade and other receivables		**(12,958)**	(5,636)
Increase/(decrease) in trade and other payables		**9,469**	(23,504)
Increase in contract liabilities		**1,087**	–
Cash generated from operations		**43,396**	46,974

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of HK$846,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 25(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$'000 (Note 27)	Convertible bond HK$'000 (Note 29)	Interest payable HK$'000 (Note 26)	Lease liabilities HK$'000 (Note 28)	Total HK$'000
At 31 March 2019	–	45,653	9,973	–	55,626
Impact on initial application of HKFRS 16 (Note)	–	–	–	4,698	4,698
At 1 April 2019	–	45,653	9,973	4,698	60,324
Changes from financing cash flows:					
Proceeds from bank borrowings	78,413	–	–	–	78,413
Interest paid	–	–	(2,188)	–	(2,188)
Capital element of lease rentals paid	–	–	–	(2,978)	(2,978)
Interest element of lease rentals paid	–	–	–	(406)	(406)
Total changes from financing cash flows	78,413	–	(2,188)	(3,384)	72,841
Exchange adjustments	(870)	–	(712)	(700)	(2,282)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	8,110	8,110
Increase in lease liabilities from acquisition of Weipin (note 34)	–	–	–	4,537	4,537
Interest expenses (note 8(a))	–	4,967	2,036	406	7,409
Interest payable	–	(602)	602	–	–
Total other changes	–	4,365	2,638	13,053	20,056
At 31 March 2020	77,543	50,018	9,711	13,667	150,939

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2(c) and 25(b).

(Expressed in Hong Kong dollars unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Convertible bond HK$'000 (Note 29)	Convertible note HK$'000	Conversion option embedded in convertible note HK$'000	Interest payable HK$'000 (Note 26)	Total HK$'000
At 1 April 2018	67,148	232,094	2,093	11,084	312,419
Changes from financing cash flows:					
Redemption of convertible note	–	(375,000)	–	–	(375,000)
Interest paid	–	–	–	(1,262)	(1,262)
Total changes from financing cash flows	–	(375,000)	–	(1,262)	(376,262)
Exchange adjustments	–	–	–	(683)	(683)
Changes in fair value	–	–	(2,093)	–	(2,093)
Other changes:					
Interest expenses (note 8(a))	6,430	11,356	–	–	17,786
Interest payable	(834)	–	–	834	–
Conversion of convertible bond	(27,091)	–	–	–	(27,091)
Finance cost on redemption of convertible note	–	131,550	–	–	131,550
Total other changes	(21,495)	142,906	–	834	122,245
At 31 March 2019	45,653	–	–	9,973	55,626

25 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(continued)

(d) Total cash outflow for leases

	Year ended 31 March	
	2020	2019
		(Note)
	HK$'000	HK$'000
Within operating cash flows	**824**	846
Within financing cash flows	**3,384**	–
	4,208	846

Note: As explained in the note 25(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Lease rentals paid	**4,208**	846

(e) Material non-cash transaction

According to the crude oil sales agreement, a guarantee deposit of RMB35,000,000 was paid by the customer to Hongbo Mining (as included in trade and other payables) in return for a maximum 180 days credit period for an amount up to RMB35,000,000. Hongbo Mining signed a business settle agreement with the customer during the year ended 31 March 2020, pursuant to which, the overdue trade receivable due from the customer shall be settled after net off with the guarantee deposit.

26 TRADE AND OTHER PAYABLES

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Trade payables	**94,076**	87,897
Taxes other than income tax payable	**13,594**	15,568
Income tax payable	**1,410**	–
Guarantee deposit (note 25(e))	**–**	40,803
Payable due to Yanchang	**57,286**	63,792
Interest payable	**9,711**	9,973
Others	**17,198**	8,481
	193,275	226,514

All of the trade and other payables 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 2020 HK$'000	At 31 March 2019 HK$'000
Within 1 year	**73,928**	45,604
Over 1 year but within 2 years	**4,781**	24,654
Over 2 years but within 3 years	**8,058**	9,738
Over 3 years	**7,309**	7,901
Trade payables	**94,076**	87,897

27 BANK AND OTHER BORROWINGS

On 2 July 2019, the Company entered into a credit term agreement with Far Eastern International Bank (the "**Credit Term Agreement**"), pursuant to which, the Company, as the borrower, obtained a credit with amount of US$20 million (approximately HK$156.3 million), with charged interest rate at floating rate of 3-month Libor+1.8% per annum, repayable within one year.

In accordance with the terms and conditions of the Credit Term Agreement, the Company and Think Excel issued a letter of negative pledge to Far Eastern International Bank (the "**Letter of Negative Pledge**"), pursuant to which the Company and Think Excel ensured that the current and future rights to Stonehold investment shall not be mortgaged or transferred to a third party unless the principal and interests are paid off. On 2 August 2019, the first drawdown with an amount of US$10.0 million (approximately HK$78.2 million) was made by the Company under the Credit Term Agreement.

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Company and its subsidiaries' lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 March 2020		1 April 2019 (Note)	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**5,209**	**5,766**	1,462	1,480
After 1 year but within 2 years	**3,795**	**4,159**	1,185	1,226
After 2 years but within 5 years	**4,560**	**4,772**	2,051	2,459
After 5 years	**103**	**104**	–	–
	8,458	**9,035**	3,236	3,685
	13,667	**14,801**	4,698	5,165
Less: total future interest expenses		**(1,134)**		(467)
Present value of lease liabilities		**13,667**		4,698

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2(c).

29 CONVERTIBLE BOND

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 31 March 2018	67,148	138,986	206,134
Interest expenses (note 8(a))	6,430	–	6,430
Interest payable	(834)	–	(834)
Conversion of convertible bond (note (e))	(27,091)	(52,867)	(79,958)
At 31 March 2019	45,653	86,119	131,772
Interest expenses (note 8(a))	4,967	–	4,967
Interest payable	(602)	–	(602)
At 31 March 2020	50,018	86,119	136,137

Notes:

(a) As at 29 July 2016, the convertible bonds originally had total nominal value of HK$120,000,000 and interest at 1% per annum which were payable half year in arrears. The convertible bonds were 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 at discount rate of 4.12% per annum and carried at amortised cost.

(b) On 15 August 2017, the Company entered into a deed of amendment with Titan Gas, one holder of the convertible bond, to further extend the maturity date of the convertible bond with nominal value of HK$96,832,526 from 30 April 2018 to 30 April 2022, and to remove certain adjustment events to the conversion price.

The modification resulted in the extinguishment of the financial liability of the convertible bond and the recognition of new financial liability and equity component. The fair value of the new financial liability regarding the convertible bond revised portion immediately following the modification was approximately HK$63,421,000. The fair value of the liability component was determined by discounted cash flows over the remaining terms of the convertible bonds at an effective interest rate of 10.88% per annum.

(c) On 25 September 2017, Tanisca Investments Limited, another holder of the convertible bond, exercised the conversion rights to convert all the convertible bond held with the nominal value of HK$23,167,474 into 344,754,077 ordinary shares.

(d) On 22 August 2018, Titan Gas transferred parts of the convertible bonds with the nominal value of HK$16,832,526 to three entities.

(e) On 18 October 2018 and 17 December 2018, convertible bond holders exercised the conversion rights to convert their convertible bond with the nominal value of HK$18,432,526 and HK$18,400,000, into 274,293,540 and 273,809,523 ordinary shares respectively. At 31 March 2020, the remaining convertible bond with nominal value of HK$60,000,000 (31 March 2019: HK$60,000,000) was solely held by Titan Gas.

30 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) *Current taxation in the consolidated statement of financial position represents:*

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
At the beginning of the reporting period	**–**	–
Provision for the year	**1,448**	–
Exchange adjustments	**(38)**	–
At the end of the reporting period	**1,410**	–

(b) *Deferred tax assets and liabilities recognised:*

(i) Movement of each component of deferred tax assets and liabilities

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	Property, plant and equipment	Intangible assets	Accruals	Credit loss allowance	Accumulated tax losses	Fair value adjustment on business combination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax arising from:								
At 1 April 2018	(4,438)	41,712	35	(11,951)	–	–	–	25,358
(Credited)/charged to profit or loss	(606)	9,231	(12)	(510)	–	–	–	8,103
Exchange adjustments	294	(2,772)	(2)	789	–	–	–	(1,691)
At 31 March 2019	(4,750)	48,171	21	(11,672)	–	–	–	31,770
(Credited)/charged to profit or loss	(597)	2,293	(11)	405	(458)	(2,516)	(7,682)	(8,566)
Acquisition of Weipin (note 34)	–	–	–	–	–	–	97,890	97,890
Exchange adjustments	307	(3,008)	(1)	703	12	43	(1,864)	(3,808)
At 31 March 2020	(5,040)	47,456	9	(10,564)	(446)	(2,473)	88,344	117,286

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

(b) *Deferred tax assets and liabilities recognised:* (continued)

(ii) Reconciliation to the consolidated statement of financial position

	31 March 2020 HK$'000	31 March 2019 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(2,473)**	–
Net deferred tax liability recognised in the consolidated statement of financial position	**119,759**	31,770
	117,286	31,770

(c) *Deferred tax assets not recognised*

In accordance with the accounting policy set out in note 2(v), the Company and its subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses amounting to HK$73,655,000 (2019: HK$123,875,000) as at 31 March 2020, 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 Company and its subsidiaries.

The unutilised tax losses in the PRC established entities will expire in five years after the tax losses generated under current tax legislation in 2024 and thereafter. The tax losses in those Hong Kong incorporated companies can be utilised to offset any future taxable profits under current tax legislation.

31 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 2018	56,592
Additions	4,137
Reassessment	(8,009)
Accretion expense	2,425
Exchange adjustments	(3,726)
At 31 March 2019	51,419
Additions	3,914
Reassessment	(2,602)
Accretion expense	2,386
Exchange adjustments	(3,245)
At 31 March 2020	51,872

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Company'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$'000 (note 32(c))	Treasury shares HK$'000 (note 32(c))	Share premium HK$'000 (note 32(d)(i))	Other reserve HK$'000 (note 32(d)(v))	Accumulated losses HK$'000	Total equity HK$'000
Balance at 31 March 2018	60,944	–	4,215,251	237,967	(587,914)	3,926,248
Changes in equity for the year ended 31 March 2019:						
Total comprehensive income for the year	–	–	–	–	(158,100)	(158,100)
Conversion of convertible bond	5,481	–	74,477	(52,867)	–	27,091
Purchase of own shares	(466)	–	(54,542)	–	–	(55,008)
Redemption of convertible note	–	–	–	(34,583)	34,583	–
Balance at 31 March 2019	65,959	–	4,235,186	150,517	(711,431)	3,740,231
Changes in equity for the year ended 31 March 2020:						
Total comprehensive income for the year	–	–	–	–	(27,358)	(27,358)
Purchase of own shares	–	(680)	–	–	–	(680)
Balance at 31 March 2020	65,959	(680)	4,235,186	150,517	(738,789)	3,712,193

(b) Dividends

No dividends were paid, declared or proposed during the year ended 31 March 2020 and 2019.

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital and treasury shares

	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 2018, 31 March 2019 and 31 March 2020	11,000,000	110,000	5,000,000	50,000	16,000,000	160,000
Issued, paid or payable:						
At 1 April 2018	6,094,404	60,944	–	–	6,094,404	60,944
Conversion of convertible bond (note 29(e))	548,103	5,481	–	–	548,103	5,481
Purchase of own shares	(46,600)	(466)	–	–	(46,600)	(466)
At 31 March 2019	6,595,907	65,959	–	–	6,595,907	65,959
Purchase of own shares (note (i))	(1,040)	–	–	–	(1,040)	–
At 31 March 2020	6,594,867	65,959	–	–	6,594,867	65,959

Note:

(i) During the year ended 31 March 2020, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
March 2020	1,040,000	0.68	0.58	680

The above repurchased shares were presented as treasury shares, as these shares have not been cancelled by 31 March 2020.

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(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, Hongbo Mining 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(y).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investment designated at FVOCI under HKFRS 9 that are held at the end of reporting period in accordance with the accounting policy in note 2(g).

(v) Other reserve

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

32 CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Capital management

The Company and its subsidiaries' primary objectives when managing capital are to safeguard the Company and its subsidiaries' 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.

The Company and its subsidiaries actively and regularly review and manage their 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 Company and its subsidiaries monitor their capital structure on the basis of gearing ratio (ratio of the sum of convertible bond and bank and other borrowings to the total assets).

The Company and its subsidiaries' 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 Company and its subsidiaries' gearing ratio at 31 March 2020 and 2019 was as follows:

		31 March	
	Note	**2020** **HK$'000**	2019 HK$'000
Interest-bearing debts:			
— Bank and other borrowings	27	**77,543**	–
— Convertible bond	29	**50,018**	45,653
Total debt		**127,561**	45,653
Total assets		**3,914,009**	3,898,769
Gearing ratio		**3%**	1%

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

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency, oil price and equity price risks arises in the normal course of the Company and its subsidiaries' business.

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company and its subsidiaries. The Company and its subsidiaries' 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.

The Company and its subsidiaries' credit risk arising from cash at bank is limited because the counterparties are state-owned/controlled or listed bank and well-known financial institutions which the directors 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 customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

The Company and its subsidiaries does not provide any guarantees which would expose the Company and its subsidiaries to credit risk.

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

(b) Liquidity risk

The Company and its individual operating entities 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 policy of Company and its subsidiaries 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 Company and its subsidiaries' 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 Company and its subsidiaries can be required to pay:

	31 March 2020 Contractual undiscounted cash outflow						31 March 2019 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$'000	More than 5 years HK$'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	77,543	–	–	–	77,543	77,543	–	–	–	–	–
Trade and other payables	193,275	–	–	–	193,275	193,275	226,514	–	–	226,514	226,514
Convertible bond	600	600	60,048	–	61,248	50,018	600	600	60,650	61,850	45,653
Lease liabilities (note)	5,766	4,159	4,772	104	14,801	13,667	–	–	–	–	–
	277,184	4,759	64,820	104	346,867	334,503	227,114	600	60,650	288,364	272,167

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2(c).

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and its subsidiaries' interest rate risk arises primarily from interest-bearing borrowings. The Company and its subsidiaries regularly review and monitor the mix of fixed and variable rate borrowing in order to manage its interest rate risks.

(i) Interest rate profile

The following table details the interest rate profile of the Company and its subsidiaries' interest-bearing borrowings at the respective reporting period end dates.

	31 March 2020		31 March 2019	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Convertible bond	**10.88%**	**50,018**	10.88%	45,653
Lease liabilities (note)	**4.75%–5.125%**	**13,667**	–	–
		63,685		45,653
Variable rate borrowings:				
Bank and other borrowings	**3-month Libor+1.8% per annum**	**77,543**	–	–
		77,543		–
Total borrowings		**141,228**		45,653
Fixed rate borrowings as a percentage of total borrowings		**45%**		100%

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. See note 2(c).

(ii) Sensitivity analysis

The directors of the Company considered that the Company and its subsidiaries' to interest rate risk is not significant, no sensitivity analysis has been presented accordingly.

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

(d) Currency risk

The Company and its subsidiaries are 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 HK$, US$, A$ and RMB. The Company and its subsidiaries manage this risk as follows:

(i) Recognised assets and liabilities

In respect of other receivables and payables denominated in foreign currencies, the Company and its subsidiaries ensure 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. The Company and its subsidiaries' borrowings are denominated in United States dollars and the Company and its subsidiaries' functional currency is Hong Kong dollars. Given this, management does not expect that there will be any significant currency risk associated with the Company and its subsidiaries' borrowings.

(ii) Exposure to currency risk

The following table details the Company and its subsidiaries' 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 presentation currency are excluded.

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	31 March 2020			31 March 2019		
	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	772,681	2,559	5,083	823,616	36	16,488
Trade and other receivables	2,154	–	–	–	–	–
Bank and other borrowings	(77,543)	–	–	–	–	–
Trade and other payables	(254)	–	–	–	–	–
Net exposure arising from recognised assets and liabilities	697,038	2,559	5,083	823,616	36	16,488

(iii) Sensitivity analysis

The directors of the Company considered that the Company and its subsidiaries' 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.

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

(e) Oil price risk

The principal activities of the Company's subsidiaries and invested portfolios in the "global energy investment" segment consist of upstream oil and gas business, LNG liquefaction and exporting, LNG importing, processing and sales, and LNG logistics services. Hongbo Mining, a wholly-owned subsidiary of the Company, is engaged in petroleum-related activities in the PRC. The Company also has the Term Loan granted to Stonehold, which is engaged in petroleum-related activities as well. 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 Company. A decrease in such prices could adversely affect the financial result and financial position of the Company and its subsidiaries. The Company actively used derivative instruments to hedge against potential price fluctuations of crude oil.

For the year ended 31 March 2020, the Company purchased put options for part of the production of Hongbo Mining. The put options place the Company in a hedged position, protecting the Company from a decline in the oil price over the stipulated period of time and preserving the value of the assets of Hongbo Mining. As of 31 March 2020, the Company did not hold any such put options.

(f) Equity price risk

The Company and its subsidiaries are exposed to equity price changes arising from equity investments classified as financial assets at FVTPL (see note 20) and financial assets at FVOCI (see note 21).

The Company and its subsidiaries hold investments in the securities listed on the Stock Exchange of Hong Kong, France, and Australia, and National Association of Securities Dealers Automated Quotations. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Company and its subsidiaries' liquidity needs. Securities held in the financial assets at FVOCI portfolio have been chosen based on its longer term growth potential and are monitored regularly for performance against expectations. The portfolio is mainly focused on the energy related industry, in accordance with the limits set by the Company and its subsidiaries.

At 31 March 2020, it is estimated that an increase/decrease of 5% in the prices of respective listed financial securities investments, with all other variables held constant, would have increased/decreased the profit after tax (and decreased/increased accumulated losses) by HK$1,490,000 (2019: HK$7,571,000) as a result of the change in fair value of financial assets at FVTPL and would have increased/decreased the other comprehensive income (and total comprehensive income) by HK$1,824,000 (2019: HK$2,202,000) as a result of the change in fair value of financial assets at FVOCI.

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

(g) *Fair value measurement of financial instruments*

The fair value of the Company and its subsidiaries' financial instruments measured at the end of the reporting period on a recurring basis, is 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 2020	Fair value measurements as at 31 March 2020 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements				
Assets:				
— Stonehold investment	1,264,851	–	–	1,264,851
— JOVO investment	140,321	–	–	140,321
— GNL Quebec investment	75,061	–	75,061	–
— Equity investment designate as FVOCI — listed in HK	36,476	36,476	–	–
— LNGL investment	26,144	26,144	–	–
— Trading securities listed in the U.S. and France	3,661	3,661	–	–
— Bank financing products	13,338	–	13,338	–

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

(g) *Fair value measurement of financial instruments* (continued)

	Fair value at 31 March 2019 HK$'000	Fair value measurements as at 31 March 2019 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Assets:				
— Stonehold investment	1,510,062	–	–	1,510,062
— JOVO investment	138,154	–	–	138,154
— GNL Quebec investment	45,921	–	45,921	–
— Equity investment designate as FVOCI — listed in HK	44,038	44,038	–	–
— LNGL investment	142,739	142,739	–	–
— Trading securities listed in the U.S.	8,689	8,689	–	–
— Bank financing products	9,354	–	9,354	–

During the year end 31 March 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company and its subsidiaries' policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(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 GNL Quebec investment in Level 2 is measured determined using market approach by reference to the price of a recent transaction carried out by other investors involving similar instruments with adjustment made to reflect the specific factor to the shares held by Valuevale.

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

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

Information about level 3 fair value measurement

	Valuation techniques	Significant unobservable inputs	Range 31 March 2020	Range 31 March 2019
JOVO investment	Discounted cash flow	Discount rate	**16%**	19%
Stonehold investment	Discounted cash flow	Discount rate	**9.1%**	9.3%
			USD35.0–93.8/bbl	USD54.4–97.0/bbl
			15,525.4MBOE	17,861.3MBOE

The fair value of the JOVO investment measured at FVTPL is based on the Discounted Cash Flow Model. The cost of equity is determined based on the Capital Asset Pricing Model with additional risk premium built in to reflect the risks specific to JOVO. The discount rate is then estimated by using the debt/equity weights of JOVO. As at 31 March 2020, it is estimated that with all other variables held constant, a decrease/increase in discount rate by 1% would have decreased/increased the loss after tax (and decreased/increased accumulated losses) by HK$9,806,000 and HK$8,483,000 respectively (31 March 2019: HK$6,098,000 and HK$5,390,000 respectively).

Given the extent of the Company and its subsidiaries' exposure to the fluctuation in the value of the underlying assets held by Stonehold, as at 31 March 2020 the fair value of the Stonehold investment is measured using a Discounted Cash Flow Model. The discount rate is estimated by using the debt/equity weights of Stonehold, with Stonehold's cost of equity being determined based on the Capital Asset Pricing Model with additional risk premium built in to reflect the risks specific to Stonehold. The oil prices are forecasted with reference to WTI crude oil price forecast made by an independent valuer adjusted by pricing differentials applied to account for transportation charges, geographical differentials, and quality adjustments. The proved reserves of Stonehold are estimated by an independent valuer.

As at 31 March 2020, it is estimated that with all other variables held constant, (i) a decrease/increase in discount rate by 1% would have decreased/increased the loss after tax (and decreased/increased accumulated losses) by HK$72,598,000 and HK$85,727,000 respectively (31 March 2019: HK$75,928,000 and HK$45,028,000 respectively); (ii) an increase/decrease in oil price by 10% would have decreased/increased the loss after tax (and decreased/increased accumulated losses) by HK$154,869,000 and HK$207,447,000 respectively (31 March 2019: HK$166,387,000 and HK$61,846,000 respectively); (iii) an increase/decrease in the proved reserves by 5% would have decreased/increased the loss after tax (and decreased/increased accumulated losses) by HK$91,806,000 and HK$119,146,000 respectively (31 March 2019: HK$99,609,000 and HK$61,846,000 respectively).

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

(g) *Fair value measurement of financial instruments* (continued)

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

Information about level 3 fair value measurement (continued)

The movements during the period in the balance of Level 3 fair value measurements is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
JOVO investment:		
At the beginning of the reporting period	**138,154**	129,152
Net gains recognised in profit or loss during the period	**2,167**	9,002
At the end of the reporting period	**140,321**	138,154
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**2,167**	9,002

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Stonehold investment:		
At the beginning of the reporting period	**1,510,062**	–
Transfer into Level 3	**–**	1,510,062
Net losses recognised in profit or loss during the period	**(143,298)**	–
Interests received	**(101,913)**	–
At the end of the reporting period	**1,264,851**	1,510,062
Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period	**(143,298)**	184,361

(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.

34 BUSINESS COMBINATION

Acquisition of 35.5% equity share in Weipin

On 15 November 2019, Triple Talents Limited ("Triple Talents"), a wholly-owned subsidiary of the Company, entered into a series of agreements with Weipin and its affiliates, pursuant to which Triple Talents agreed to subscribe for certain equity shares in Weipin. Upon completion of this transaction with a total investment of approximately RMB200 million, the Company has become the controlling shareholder of Weipin effectively holding 35.5% of its total share capital and Weipin has become the holding company of the mobility services platform business.

The mobility services platform business is one of the focal business areas of the Company, and the Company expects to closely engage in the operation and supervision of this new business to ensure its commercial development and sound financial performance. In addition, the mobility services platform business is expected to enjoy synergies with the existing businesses of the Company, including but not limited to fuel cost optimisation and vehicle leasing services.

Included in the consolidated revenue from sales and services and loss for the year ended 31 March 2020, approximately HK$91,327,000 and HK$30,721,000 were attributable to Weipin respectively. Had the business combination been effected on 1 April 2019, the combined revenue from sales and services and combined loss for the year ended 31 March 2020 would have been HK$350,007,000 and HK$301,006,000 respectively.

Details of the acquisition of the Weipin are disclosed in the Company's voluntary announcement dated 25 November 2019. The transactions were approved by the Board resolution held on 11 November 2019 and completed on 15 November 2019.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed on the date of acquisition.

	Recognised values on acquisition HK$'000
Property, plant and equipment	383
Intangible assets (note (a))	395,885
Right-of-use assets	4,537
Other non-current assets	1,529
Other receivables	2,428
Cash and cash equivalents	12,767
Trade and other payables	(3,841)
Lease liabilities	(4,537)
Deferred tax liabilities	(97,890)
Total identifiable net assets acquired	311,261
Non-controlling interest	(200,763)
	110,498
Goodwill on acquisition (note (b))	112,837
Total consideration	223,335
Less: Cash and cash equivalents	(12,767)
Net cash outflow	210,568

34 BUSINESS COMBINATION (continued)

Identifiable assets acquired and liabilities assumed (continued)

Notes:

(a) The intangible assets of Weipin mainly include:

(i) Online ride-hailing license, which represents a national online ride-hailing license issued by a provincial transportation authority as a qualification and license necessary to conduct mobility business. It was recognised as an intangible asset with amortisation period of 5 years and valued at historical cost method with an amount of HK$4.0 million;

(ii) Drivers list, which represents the list of drivers registered on Weipin's platform. As of 15 November 2019, the list of 79,203 active drivers were recognised as an intangible asset with amortisation period of 5 years and valued at replacement cost method with an amount of HK$20.2 million;

(iii) Business relationship, which represents the contracts with certain aggregate traffic platforms awarding Weipin favourable platform charges which are lower than market rate. It was recognised as an intangible asset with amortisation period of 5 years and valued at incremental income method with an amount of HK$371.3 million.

(b) Goodwill represents the excess of consideration transferred over the fair value of identifiable assets and liabilities measured as at acquisition date. The Company performed a goodwill impairment test as at 31 March 2020, and no impairment was incurred.

(c) Weipin's net loss for the year ended 31 March 2020 attributable to ordinary equity shareholders to the Company is approximately HK$10.9 million.

(d) According to the acquisition agreement between Triple Talents and Weipin and its affiliates, all acquisition-related costs were born by counterparty.

35 COMMITMENTS

(a) Capital commitments outstanding at 31 March 2020 not provided for in the financial statements were as follows:

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Contracted, but not provided for		
— property, plant and equipment	**479**	26,503

(b) At 31 March 2019, total future minimum lease payments under non-cancellable operating leases payable were as follows:

	At 31 March 2019 HK$'000
Within 1 year	1,975
After 1 year but within 5 years	3,685
	5,660

35 COMMITMENTS (continued)

(b) *At 31 March 2019, total future minimum lease payments under non-cancellable operating leases payable were as follows:* (continued)

The Group is the lessee in respect of a number of buildings under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2(c)). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(l), and the details regarding the Group's future lease payments are disclosed in note 28.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) *Key management personnel remuneration*

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	**8,672**	8,646
Post-employment benefits	**249**	247
	8,921	8,893

Total remuneration is included in "staff costs" (see note 8(b)).

(b) *Financing arrangements*

	Amounts owed to the Company by related parties As at 31 March		Related interest income Year ended 31 March	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans to members of key management personnel	**3,000**	–	**3**	–

36 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Material related party transactions

Apart from the transactions disclosed elsewhere in this annual financial report, there were following material transactions with related parties during the reporting period.

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
With the immediate holding company		
— increase in interest payable on convertible bond (note (i))	**602**	793
— interest paid on the convertible bond	**(406)**	–

Note:

(i) Interest on the convertible bond was payable to Titan Gas at 1% per annum. As at 31 March 2020, Titan Gas held the Company's convertible bond with principal amount of HK$60,000,000. Details of the transaction and the terms of the convertible bonds were disclosed in note 29.

(d) Related party balances

The outstanding balances with related parties are as follows:

	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Trade and other payables		
— the immediate holding company	**341**	145
Convertible bond		
— the immediate holding company	**50,018**	45,653

(e) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction defined in Chapter 14A of the Listing Rules.

37 CONTINGENT LIABILITIES

So far as is known to the Directors, as at 31 March 2020, there had been no litigation, arbitration or claim of material importance in which the Company or its respective subsidiaries was engaged or pending or which as threatened against the Company or its respective subsidiaries.

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND COMPANY-LEVEL OF STATEMENT OF PROFIT ON LOSS AND OTHER COMPREHENSIVE INCOME

	Note	At 31 March 2020 HK$'000	At 31 March 2019 HK$'000
Non-current assets			
Investments in subsidiaries		**887,971**	886,789
		887,971	886,789
Current assets			
Prepayments, deposits and other receivables		**2,213,072**	1,937,889
Financial assets at fair value through profit or loss		**1,656**	6,302
Cash and cash equivalents		**750,174**	967,022
		2,964,902	2,911,213
Current liabilities			
Bank and other borrowings	27	**77,543**	–
Other payables and accruals		**13,119**	12,118
		90,662	12,118
Net current assets		**2,874,240**	2,899,095
Total assets less current liabilities		**3,762,211**	3,785,884
Non-current liabilities			
Convertible bond	29	**50,018**	45,653
		50,018	45,653
NET ASSETS		**3,712,193**	3,740,231
CAPITAL AND RESERVES			
Share capital	32(c)	**65,959**	65,959
Treasury shares	32(c)	**(680)**	–
Reserves		**3,646,914**	3,674,272
TOTAL EQUITY		**3,712,193**	3,740,231

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION AND COMPANY-LEVEL OF STATEMENT OF PROFIT ON LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Year ended 31 March	
	2020	2019
	HK$'000	HK$'000
Investment loss	**(6,267)**	(11,827)
Total loss from principal business activities, net of cost	**(6,267)**	(11,827)
Administrative expenses	**(24,449)**	(23,207)
Loss before net finance costs and taxation	**(30,716)**	(35,034)
Finance income	**17,574**	28,610
Finance costs	**(14,216)**	(151,676)
Net finance income/(costs)	**3,358**	(123,066)
Loss before taxation	**(27,358)**	(158,100)
Income tax	**–**	–
Loss for the year	**(27,358)**	(158,100)
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**(27,358)**	(158,100)

Approved and authorised for issue by the board of directors on 24 June 2020.

Wang Jingbo
Director

Liu Zhihai
Director

(Expressed in Hong Kong dollars unless otherwise indicated)

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As of the date of the financial statements, the share price of LNGL had further decreased after 31 March 2020 and trading in the shares has been halted by the Listings Compliance Department of Australian Securities Exchange since 1 May 2020 pending the lodge of the relevant periodic report by LNGL. The Company will continuously monitor the situation and the related risk, and take appropriate actions as and when necessary.

40 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

41 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 March 2020, the directors consider the immediate parent of the Company and its subsidiaries to be Titan Gas, incorporated in the British Virgin Islands, which is 75.73% 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.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.