THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **Shun Cheong Holdings Limited**, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer contained herein.

Titan Gas Technology Investment Limited

(Incorporated in the British Virgin Islands with limited liability)

Shun Cheong Holdings Limited

順昌集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 650)

COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO UNCONDITIONAL MANDATORY CASH OFFER BY

安信國際 ESSENCE INTERNATIONAL

Essence International Securities (Hong Kong) Limited

FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Titan Gas Technology Investment Limited

安信國際 ESSENCE INTERNATIONAL

Essence Corporate Finance (Hong Kong) Limited

Financial adviser to Shun Cheong Holdings Limited

瑞東 REORIENT

REORIENT Financial Markets Limited

Independent Financial Adviser to the Independent Board Committee of Shun Cheong Holdings Limited

SOMERLEY CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Essence Securities containing, among other things, principal terms of the Offer, is set out on pages 15 to 38 of this Composite Document.

A letter from the Board is set out on pages 39 to 49 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendations in respect of the Offer is set out on pages 50 to 51 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 52 to 81 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, as soon as possible and in any event no later than 4:00 p.m. on Friday, 26 August 2016 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the paragraph headed "Overseas Shareholders" in the "Letter from Essence Securities" and Appendix I to this Composite Document before taking any actions. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes due from him/her/it in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

* *For identification purposes only*

5 August 2016

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The timetable set out below is indicative only and may be subject to change. Any change to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.

	2016
Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement date of the Offer *(Note 1)*	Friday, 5 August
Latest time and date for acceptance of the Offer *(Note 2)*	4:00 p.m. on Friday, 26 August
Closing Date *(Note 2)*	Friday, 26 August
Announcement of the results of the Offer to be posted on the website of the Stock Exchange *(Note 2)*	no later than 7:00 p.m. on Friday, 26 August
Latest date of posting of remittances for the amounts due under the Offer in respect of valid acceptances received under the Offer *(Note 3)*	Tuesday, 6 September

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date.

2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will close on Friday, 26 August 2016, and the latest time for acceptance is 4:00 p.m. on Friday, 26 August 2016, unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be jointly issued by the Offeror and the Company through the website of the Stock Exchange by 7:00 p.m. on Friday, 26 August 2016 stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend or revise the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven (7) business days after the date of receipt by the Registrar of duly completed Form of Acceptance and all the relevant documents of title to render the acceptance by such Shareholders respectively under the Offer complete and valid.

4. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to section headed "5. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

5. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same business day; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

Save as mentioned above, if the latest time for acceptance of the Offer does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

Unless otherwise expressly stated, all times and dates contained in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

NOTICE TO OVERSEAS SHAREHOLDERS

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due from him/her/it in respect of such jurisdiction. The Offeror, the Company, Essence Corporate Finance, Essence Securities, REORIENT Financial Markets Limited, Somerley Capital and the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed "Taxation advice" under the section headed "The Offer" set out in the "Letter from Essence Securities" in this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the sale and purchase of the entire equity interest in the PRC Target as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 22 June 2015 (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) entered into among the Company, the Target Sellers and the PRC Target regarding the Acquisition
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"ADS"	American Depositary Shares in respect of shares in SouFun
"Aquarius Investment"	Aquarius Growth Investment Limited, a company incorporated in the BVI, being one of the Subscribers
"associate"	has the meaning ascribed to it in the Listing Rules or the Takeovers Code (as the case may be), unless otherwise specified
"Board"	the board of Directors
"business day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	British Virgin Islands
"Bye-laws"	the bye-laws of the Company as may be amended from time to time
"CB Conversion Price"	the conversion price at which the CB Conversion Shares will be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds, being HK$0.0672 per CB Conversion Share after adjustment as a result of the Subscription and the CN Subscription
"CB Conversion Share(s)"	new Ordinary Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"Circular"	the circular issued by the Company on 29 June 2016 containing, among other things, details of the Transactions
"Closing Date"	Friday, 26 August 2016, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date of the Offer as extended and jointly announced by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
"CN Conversion Share(s)"	new Ordinary Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Note
"CN Principal Amount"	the principal amount of the Convertible Note of HK$250,000,000
"CN Relevant Period"	the period commencing from the date of the CN Subscription Completion and ending on the date on which the cash offer made by the Offeror to acquire the Convertible Note and all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (if any) closes or lapses
"CN Subscription"	subscription of the Convertible Note under the CN Subscription Agreement
"CN Subscription Agreement"	the subscription agreement dated 22 June 2015 (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) entered into among the Company, League Way and the Offeror in relation to the CN Subscription
"CN Subscription Completion"	completion of the CN Subscription in accordance with the terms and conditions of the CN Subscription Agreement
"CN Undertaking"	the irrevocable and unconditional undertaking provided by League Way in favour of the Offeror under the CN Subscription Agreement that during the CN Relevant Period, League Way shall: (i) not accept an offer (if any) to be made by the Offeror to acquire the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it); (ii) not convert the Convertible Note;

(iii) not enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and

(iv) in the event that it should fail to comply with the undertaking given above, irrevocably and unconditionally undertake to indemnify the Offeror for any loss, damages, costs and expenses which may be incurred

"Company"	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability and the Ordinary Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 650)
"Competent Evaluator"	Gaffney, Cline & Associates (Consultants) Pte. Ltd., a company incorporated in Singapore qualified under Chapter 18 of the Listing Rules as a competent evaluator
"Composite Document"	this composite offer document combining the offer document issued by the Offeror and the offeree board circular issued by the Company to the Shareholders in connection with the Offer and in accordance with the Takeovers Code
"Conditions"	the conditions precedent to the S&P Agreement
"controlling shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Convertible Bonds"	the convertible bonds with an aggregate principal amount of HK$120,000,000 issued by the Company to Seller 2 pursuant to a subscription agreement executed on 29 October 2007 and as amended by two separate deeds on 28 March 2013 and 3 June 2014 with the maturity date of 30 April 2018
"Convertible Note"	the zero coupon convertible promissory note due 2019 issued by the Company to League Way with a principal amount of HK$250,000,000 pursuant to the CN Subscription Agreement
"Current Accounts Receivable"	aggregate amount of the following: (a) the net account receivable owed by Target 1 to the Company; (b) the net account receivable owed by Target 2 to the Company; and (c) the net account receivable owed by a subsidiary of Target 1 to the Company
"Director(s)"	the director(s) of the Company

"Divestment"	the disposal of the Divestment Shares and the assignment of the Current Accounts Receivable by the Company in accordance with the terms and conditions of the Divestment Agreement
"Divestment Agreement"	the agreement dated 22 June 2015 (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) entered into between the Company and Seller 1 regarding the Divestment
"Divestment Completion"	completion of the Divestment in accordance with terms and conditions of the Divestment Agreement
"Divestment Group"	being Target 1, Target 2 and their respective subsidiaries
"Divestment Shares"	the 100 ordinary shares in Target 1 held by the Company, representing 100% of the issued and outstanding share capital of Target 1, and the 100 ordinary shares in Target 2 held by the Company, representing 100% of the issued and outstanding share capital of Target 2
"Encumbrances"	any encumbrance, including any claim, debenture, mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, option or right of pre-emption, entitlement to beneficial ownership (including usufruct and similar entitlements), any provisional or executional attachment and any other interest or right held, or claim that could be raised, by a third party
"EPCC"	exploration and production cooperation contract entered into between the PRC Target and Yanchang in respect of two parcels of land in Inner Mongolia Autonomous Region, the PRC since 2010 as renewed from time to time thereafter
"Essence Corporate Finance"	Essence Corporate Finance (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror in respect of the Offer
"Essence Securities"	Essence International Securities (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror

"Excluded Bonds"	the Convertible Bonds with an aggregate principal amount of HK$23,167,474 held by Seller 2, being all the Convertible Bonds held by Seller 2 as at the Latest Practicable Date
"Excluded Bonds Undertaking"	the irrevocable and unconditional undertaking provided by Seller 2 in favour of the Offeror under the S&P Agreement that during the Relevant Period, Seller 2 shall not and Mr. Mo shall cause Seller 2 not to:

(i) directly or indirectly, (a) offer, (b) sell, transfer, give or otherwise dispose of, (c) grant any option, right or warrant to purchase in respect of, (d) charge, mortgage, pledge or otherwise create an Encumbrance over, or (e) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Bonds and the Excluded Bonds or any interest therein, except other than as contemplated under the S&P Agreement;

(ii) accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds;

(iii) convert any of the Excluded Bonds into Ordinary Shares;

(iv) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Bonds;

(v) enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and

(vi) in the event that Seller 2 should fail to comply with the undertaking given above, Seller 2 irrevocably and conditionally undertakes to, and Mr. Mo shall cause Seller 2 to, indemnify the Offeror for any loss, damages, costs and expenses which may be incurred

"Excluded Shares"	34,753,409 Ordinary Shares held by Seller 1, being all of the Ordinary Shares held by Seller 1 as at the Latest Practicable Date
"Excluded Shares Undertaking"	the irrevocable and unconditional undertaking provided by Seller 1 in favour of the Offeror under the S&P Agreement that during the Relevant Period Seller 1 shall not and Mr. Mo shall cause Seller 1 not to: (i) directly or indirectly, (a) offer, (b) sell, transfer, give or otherwise dispose of, (c) grant any option, right or warrant to purchase in respect of, (d) charge, mortgage, pledge or otherwise create an Encumbrance over, or (e) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Shares and the Excluded Shares or any interest therein, except other than as contemplated under the S&P Agreement; (ii) accept the Offer in respect of the Excluded Shares; (iii) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Shares; (iv) enter into any arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and (v) in the event that Seller 1 should fail to comply with the undertakings given above, Seller 1 irrevocably and unconditionally undertakes to, and Mr. Mo shall cause Seller 1 to, indemnify the Offeror for any loss, damages, costs and expenses which may be incurred
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Form of Acceptance"	the form of acceptance and transfer of the Offer Shares in respect of the Offer accompanying this Composite Document
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hongbo Investment"	上海宏博投資管理(集團)有限公司 (Shanghai Hongbo Investment & Management (Group) Co., Ltd*), formerly known as 上海宏博投資管理有限公司 (Shanghai Hongbo Investment & Management Co. Ltd.*), company incorporated in the PRC with limited liability and ultimately held as to 80% by Shi Jianji (石建極) and 20% by Shi Wei (石為)
"Hongjin Engineering"	錫林郭勒盟宏錦工程技術服務有限公司 (Xilin Gol League Hongjin Engineering Technical Service Company Limited*), a company incorporated in the PRC with limited liability and held as to 60% by Hongbo Investment and 40% by Lida Investment
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hwabao 20–6 QDII"	華寶•境外市場投資2號系列20–6期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–6 QDII Single Money Trust*)
"Hwabao 20–7 QDII"	華寶•境外市場投資2號系列20–7期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20–7 QDII Single Money Trust*)
"IDG-Accel Capital II"	IDG-Accel China Capital II L.P., an exempted limited partnership registered in the Cayman Islands under the Exempted Limited Partnership Law (as amended)
"IDG-Accel Investors II"	IDG-Accel China Capital II Investors L.P., an exempted limited partnership registered in the Cayman Islands under the Exempted Limited Partnership Law (as amended)
"IDG-Accel Ultimate GP"	IDG-Accel China Capital GP II Associates Ltd., an exempted company incorporated in the Cayman Islands, being the ultimate general partner of each of IDG-Accel Capital II and IDG-Accel Investors II
"IDG Capital Partners"	IDG Funds together with its affiliated funds which primarily focus on investing in PRC related venture capital and private equities projects
"IDG Funds"	collectively, IDG-Accel Capital II and IDG-Accel Investors II, which together own approximately 49.14% of the issued share capital of Titan Gas Holdings

"IDG Technology"	IDG Technology Venture Investment III, L.P., a limited partnership formed under the laws of the State of Delaware, the US, being the direct sole beneficial owner of an aggregate of 11,500,000 Ordinary Shares
"Independent Board Committee"	the independent board committee comprising all independent non-executive Directors, namely Prof. Ye Jianping, Palaschuk Derek Myles and Prof. Chen Zhiwu, which has been established to make recommendation to the Independent Shareholders in respect of the Offer
"Independent Financial Adviser" or "Somerley Capital"	Somerley Capital Limited, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company as approved by the Independent Board Committee to advise the Independent Board Committee in respect of the Offer
"Independent Shareholders"	Shareholders other than Mr. Mo, Seller 1, and the Offeror and parties acting in concert with each of them
"Independent Third Party"	a person other than a connected person (within the meaning of the Listing Rules) of the Company or of the Offeror and the Subscribers or of the Target Sellers or the PRC Target, as the case may be
"Initial Announcement"	the announcement made by the Company pursuant to Rule 3.7 of the Takeovers Code dated 8 June 2015 in relation to, among other matters, (i) the Company's discussions with the Offeror about various possible transactions (i.e., the Transactions), and (ii) the possible Transfer and possible Offer
"Inner Mongolia"	the Inner Mongolia Autonomous Region in the PRC
"Joint Announcement"	the announcement dated 27 October 2015 jointly issued by the Company and the Offeror in relation to, among other matters, the Transfer, the Offer, the Divestment, the Subscription, the CN Subscription and the Acquisition
"Kingsbury"	金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.*), a joint stock company incorporated in the PRC
"Last Initial Announcement Trading Day"	15 May 2015, being the last trading day of the Ordinary Shares on the Stock Exchange immediately preceding the date of the Initial Announcement

"Last Trading Day"	19 June 2015, being the last trading day of the Ordinary Shares immediately prior to the suspension of trading in the Ordinary Shares on the Stock Exchange pending the release of the Joint Announcement
"Latest Practicable Date"	3 August 2016 being the latest practicable date prior to the printing of this Composite Document for the purposes of ascertaining certain information in this Composite Document
"League Way"	League Way Ltd., a company incorporated in the BVI, being the holder of the Convertible Note and is owned by Shi Jianji (石建極) as to 70% and Shi Wei (石為) as to 30%
"Lida Investment"	上海立大投資管理有限公司 (Shanghai Lida Investment Management Company Limited*), a company incorporated in the PRC with limited liability and is ultimately wholly owned as to (i) 95% by Hongbo Investment (Hongbo Investment is ultimately owned as to 80% by Shi Jianji (石建極) and 20% by Shi Wei (石為)) and (ii) 5% by Shi Jianji (石建極)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented and otherwise modified from time to time
"Mr. Ho"	Mr. Ho Chi Sing (何志成), a director of IDG-Accel Ultimate GP and IDG-Accel China Capital GP Associates Ltd., who beneficially owns 50% of IDG-Accel Ultimate GP and holds 50% of the issued voting shares in IDG-Accel China Capital GP Associates Ltd.
"Mr. Lin"	Mr. Lin Dongliang (林棟梁), a director of Titan Gas Holdings and Standard Gas, who holds 12,910,000 Ordinary Shares representing approximately 0.80% of the total number of Ordinary Shares in issue as at the Latest Practicable Date
"Mr. Mo"	Mr. Mo Tianquan (莫天全), a non-executive Director and the ultimate beneficial substantial Shareholder, holding through Seller 1 approximately 2.15% of the total number of Ordinary Shares in issue as at the Latest Practicable Date

"Mr. Wang"	Mr. Wang Jingbo (王靜波), the chief executive officer and an executive director of Titan Gas Holdings and a director of Standard Gas and Aquarius Investment, who directly holds a 9% equity interest in Aquarius Investment and an approximately 8.05% equity interest in Titan Gas Holdings which in turns holds 100% equity interests in the Offeror
"Mr. Zhou"	Mr. Zhou Quan (周全), a director of IDG-Accel Ultimate GP, IDG-Accel China Capital GP Associates Ltd. and SouFun, who beneficially owns 10% of IDG-Accel Ultimate GP, and holds 50% of the issued voting shares in IDG-Accel China Capital GP Associates Ltd.
"Ms. Cao"	Ms. Cao Jing (曹晶), an executive Director, the executive chairman of the Board and the spouse of Mr. Mo
"Nanning Hotel"	Guangxi Wharton International Hotel owned by the Divestment Group located in Nanning, Guangxi Province, the PRC
"NAV"	net asset value
"New Bye-laws"	the new Bye-laws adopted by the Company on 29 July 2016
"New Conversion Share(s)"	new Ordinary Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Preferred Shares
"Offer"	the unconditional mandatory general cash offer made herein by Essence Securities on behalf of the Offeror to acquire all the Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
"Offer Period"	the period commencing from 8 June 2015, being the date of the Initial Announcement, to 4:00 p.m. on the Closing Date, or such other time or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
"Offer Price"	the cash consideration per Offer Share payable under the Offer, being HK$0.6696 per Offer Share
"Offer Relevant Period"	the period commencing from 8 December 2014, six months preceding 8 June 2015 (being the date of the Initial Announcement and the date of commencement of the Offer Period), and up to and including the Latest Practicable Date

"Offer Share(s)"	any of the 113,162,591 Ordinary Share(s) which are subject of the Offer
"Offeror"	Titan Gas Technology Investment Limited, a company incorporated in the BVI with limited liability
"Ordinary Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company
"Ordinary Share Subscription"	the subscription of the Ordinary Subscription Shares under the Subscription Agreement
"Ordinary Subscription Share(s)"	1,269,414,575 new Ordinary Shares, in aggregate, subscribed by the Subscribers
"Overseas Shareholder(s)"	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	the People's Republic of China excluding, for the purpose of this Composite Document, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan, and "China" and "Chinese" shall be construed accordingly
"PRC Target"	錫林郭勒盟宏博礦業開發有限公司 (Xilin Gol League Hongbo Mining Development Co., Ltd.*), a company established in the PRC with limited liability
"Preferred Share(s)"	the 2,747,909,199 restricted voting non-redeemable convertible preferred shares of HK$0.01 each in the share capital of the Company created, with the rights, privileges and restrictions as set out in the New Bye-laws
"Public Shares Subscribers"	the Subscribers other than the Offeror and Aquarius Investment
"Registrar"	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar and transfer office of the Company and the receiving agent for receiving and processing the acceptance of the Offer, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Relevant Period"	the period commencing on the date of the S&P Agreement and ending on the date when the Offer closes or lapses

"Restructured Group"	the Group following completion of the Transactions, i.e. including the PRC Target and excluding the Divestment Group
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the conditional sale 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) entered into among the Offeror, Mr. Mo and the Sellers in relation to the Transfer
"S&P Completion"	completion of the Transfer in accordance with the terms and conditions of the S&P Agreement
"Sale Bonds"	the Convertible Bonds with an aggregate principal amount of HK$96,832,526 acquired by the Offeror from Seller 2 pursuant to the terms of the S&P Agreement
"Sale Shares"	the 175,000,000 Ordinary Shares acquired by the Offeror from Seller 1 pursuant to the terms of the S&P Agreement
"Sellers"	collectively, Seller 1 and Seller 2
"Seller 1"	Upsky Enterprises Limited, an investment holding company incorporated in the BVI with limited liability, the entire interest of which is held by Mr. Mo
"Seller 2"	Tanisca Investments Limited, an investment holding company incorporated in the BVI with limited liability, the entire interest of which is held by Mr. Mo
"Services Agreement"	the services agreement dated 19 September 2015 and entered into among the PRC Target, Hongbo Investment, Lida Investment and Hongjin Engineering in respect of the exploration and production work in Block 378
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of Ordinary Share(s)
"SouFun"	SouFun Holdings Limited, the class A ordinary shares of which are listed on the New York Stock Exchange in the form of ADS

"Standard Gas"	Standard Gas Capital Limited, a limited liability company incorporated in the BVI, which holds more than 30% equity interests in Titan Gas Holdings which in turn directly holds 100% equity interest in the Offeror
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	the Offeror and the other subscribers under the Subscription Agreement
"Subscription"	subscription of the Subscription Shares under the Subscription Agreement
"Subscription Agreement"	the subscription agreement dated 22 June 2015 (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) and entered into among the Company and the Subscribers in relation to the Subscription
"Subscription Completion"	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Subscription Price"	HK$0.6696 per Subscription Share
"Subscription Shares"	collectively, the Ordinary Subscription Shares, the Tranche 1 Preferred Shares and Tranche 2 Preferred Shares
"Takeovers Code"	the Code on Takeovers and Mergers, issued by the SFC (as amended from time to time)
"Target 1"	Aykens Holdings Limited, a limited liability company incorporated and existing under the laws of the BVI
"Target 2"	Hopland Enterprises Limited, a limited liability company incorporated and existing under the laws of the BVI
"Target Sellers"	Hongbo Investment and Lida Investment
"Titan Gas Holdings"	Titan Gas Technology Holdings Limited, a limited liability company incorporated in the BVI, which holds 100% equity interests in the Offeror
"Tranche 1 Preferred Shares"	1,373,954,600 Preferred Shares, in aggregate, subscribed by the Subscribers under the Tranche 1 Preferred Shares Subscription
"Tranche 1 Preferred Shares Subscription"	the subscription of the Tranche 1 Preferred Shares under the Subscription Agreement

"Tranche 1 Sale Completion"	completion of the Tranche 1 Transfer which took place immediately following the execution of the first amendment agreement to the S&P Agreement on 27 October 2015
"Tranche 1 Transfer"	the sale and purchase of 36,024,724 Sale Shares and the Sale Bonds with an aggregate principal amount of HK$14,964,000 as contemplated under the S&P Agreement
"Tranche 2 Preferred Shares"	1,373,954,599 Preferred Shares, in aggregate, subscribed by the Subscribers under the Tranche 2 Preferred Shares Subscription
"Tranche 2 Preferred Shares Subscription"	the subscription of the Tranche 2 Preferred Shares under the Subscription Agreement
"Tranche 2 Sale Completion"	completion of the Tranche 2 Transfer which took place on 29 July 2016
"Tranche 2 Transfer"	the sale and purchase of 138,975,276 Sale Shares and the Sale Bonds with an aggregate principal amount of HK$81,868,526 as contemplated under the S&P Agreement
"Transactions"	the Subscription, the Acquisition, the CN Subscription and the Divestment
"Transfer"	the sale and purchase of the Sale Shares and the Sale Bonds as contemplated under the S&P Agreement
"Undertakings"	the Excluded Shares Undertaking, the Excluded Bonds Undertaking and the CN Undertaking
"US"	the United States of America
"US$"	US Dollars, the lawful currency of the US
"Yanchang"	陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau)*, including its oil and gas exploration branch
"%"	percent.
"km^2"	square kilometre
"m^2"	square metre

* *The English transliteration of the Chinese names in this Composite Document, where indicated is included for information only, and should not be regarded as the official English names of such Chinese names.*

安信國際
ESSENCE INTERNATIONAL

Essence International Securities (Hong Kong) Limited
39/F., One Exchange Square
Central
Hong Kong

5 August 2016

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to (i) the Joint Announcement; (ii) the Company's announcement dated 20 November 2015; (iii) the announcements dated 7 January 2016, 28 January 2016, 23 March 2016, 28 June 2016 and 29 July 2016 jointly issued by the Offeror and the Company; and (iv) the Circular.

On 22 June 2015, the Sellers, Mr. Mo (being the ultimate controlling shareholder of the Sellers) and the Offeror entered into the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), pursuant to which the Offeror had conditionally agreed to acquire and (i) Seller 1 had conditionally agreed to sell the Sale Shares, being 175,000,000 Ordinary Shares; and (ii) Seller 2 had conditionally agreed to sell the Sale Bonds, being part of the Convertible Bonds, with an aggregate principal amount of HK$96,832,526.

The Sale Shares represented approximately (i) 50.38% of the total number of Ordinary Shares in issue upon the S&P Completion, and prior to the Subscription Completion and the CN Subscription Completion; and (ii) 10.82% of the total number of Ordinary Shares in issue as at the Latest Practicable Date. Based on the conversion price of HK$0.3695 per CB Conversion Share which was effective at the time of execution of the S&P Agreement and upon the S&P Completion, 262,063,670 CB Conversion Shares shall fall to be issued by the Company upon conversion of the Sale Bonds.

The consideration for the Sale Shares is HK$117,180,000, being equivalent to HK$0.6696 per Sale Share and the consideration for the Sale Bonds is HK$175,477,833, being equivalent to HK$0.6696 per underlying CB Conversion Share which may fall to be issued upon exercise of the conversion rights attached to the Sale Bonds at the conversion price of HK$0.3695 per CB Conversion Share, which was effective at the time of execution of the S&P Agreement and upon the S&P Completion, and prior to the adjustment of the conversion price of the Convertible Bonds as a result of the Subscription Completion and the CN Subscription Completion.

Prior to the entering into of the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), (i) the Offeror did not hold any Ordinary Shares or other relevant securities in the Company; (ii) IDG Technology (which is managed by its general partner IDG Technology GP, and Mr. Ho and Mr. Zhou (who are the directors of IDG-Accel Ultimate GP, the ultimate general partner of the IDG Funds, which in turn own approximately 49.14% of the issued share capital of Titan Gas Holdings, the sole shareholder of the Offeror) are the only two managing members of IDG Technology GP, who manage IDG Technology GP pursuant to an operating agreement) held 11,500,000 Ordinary Shares representing approximately 3.31% of the total number of Ordinary Shares in issue as at the date of the Joint Announcement; and (iii) Mr. Lin (a director of Titan Gas Holdings which is interested in 100% of the issued shares of the Offeror and also a director of Standard Gas which holds approximately 35.13% of Titan Gas Holdings) held 12,910,000 Ordinary Shares, representing approximately 3.72% of the total number of Ordinary Shares in issue as at the date of the Joint Announcement. Given the above, IDG Technology and Mr. Lin are therefore parties acting in concert with the Offeror under the Takeovers Code. Accordingly, prior to the entering into of the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), the Offeror and parties acting in concert with it were interested in an aggregate of 24,410,000 Ordinary Shares representing approximately 7.03% of the total number of Ordinary Shares in issue as at the date of the Joint Announcement.

Immediately after the Tranche 1 Sale Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 60,434,724 Ordinary Shares (representing approximately 17.40% of the total number of Ordinary Shares in issue as at the date of the Joint Announcement) and the Sale Bonds with an aggregate principal amount of HK$14,964,000. The Tranche 2 Sale Completion took place on 29 July 2016 and immediately following which, the Offeror and parties acting in concert with it were interested in an aggregate of 199,410,000 Ordinary Shares (representing approximately 57.41% of the total number of Ordinary Shares in issue as at the date of the Tranche 2 Sale Completion and prior to the Subscription Completion and the CN Subscription Completion) and the Sale Bonds with an aggregate principal amount of HK$96,832,526. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

After the S&P Completion, the Subscription Completion and the CN Subscription Completion also took place on 29 July 2016 and were jointly announced on the same date by the Offeror and the Company. Immediately after the Subscription Completion and the CN

Subscription Completion, (i) 654,641,578 Ordinary Shares and 1,411,505,622 Preferred Shares (carrying rights to convert into 1,411,505,622 new Ordinary Shares upon full payment and subject to their terms) have been issued to the Offeror; (ii) 614,772,997 Ordinary Shares and 1,336,403,577 Preferred Shares (carrying rights to convert into 1,336,403,577 new Ordinary Shares upon full payment and subject to their terms) have been issued to the other Subscribers; and (iii) the Convertible Note has been issued to League Way. The conversion price of the Convertible Bonds has been adjusted to HK$0.0672 per CB Conversion Share as a result of the Subscription Completion and the CN Subscription Completion.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it (including the Public Shares Subscribers who/which were interested in 614,772,997 Ordinary Shares representing approximately 38.03% of the total number of Ordinary Shares in issue as at the Latest Practicable Date) were interested in 1,468,824,575 Ordinary Shares (representing approximately 90.85% of the total number of Ordinary Shares in issue as at the Latest Practicable Date), 2,747,909,199 Preferred Shares (carrying the rights to convert into 2,747,909,199 new Ordinary Shares upon full payment and subject to their terms) and the Sale Bonds with an aggregate principal amount of HK$96,832,526 (carrying rights to convert into 1,440,960,208 new Ordinary Shares based on the CB Conversion Price of HK$0.0672 per CB Conversion Share).

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were in aggregate interested in:

(i) 2,909,784,783 Ordinary Shares, representing approximately 85.52% of the total number of Ordinary Shares in issue as enlarged by the CB Conversion Shares upon conversion of the Convertible Bonds (based on the CB Conversion Price of HK$0.0672 per CB Conversion Share) in full;

(ii) 5,657,693,982 Ordinary Shares, representing approximately 91.99% of the total number of Ordinary Shares in issue as enlarged by the CB Conversion Shares and the New Conversion Shares upon conversion of the Convertible Bonds (based on the CB Conversion Price of HK$0.0672 per CB Conversion Share) and the Preferred Shares in full, respectively; and

(iii) 5,657,693,982 Ordinary Shares, representing approximately 86.72% of the total number of Ordinary Shares in issue as enlarged by the CB Conversion Shares, the New Conversion Shares and the CN Conversion Shares upon conversion of the Convertible Bonds (based on the CB Conversion Price of HK$0.0672 per CB Conversion Share), the Preferred Shares and the Convertible Note (based on the initial conversion price of HK$0.6696 per CN Conversion Share) in full, respectively.

As stated in the Joint Announcement, pursuant to the S&P Agreement and the CN Subscription Agreement, Seller 1, Seller 2 and League Way have irrevocably and unconditionally provided the Excluded Shares Undertaking, the Excluded Bonds Undertaking and the CN Undertaking, respectively, in favour of the Offeror. Pursuant to the Undertakings, no offer will be made by the Offeror for the outstanding Convertible Bonds (being the Excluded Bonds) which will continue to be beneficially owned by Seller 2 or the Convertible Note issued to League Way.

We, Essence Securities, have been appointed by the Offeror to make the Offer for and on its behalf. This letter sets out, among other things, the details of the Offer, information on the Offeror, and the intention of the Offeror regarding the Restructured Group. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board" on pages 39 to 49, the "Letter from the Independent Board Committee" on pages 50 to 51 and the "Letter from the Independent Financial Adviser" on pages 52 to 81 as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Other than (i) the 1,616,740,575 Ordinary Shares in issue; (ii) the 2,747,909,199 Preferred Shares; (iii) the outstanding Convertible Bonds with an aggregate principal amount of HK$120,000,000; and (iv) the Convertible Note with a principal amount of HK$250,000,000, the Company does not have any other outstanding warrants, options, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Ordinary Shares as at the Latest Practicable Date.

Principal terms of the Offer

We, Essence Securities, are making the Offer, to acquire all the issued Ordinary Shares (other than already owned or agreed to be acquired by the Offeror and parties acting in concert with it) for and on behalf of the Offeror in accordance with the Takeovers Code on the following basis:

For each Offer Share .... HK$0.6696 in cash

The Offer Price of HK$0.6696 per Offer Share is the same as the price per Sale Share and price per underlying CB Conversion Share which may fall to be issued upon conversion of the Sale Bonds based on the conversion price of HK$0.3695 per CB Conversion Share (which was effective at the time of execution of the S&P Agreement and upon the S&P Completion, and prior to the adjustment of the conversion price of the Convertible Bonds as a result of the Subscription Completion and the CN Subscription Completion) paid by the Offeror to Seller 1 and Seller 2 under the S&P Agreement.

The Offer Shares to be acquired by the Offeror under the Offer shall be fully paid and free from all Encumbrances together with all rights attached to them, including but not limited to all dividends paid, declared or made, on or after 5 August 2016, being the date of despatch of this Composite Document.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Comparison of value

The Offer Price of HK$0.6696 per Offer Share represents:

(i) a discount of 72.10% to the closing price of HK$2.4000 per Ordinary Share as quoted on the Stock Exchange on 3 August 2016, being the Latest Practicable Date;

(ii) a discount of 69.00% to the closing price of HK$2.1600 per Ordinary Share as quoted on the Stock Exchange on 15 May 2015, being the Last Initial Announcement Trading Day;

(iii) a discount of approximately 88.65% to the closing price of HK$5.9000 per Ordinary Share as quoted on the Stock Exchange on 19 June 2015, being the Last Trading Day;

(iv) a discount of approximately 88.29% to the average closing price of HK$5.7200 per Ordinary Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 85.03% to the average closing price of HK$4.4740 per Ordinary Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day; and

(vi) a discount of approximately 71.37% to the average closing price of HK$2.3387 per Ordinary Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day.

Highest and lowest Ordinary Shares prices

During the Offer Relevant Period,

(i) the highest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK$5.90 per Ordinary Share on 19 June 2015; and

(ii) the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK$0.56 per Ordinary Share on 16 February 2015, 17 February 2015, 18 February 2015, 23 February 2015, 24 February 2015, 25 February 2015, 26 February 2015, 27 February, 2 March 2015 and 3 March 2015.

Value of the Offer

As at the Latest Practicable Date, there were a total of 1,616,740,575 Ordinary Shares in issue. Based on the Offer Price of HK$0.6696 per Offer Share, the entire issued share capital of the Company is valued at approximately HK$1,082,569,489.

Taking into account the aggregate of 1,468,824,575 Ordinary Shares, 2,747,909,199 Preferred Shares and the Convertible Bonds with an aggregate principal amount of HK$96,832,526 owned by the Offeror and parties acting in concert with it, and excluding the 34,753,409 Ordinary Shares (being the Excluded Shares), the Convertible Bonds with an aggregate principal amount of HK$23,167,474 (being the Excluded Bonds) and the Convertible Note issued to League Way pursuant to the Undertakings, 113,162,591 Offer Shares will be subject to the Offer.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date, based on the Offer Price of HK$0.6696 per Offer Share, the Offer is valued at HK$75,773,671.

Financial resources available to the Offer

The Offeror intends to finance the consideration payable by the Offeror under the Offer with its internal resources.

Essence Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offer which is valued at HK$75,773,671.

Effect of accepting the Offer

The Offer, which is unconditional in all respects, and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date.

By validly accepting the Offer, accepting Shareholders will sell their Ordinary Shares to the Offeror free from all Encumbrances and together with all rights attached to them, including the right to receive all dividends and distributions recommended, declared, paid or made, if any, on or after the day on which the Offer is made, being the date of this Composite Document.

Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising from the acceptance of the Offer amount to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Ordinary Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Shareholders who accept the Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

The Offeror will bear its own ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of acceptances of the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days of the date on which the relevant documents of title are received by the Offeror (or its agent) to render each such acceptance complete and valid and in accordance with Note 1 to Rule 30.2 of the Takeovers Code.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Essence Corporate Finance, Essence Securities, and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should satisfy themselves as to the observance of any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such accepting Overseas Shareholders in respect of such jurisdiction).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Dealings and interests in the Company's securities

Save for the acquisition of the Sale Shares and the Sale Bonds pursuant to the S&P Agreement and the subscription of the Subscription Shares pursuant to the Subscription Agreement, none of the Offeror nor parties acting in concert with it (including the Public Shares Subscribers) has dealt in the Ordinary Shares, options, derivatives, warrants or other securities convertible into Ordinary Shares during the Offer Relevant Period.

The Offeror confirms that, as at the Latest Practicable Date, save for 1,468,824,575 Ordinary Shares, 2,747,909,199 Preferred Shares and the Sale Bonds with an aggregate principal amount of HK$96,832,526 held by the Offeror and parties acting in concert with it, the Offeror and parties acting in concert with it did not hold, own or have control or direction over any voting rights and rights over the Ordinary Shares or convertible securities, warrants or options of the Company.

IRREVOCABLE UNDERTAKINGS IN RELATION TO THE OFFER

Pursuant to the S&P Agreement and the CN Subscription Agreement, each of Seller 1, Seller 2 and League Way has irrevocably and unconditionally undertaken in favour of the Offeror. As the Latest Practicable Date, pursuant to the Undertakings, 34,753,409 Ordinary Shares (being the Excluded Shares), the Excluded Bonds with the principal amount of HK$23,167,474 and the Convertible Note with the principal amount of HK$250,000,000 will not be extended under the Offer. Details of each of the Undertakings are set out as follows:

1. Excluded Shares Undertaking

Seller 1 has irrevocably and unconditionally undertaken in favour of the Offeror under the S&P Agreement that during the Relevant Period, Seller 1 shall not:

(a) directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an Encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Shares and the Excluded Shares or any interest therein, except other than as contemplated under the S&P Agreement;

(b) accept the Offer in respect of the 34,753,409 Excluded Shares;

(c) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Shares;

(d) enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and

(e) in the event that Seller 1 should fail to comply with the undertakings given above, Seller 1 irrevocably and unconditionally undertakes to, and Mr. Mo shall cause Seller 1 to, indemnify to the Offeror for any loss, damages, costs and expenses which may be incurred.

2. Excluded Bonds Undertaking

Seller 2 has irrevocably and unconditionally undertaken in favour of the Offeror under the S&P Agreement that during the Relevant Period, Seller 2 shall not:

(a) directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an Encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Bonds and the Excluded Bonds or any interest therein, except other than as contemplated under the S&P Agreement;

(b) accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds with an principal amount of HK$23,167,474;

(c) convert any of the Excluded Bonds into Ordinary Shares;

(d) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Bonds;

(e) enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and

(f) in the event that Seller 2 should fail to comply with the undertaking given above, Seller 2 irrevocably and unconditionally undertakes to, and Mr. Mo shall cause Seller 2 to, indemnify to the Offeror for any loss, damages, costs and expenses which may be incurred.

3. CN Undertaking

League Way has irrevocably and unconditionally undertaken in favour of the Offeror under the CN Subscription Agreement that during the CN Relevant Period, League Way shall:

(a) not accept an offer (if any) to be made by the Offeror to acquire the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it);

(b) not convert the Convertible Note;

(c) not enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and

(d) in the event that it should fail to comply with the undertakings given above, irrevocably and unconditionally undertake to indemnify to the Offeror for any loss, damages, costs and expense which may be incurred.

INFORMATION ON THE OFFEROR AND THE SUBSCRIBERS

Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings, which is held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury (as stated below in the last paragraph under the sub-paragraph headed "Kingsbury", Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings); (v) approximately 0.73% by Mr. Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Mr. Bryce Wayne Lee.

The sole director of the Offeror is Mr. Xie Jianping (謝建平).

Save for the entering into of the S&P Agreement, the CN Subscription Agreement and the Subscription Agreement, the Offeror has not engaged in any business activities.

As at the Latest Practicable Date, (i) Mr. Xie Jianping (謝建平) being the sole director of the Offeror; and (ii) the IDG Funds, Standard Gas, Mr. Wang, Kingsbury, Mr. Zhang Weiwei (張唯唯) and Mr. Bryce Wayne Lee, being the shareholders of Titan Gas Holdings, did not directly hold, own, have control or direction over voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company.

IDG Funds

As at the Latest Practicable Date, IDG-Accel Capital II held series A preferred voting shares and series B preferred voting shares in Titan Gas Holdings representing in aggregate approximately 47.04% of the outstanding voting rights in Titan Gas Holdings; and IDG-Accel Investors II held series A preferred voting shares and series B preferred voting shares in Titan Gas Holdings representing in aggregate approximately 2.10% of the outstanding voting rights in Titan Gas Holdings.

The IDG Funds are exempted limited partnerships registered in the Cayman Islands and are under common control of their ultimate general partner, IDG-Accel Ultimate GP.

IDG-Accel Ultimate GP is an exempted company incorporated in the Cayman Islands with limited liability and is beneficially owned as to 50% by Mr. Ho, and 10% each by Mr. Zhou, Mr. Shong Hugo alias Hugo Hsiung (熊曉鴿) ("**Mr. Shong**"), Mr. Guo Yihong (過以宏), Mr. Li Jianguang (李建光) and Mr. Zhang Suyang (章蘇陽), respectively. IDG-Accel Ultimate GP's board of directors (comprising Mr. Ho and Mr. Zhou) is responsible for decision-making matters relating to the IDG Funds and their investments, and hence controls the exercise of the voting rights attached to the shares that the IDG Funds hold in Titan Gas Holdings.

As at the Latest Practicable Date, Mr. Ho, Mr. Zhou, Mr. Shong, Mr. Guo Yihong (過以宏), Mr. Li Jianguang (李建光) and Mr. Zhang Suyang (章蘇陽), being the ultimate owners of IDG-Accel Ultimate GP, did not directly hold, own, have control or direction over voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company.

Standard Gas

Standard Gas is a company incorporated in the BVI and is established for the purpose of investing in Titan Gas Holdings. As at the Latest Practicable Date, Blazing Success Limited held all the issued voting shares in Standard Gas, being 2,500,000 shares. Blazing Success Limited is a company incorporated in the BVI and is established for the purpose of investing in

Standard Gas. Blazing Success Limited is wholly owned by Mr. Lee Khay Kok ("**Mr. Lee**"), the chief engineer of Titan Gas Holdings. Mr. Lee is also the sole director of Blazing Success Limited.

On 8 May 2015, Blazing Success Limited granted an irrevocable power of attorney to the board of directors of Standard Gas, or a person designated by the board of directors of Standard Gas, to exercise all the voting rights attached to the 2,500,000 voting shares in Standard Gas held by Blazing Success Limited. The board of directors of Standard Gas, which comprises Mr. Wang, Mr. Lin and Mr. Shong, designated Mr. Wang as the exclusive attorney-in-fact pursuant to the power of attorney granted by Blazing Success Limited. Further, each of Blazing Success Limited and Mr. Lee (in the capacity as the sole shareholder and sole director of Blazing Success Limited) has also given an irrevocable undertaking that it/he will not exercise its/his rights in respect of the shares in Standard Gas held by Blazing Success Limited.

As at the Latest Practicable Date, the board of directors of Standard Gas comprises Mr. Wang, Mr. Lin and Mr. Shong; and 11,350,000 share options of Standard Gas had been granted under its employee stock option plan.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lee, Mr. Shong and Blazing Success Limited did not directly hold, own, have control or direction over voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company. In addition, save as disclosed above, as at the Latest Practicable Date, Mr. Wang did not directly hold, own, have control or direction over voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company.

Kingsbury

As at the Latest Practicable Date, Kingsbury is a joint stock company incorporated in the PRC and its scope of business mainly includes investment and management of urban infrastructures, land development, investment and management. Kingsbury is owned as to approximately 74.80% by Mr. Luo Yuping (羅玉平), 14.15% by Ms. Guo Xihong (郭西紅), 8.75% by Mr. Luo Xinyu (羅信余), 0.7% by Mr. Chen Chang (陳暢), 0.7% by Mr. Zhang Zhi (張智), 0.7% by Mr. Li Kai (李凱), 0.133% by Ms. Zeng Hong (曾紅) and 0.067% by Ms. Gong Mei (龔梅), none of whom is affiliated with the other shareholders of Titan Gas Holdings.

As at the Latest Practicable Date, Mr. Luo Yuping (羅玉平), Ms. Guo Xihong (郭西紅), Mr. Luo Xinyu (羅信余), Mr. Chen Chang (陳暢), Mr. Zhang Zhi (張智), Mr. Li Kai (李凱), Ms. Zeng Hong (曾紅) and Ms. Gong Mei (龔梅), being the beneficial owners of Kingsbury, did not directly hold, own, have control or direction over voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company.

On 8 May 2015, Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings. Standard Gas and Kingsbury are both passive investors of Titan Gas Holdings. Pursuant to such arrangement, Standard Gas, Mr. Wang and Kingsbury commercially agreed 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.

Information on the Subscribers (other than the Offeror)

The Subscribers to the Subscription Shares include (i) the Offeror; (ii) Aquarius Investment; (iii) Mr. Lu Xi (盧熙); (iv) Mr. Fang Chao (房超); (v) Hwabao 20–6 QDII; (vi) Hwabao 20–7 QDII; (vii) New Fast Investments Limited; (viii) Real Smart Holdings Limited; (ix) Grand Empire Global Limited; (x) True Success Global Limited; (xi) Sonic Gain Limited; (xii) Haitong International Securities Company Limited; (xiii) Rich Harvest Worldwide Ltd.; and (xiv) ExaByte Capital Fund L.P. (the "**ExaByte Fund**").

Aquarius Investment is an investment holding company incorporated in the BVI and owned as to 91% by Mr. Zhao Ming (趙明) and 9% by Mr. Wang as at the Latest Practicable Date. Mr. Zhao Ming (趙明) is an individual investor working for a private technology company in the PRC and Mr. Wang is a director of Aquarius Investment and Standard Gas, and the chief executive officer and an executive director of Titan Gas Holdings, which beneficially owns 100% equity interests of the Offeror as at the Latest Practicable Date. Save for the 443,369,176 Preferred Shares, Aquarius Investment did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Mr. Lu Xi (盧熙) works for a company listed in Hong Kong engaging principally in trading of chemicals and is an individual investor. Save for the 14,934,289 Ordinary Shares, Mr. Lu did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Mr. Fang Chao (房超) is a businessman with interests in a real estate business in the PRC. Save for the 14,934,289 Ordinary Shares, Mr. Fang did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Hwabao 20–6 QDII and Hwabao 20–7 QDII are required to act based on the instructions of 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) ("**Trend Capital**"). After the Subscription Completion, Trend Capital has the right to exercise the voting rights attached to the Subscription Shares subscribed by the two QDII Trusts. As at the Latest Practicable Date, Trend Capital was owned as to 66% by Ms. Wang Ruyuan (王茹遠) and 34% by 上海滙央投資中心(有限合伙) (Shanghai Huiyang Investment Centre (Limited Partnership)*), of which all matters are managed by its executive partner Ms. Wang Ruyuan (王茹遠). The trustee of the above two QDII Trusts is Hwabao Trust Co., Ltd. (華寶信託有限責任公司). Save for the 93,588,212 Ordinary Shares and 46,794,106 Ordinary Shares, Hwabao 20–6 QDII and Hwabao 20–7 QDII respectively did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

New Fast Investments Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Yu Nan (余楠), who personally and through her companies invested in equity and listed securities in Hong Kong and the PRC. Ms. Yu's investments included companies engaged in, among other businesses, technology, media and internet business. Save for the 124,701,315 Ordinary Shares and 116,736,360 Preferred Shares, New Fast Investments Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Real Smart Holdings Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Mr. Xu Sa (徐颯), who personally and through companies of which he is a shareholder, invested in listed securities in Hong Kong. Mr. Xu also invested in a company engaged in environment protection related business. Save for the 50,029,870 Ordinary Shares and 116,736,360 Preferred Shares, Real Smart Holdings Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Grand Empire Global Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Zhang Lu (張璐), who was a consultant of a waste water treatment company with operations in the PRC. Ms. Zhang also, through a company of which she holds equity interest, invested in a company engaged in electronic products related business in the PRC. Save for the 50,029,870 Ordinary Shares and 116,736,360 Preferred Shares, Grand Empire Global Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

True Success Global Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Ko Wing Yan Samantha (高穎欣) ("**Ms. Ko**"). Other than her then directorship in REORIENT Group Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 376)), which she had resigned with effect from 9 November 2015, as at the Latest Practicable Date, Ms. Ko was also a shareholder and a director of Varitronix International Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 710). Save for the 75,044,800 Ordinary Shares and 175,104,540 Preferred Shares, True Success Global Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Sonic Gain Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Mr. Ko Chun Shun Johnson (高振順) ("**Mr. Ko**"). Mr. Ko is father of Ms. Ko. Mr. Ko is a director of REORIENT Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 376). As at the Latest Practicable Date, Mr. Ko was an indirect shareholder of REORIENT Group Limited and thus was deemed to be interested in approximately 9.55% of the issued share capital of REORIENT Group Limited; and REORIENT Financial Markets Limited which is wholly owned by REORIENT Group Limited is the financial adviser to the Company in respect of the Offer and the Transactions, and the compliance adviser to the Company. In addition to his interests in REORIENT Group Limited, as at the Latest Practicable Date, Mr. Ko was a substantial shareholder, deputy chairman and a director of Frontier Services Group Limited (stock code: 500), and a shareholder and a director of KuangChi Science Limited (stock code: 439), all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Save for the 144,716,246 Ordinary Shares and 175,104,540 Preferred Shares, Sonic Gain Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Haitong International Securities Company Limited is a company incorporated in Hong Kong with limited liability and is ultimately wholly owned by Haitong International Securities Group Limited (stock code: 665), a company listed on the Main Board of the Stock Exchange. Save for the 50,000,000 Preferred Shares, Haitong International Securities Company Limited did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

Rich Harvest Worldwide Ltd. is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Zhang Chunhua (張春華), who invests in listed and unlisted securities in, among other areas, Hong Kong and the PRC. Save for the 127,681,952 Preferred Shares, Rich Harvest Worldwide Ltd. did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

The ExaByte Fund is a limited partnership registered under the laws of the Cayman Islands, which is a Greater China-focused hedge fund with a long-short equity strategy. ExaByte Capital Management (HK) Limited ("**ExaByte Hong Kong**") is the investment adviser of the ExaByte Fund. ExaByte Hong Kong, a company incorporated in Hong Kong with limited liability, is licensed to carry out type 9 (asset management) regulated activity under the SFO. Save for the 14,934,289 Preferred Shares, the ExaByte Fund did not directly hold, own, have control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company as at the Latest Practicable Date.

For the purposes of the Subscription Agreement and the Offer, the Public Shares Subscribers are parties acting in concert with the Offeror as the Public Shares Subscribers were introduced by the Offeror and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company. Accordingly, the Offer will not be extended to the Public Shares Subscribers and the Subscribers will also not be allowed to dispose of any of the Ordinary Shares issued to them under the Subscription during the Offer Period.

Mr. Wang is a senior management member of Titan Gas Holdings (holding 100% equity interests in the Offeror) and is a business acquaintance of Mr. Mo. The Offeror initiated the discussions with the Company relating to the Subscription through the connection between Mr. Wang and Mr. Mo. The Offeror then discussed such investment opportunity with the Public Shares Subscribers who were businessmen and investors that have financial resources and experience in investments. Subsequently, the Offeror introduced the Public Shares Subscribers (being business acquaintances of the Offeror including some introduced by one of the other Subscribers to the Offeror) to the Company concerning the Subscription.

Save as disclosed in this Composite Document, there is no other personal, family or business relationship among the Offeror and the Subscribers, and the Offeror and the Subscribers have not entered into any agreement or arrangement (either explicit or implicit) or understanding (whether formal or informal) in connection with the Subscription (other than those set out in the Subscription Agreement).

Interests in SouFun

Mr. Zhou (a director of SouFun) together with Mr. Ho are beneficially interested in approximately 9.17% of the class A ordinary shares of SouFun in issue (not including Mr. Zhou's interest in options and Mr. Zhou's and Mr. Ho's interest in convertible instruments over shares of SouFun) as at the Latest Practicable Date, represented by the aggregate interest in SouFun held by IDG-Accel China Capital L.P., IDG-Accel China Capital Investors L.P., IDG Alternative Global Limited ("**IDG Alternative**") and Chuang Xi Capital Holdings Limited, all of which have the same ultimate general partner, namely IDG-Accel China Capital GP Associates Ltd., of which both Mr. Zhou and Mr. Ho are directors. The issued voting shares in IDG-Accel China Capital GP Associates Ltd. are held as to 50% by Mr. Zhou and 50% by Mr. Ho.

SouFun announced that on 17 September 2015, it entered into (i) a subscription agreement with IDG Alternative, a company then 100% owned by Mr. Ho (the "**IDG SouFun Subscription Agreement**"); and (ii) a subscription agreement with Safari Group Holdings Limited and Safari Group CB Holdings Limited (which are majority beneficially owned by Carlyle Group) ("**Carlyle**") (collectively, the "**SouFun Subscription Agreements**"). According to the said announcement, IDG Alternative, Carlyle and the management of SouFun (including Mr. Mo) will invest a total amount between US$400 million and US$700 million to purchase SouFun's newly issued class A ordinary shares and convertible notes (the "**SouFun Notes**") on a 50/50 basis. Under the SouFun Subscription Agreements, the subscription price of the new class A ordinary shares of SouFun is US$5.85 per current ADS (i.e. US$29.25 per class A ordinary share), which represented an approximately 0.2% premium over the closing price of US$5.84 per current ADS or US$29.20 per class A ordinary share as at 16 September 2015 and an approximately 3.4% premium over the volume-weighted average trading price of approximately US$5.66 per current ADS or US$28.30 per class A ordinary share for the 20 trading days preceding 16 September 2015. Holders of the SouFun Notes will have the right to convert the SouFun Notes into class A ordinary shares at the price per share equal to 122.5% of the purchase price per share of the new class A ordinary shares in seven (7) years after the issuance of the SouFun Notes. The SouFun Notes shall bear an annual interest of 1.5%. According to IDG Alternative, the terms of the SouFun Subscription Agreements were negotiated and discussed among the parties on an arm's length basis. Pursuant to the IDG SouFun Subscription Agreement, on 4 November 2015, IDG Alternative subscribed for 5,359,658 class A ordinary shares of SouFun.

INFORMATION OF THE GROUP AND THE RESTRUCTURED GROUP

Details of the information on the Group and the Restructured Group are set out in the "Letter from the Board" to this Composite Document. Financial information of the Group and pro forma financial information of the Restructured Group are set out in Appendices II and III to this Composite Document, respectively. General information of the Group is set out in Appendix V to this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE RESTRUCTURED GROUP

Business

From the Latest Practicable Date, the Restructured Group no longer engages in the hotel and restaurant business, which is being carried on through the Divestment Group, and is principally engaged in a new business, namely, the exploration, development and production of crude oil in Inner Mongolia of the PRC through the PRC Target.

The Offeror will, following the completion of the Offer, conduct a detailed review of the operations and investment portfolio of the Restructured Group with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Restructured Group should opportunities arise. As at the Latest Practicable Date, the Offeror was actively evaluating a number of acquisition opportunities, and the Offeror has confirmed that it and its associates currently have no concrete plans for any acquisition of assets and/or business by the Company. In the event that any of such opportunities materialises, further announcements will be made as and when required by the Listing Rules.

As at the Latest Practicable Date, save for the proposed change of the Board composition as described below, and subject to the result of the Offeror's review on the operations of the Restructured Group, the Offeror had not entered into any agreements, arrangements, understandings or negotiations and had no intention to (i) discontinue the employment of any employee of the Restructured Group; (ii) redeploy any fixed assets of the Company other than those in its ordinary and usual course of business but may evaluate the continued employment of the remaining employees of the Company depending on the business strategy and focus of the Restructured Group.

The Offeror and the Company have decided to currently maintain the financial year end date of the Company as 31 March and the financial year end date of the PRC Target as 31 December but may reassess from time to time depending on the development of the Restructured Group.

Maintaining the listing status of the Company

The Offeror intends that the Ordinary Shares will remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be nominated by the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the shares of the Company.

The Stock Exchange has indicated that if, upon the close of the Offer, less than 25% of the issued Ordinary Shares are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Ordinary Shares; or

(ii) there are insufficient Ordinary Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend the trading in the Ordinary Shares.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

Proposed change to the Board composition

As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. All the current Directors except Prof. Chen Zhiwu have indicated to the Board their intentions to resign with effect from the Closing Date (being the earliest time permitted under the Takeovers Code).

The Offeror intends to appoint Mr. Wang and Mr. Lee as new executive Directors; Mr. Lin and Mr. Shong as new non-executive Directors; and Mr. Shi Cen (石岑) ("**Mr. Shi**") and Mr. Chau Shing Yim David (周承炎) ("**Mr. Chau**") as new independent non-executive Directors with effect from the date of despatch of this Composite Document (being the earliest time permitted under the Takeovers Code). Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules. Details of the background and experience of the new Directors to be nominated by the Offeror are set out below in this Composite Document.

The biographical information of the new Directors is set out below:

Executive Directors

Mr. Wang Jingbo (王靜波), aged 38, 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 doctor of philosophy's degree in Mechanical Engineering from Cornell University and master's degree in Business and Administration from New York University. Mr. Wang has approximately 10 years of experience in research, management and investment in upstream oil and gas industry and other energy sectors, including around 5 years of practical experience in upstream oil and gas companies.

Mr. Wang is a founder of Titan Gas Holdings, the immediate holding company of the Offeror, and has been its executive director, managing director and chief executive officer of Titan Gas Holdings 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.

From September 2005 to September 2008, Mr. Wang was a senior engineer at ExxonMobil Research and Engineering Company's Complex Systems Science section of the Corporate Strategic Research (CSR) Department where he gained experience and knowledge in, among other things, well drilling optimisation and seismic data processing and analysis as well as co-invented two patents which relate to these two areas.

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

Since April 2011 to date, Mr. Wang has also worked at IDG Capital Partners as a partner and has been in charge of the firm's energy investments, where he led the investments in Freestone International LLC, a US-based liquefied natural gas facility developer, United Guar LLC, a Houston-based oilfield service company; and several other energy investments.

Since July 2013 to date, in addition to Mr. Wang's investment and management career track, he has been the Engineering Head of Guizhou Natural Gas Energy Group ("**GNGEG**") where he further developed his oil and gas field operation expertise. GNGEG is an integrated natural gas company in Guizhou Province of the PRC. As the Engineering Head of GNGEG, Mr. Wang supervised the geology and engineering team of GNGEG and managed the overall planning, design and execution of exploration work of GNGEG. Under his management, GNGEG has drilled and completed a number of shale gas wells and coal bed methane wells.

Mr. Wang was selected to "The Thousand Talents Plan" ("千人計劃" 創業人才) (the tenth election) by the Organization Department of the Central Committee of the PCC (中共中央組織部) and was the 12th committee member of All-China Youth Federation (中華全國青聯合會) in 2015.

Mr. Lee Khay Kok, aged 50, graduated from National Cheng Kung University in Taiwan with a bachelor's degree in Mineral and Petroleum Engineering and a master's degree in Petroleum Engineering from The University of Oklahoma. Mr. Lee has approximately 19 years of experience involving upstream oil and gas exploration and development, in particular in the fields of production enhancement and fracturing stimulation.

From October 1994 to March 2013, Mr. Lee worked for Schlumberger Group, a major company providing a wide range of oilfield services globally from exploration through production. Mr. Lee held several key technical positions during his approximately 19-year tenure at Schlumberger, including Geomarket Technical Engineer — Principal (chief technical advisor in Schlumberger company), In Touch Manager — Stimulation (responsible for 24/7 technical support to Schlumberger worldwide stimulation community) and CHG Stimulation Domain Manager (regional chief technical engineer supporting North-east Asia area) providing technical support and advice to Schlumberger Technical personnel or to oil companies.

At Schlumberger Group, Mr. Lee was involved in many key oilfield production enhancement projects. His involvement in these projects varied from the technical design of the job to field execution and in some cases where he was the engineer in-charge in operations. Mr. Lee has been the chief engineer of Titan Gas Holdings since 2013. He is mainly responsible for engineering and technology in Titan Gas Holdings.

Mr. Lee co-authored research papers published by the Society of Petroleum Engineers and International Petroleum Technology Conference during his time in Schlumberger in 2008 and 2009, respectively. He was also a recipient of the 1995 Rock Mechanics Award from the US National Committee for Rock Mechanics for his Master's Thesis.

Non-executive Directors

Mr. Lin Dongliang (林棟梁), aged 53, graduated with a master's degree in Engineering Management in 1986 from Tsinghua University. Mr. Lin joined International Data Group ("**IDG**") in 1994, served as the vice president of IDG Capital Partners — IDG Technology Venture Investment, the China Risk Investment team of IDG, and has then served as a general partner of IDG Capital Partners. He is also a partner of the IDG Capital Investment Consultancy (Beijing) Co., Ltd. and a non-executive director of NetDragon Websoft Inc., a company listed on the Main Board of the Stock Exchange (stock code: 777).

Mr. Lin was a director or supervisor of the following companies which were incorporated in the PRC and had their business licences revoked. The relevant details are as follows:

Company name	Date of revocation	Reasons for revocation
天津市國聯在線網絡有限公司 (Tianjin Guolian Online Network Company Limited* ("**Tianjin Guolian**")	2005	Tianjin Guolian was a state-owned holding enterprise. The principal business of Tianjin Guolian was information service trades. The business licence of Tianjin Guolian was revoked due to its failure to attend annual examination. Mr. Lin was a director of Tianjin Guolian at the time its business licence was revoked.
北京珠穆朗瑪電子商務網絡服務有限公司 (Beijing Everest E-commerce Network Services Company Limited*) ("**Beijing Everest**")	17 October 2013	Beijing Everest was a wholly foreign-owned enterprise. The business scope of Beijing Everest was research, development, production of computer software and hardware, undertake computer network systems integration; provide technical consultation, services and training; website design; design and production of online advertisements; public online advertisements on a website; sales of self-made products. The business licence of Beijing Everest was revoked due to its failure to attend annual examination. Mr. Lin was a director of Beijing Everest at the time its business licence was revoked.

Company name	Date of revocation	Reasons for revocation
寧波慧聰電子商務技術有限公司 (Ningbo Huicong E-commerce Technology Company Limited*) ("**Ningbo Huicong**")	29 October 2009	Ningbo Huicong was a wholly foreign-owned enterprise. The business scope of Ningbo Huicong was development of electronic commerce technology, development of electronic products and provision of technical consultation, development of computer hardware and software technology, development of network systems technology, self-operated and agency import and export of goods and technology, provision of network systems technology services, electronic commerce technology services and technology information consultation services. The business licence of Ningbo Huicong was revoked due to its failure to attend annual examination. Mr. Lin was a director of Ningbo Huicong at the time its business licence was revoked.
網絡秀媒體技術(北京)有限公司 (Network Show Media Technology (Beijing) Company Limited*) ("**Network Show Media**")	9 October 2013	Network Show Media was a wholly foreign-owned enterprise. The business scope of Network Show Media was research and development of computer and internet applied technology; telecommunications; graphics production; technological consultation, information technology training, technical services and the transfer of self-developed technology. The business licence of Network Show Media was revoked due to its failure to attend annual examination. Mr. Lin was a supervisor of Network Show Media at the time its business licence was revoked.

Mr. Shong Hugo (熊曉鴿), alias Hugo Hsiung and formerly known as Xiong Xiaoge (熊小鴿) ("Mr. Shong"), aged 60, completed his undergraduate studies at Hunan University. After that, he earned a master's degree in Science from Boston University in 1987. He also completed the 151st session of the Advanced Management Program, the International Senior Managers Program of the Graduate School of Business Administration of Harvard University.

Mr. Shong joined IDG Capital Partners in 1993 and was responsible for its business operations in the PRC. He has been focusing on the development of IDG Capital Partners — IDG Technology Venture Investment in which he has been the general partner since 1994. Mr. Shong is also the director of IDG (China) Investment Co., Ltd. and a partner and a director of IDG Capital Investment Consultancy (Beijing) Co., Ltd..

Mr. Shong is a non-executive director of Mei Ah Entertainment Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 391), and WPP plc, a company listed on the Main Market of the London Stock Exchange (stock code: WPP). Mr. Shong was also an independent non-executive director of China Jiuhao Healthy Industry Corporation Limited (stock code: 419), a company listed on the Main Board of the Stock Exchange, from 21 December 2009 to 5 February 2016. Mr. Shong is a member of the board of trustees of Boston University.

Independent non-executive Directors

Mr. Shi Cen (石岑), aged 40, obtained his bachelor's degree in Economics, specialising in international finance, and a master's degree in Economics from Tsinghua University. He is a Managing Director of Ascendent Capital Partners (Asia) Ltd., which is a private equity investment company focusing on the Greater China market. Prior to joining Ascendent Capital Partners (Asia) Ltd. in April 2011, Mr. Shi was a Senior Vice President of D. E. Shaw & Co., responsible for its Greater China private equity investment business. Prior to joining D. E. Shaw & Co., Mr. Shi served as a vice president at CCMP Capital Asia Pte Ltd. (formerly JP Morgan Partners Asia), where he focused on buyouts and other private equity investments in China and the Asia-Pacific region. He began his career at Goldman Sachs Investment Banking division, where he focused on providing overseas equity offerings and cross-border mergers and acquisitions advice for Chinese companies.

Mr. Shi is a director of 寧夏夏進乳業集團股份有限公司 (Ningxia XiaJin Dairy Group Co., Ltd.*), a company established in the PRC.

Mr. Chau Shing Yim David (周承炎), aged 52, has over 20 years' experience in corporate finance, working on projects ranging from initial public offering transactions and restructuring of PRC enterprises to cross border and domestic takeover transactions. Mr. Chau was formerly a partner of one of the big four accounting firms in Hong Kong, holding the position as the Head of Merger and Acquisition and Corporate Advisory. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales ("**ICAEW**"), and was granted the Corporate Finance Qualification of ICAEW, and the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and was an ex-committee member of the Disciplinary Panel of HKICPA. Mr. Chau is currently an independent non-executive director of six companies which are listed on the Main Board of the Stock Exchange, namely, Lee & Man Paper Manufacturing Limited (stock code: 2314), Man Wah Holdings Limited (stock code: 1999), Evergrande Real Estate Group Limited (stock code: 3333), Richly Field China Development Limited (stock code: 313) and Evergrande Health Industry Group Limited (stock code: 708) and Hengten Networks Group Limited (stock code: 136). Mr. Chau was also an independent non-executive director of Up Energy Development Group Limited (stock code: 307), a company listed on the Main Board of the Stock Exchange, from 20 June 2013 to 25 September 2015, a director of China Solar Energy Holdings Limited (stock code: 155), a company listed on the Main Board of the Stock Exchange, from 15 May 2015 to 12 June 2015, and an independent non-executive director of Varitronix International Limited (stock code: 710), a company listed on the Main Board of the Stock Exchange, from 1 July 2009 to 3 June 2016.

Mr. Chau was a supervisor of 深圳市富隆投資顧問有限公司 (Shenzhen Fulong Investment Consulting Company Limited*) (“**Shenzhen Fulong**”). Shenzhen Fulong was a wholly foreign-owned enterprise. Shenzhen Fulong was inactive and had never commenced business. According to Mr. Chau, as a result of Shenzhen Fulong’s failure to commence business, its business licence was subsequently revoked on or around 1 April 2014. Mr. Chau was a supervisor of Shenzhen Fulong at the time or within a period of 12 months from the time of the revocation of Shenzhen Fulong’s business licence.

Proposed change of company name and company logo

The Offeror intends to propose to the Board to change the English name of the Company and to adopt and register a new Chinese name as its secondary name.

Further, as informed by the Board, the Company is currently using the existing logo being “ ” as a licensee without a written contract, accordingly, the Offeror also intends to propose to the Board to adopt a new logo.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further terms of the Offer, including the procedures for acceptance and settlement and acceptance period of the Offer, as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL INFORMATION

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold any Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to the section headed "Important Notice" contained in this Composite Document and the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

All documents and remittances sent to the Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members of Company or in the case of joint Shareholders, to the Shareholders whose name appears first in the register of members of the Company. None of the Offeror and parties acting in concert with it, the Company, Essence Corporate Finance, Essence Securities, Somerley Capital, the Registrar or any of their respective directors or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Form of Acceptance.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which forms part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board" on pages 39 to 49 of this Composite Document, "Letter from the Independent Board Committee" on pages 50 to 51 of this Composite Document and "Letter from the Independent Financial Adviser" on pages 52 to 81 of this Composite Document in relation to their respective recommendations and advices with respect to the Offer.

Yours faithfully
For and on behalf of
Essence International Securities (Hong Kong) Limited
Griffin Tse

SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

Executive Directors:
Cao Jing *(Executive Chairman)*
Zhang Shaohua *(Managing Director)*

Non-executive Directors:
Mo Tianquan

Independent Non-executive Directors:
Ye Jianping
Palaschuk Derek Myles
Chen Zhiwu

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business:
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

5 August 2016

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement, the Company's announcement dated 20 November 2015, the announcements dated 7 January 2016, 28 January 2016, 23 March 2016 and 28 June 2016 jointly issued by the Company and the Offeror and the Circular.

On 22 June 2015, the Sellers, Mr. Mo (being the ultimate controlling shareholder of the Sellers) and the Offeror entered into the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), pursuant to which the Offeror had conditionally agreed to acquire and (i) Seller 1 had conditionally agreed to sell the Sale Shares, being 175,000,000 Ordinary Shares; and (ii) Seller 2 had conditionally agreed to sell the Sale Bonds, being part of the Convertible Bonds, with an aggregate principal amount of HK$96,832,526.

The Sale Shares represented approximately 50.38% and 10.82% of the total number of Ordinary Shares before and after the issue of the Subscription Shares pursuant to the Subscription which took place after the S&P Completion on 29 July 2016, respectively in issue as at the Latest Practicable Date. Based on the conversion price of HK$0.3695 per CB Conversion Share which was effective at the time of execution of the S&P Agreement and upon the S&P Completion, 262,063,670 CB Conversion Shares shall fall to be issued by the Company upon conversion of the Sale Bonds.

The consideration for the Sale Shares is HK$117,180,000, being equivalent to HK$0.6696 per Sale Share and the consideration for the Sale Bonds is HK$175,477,833, being equivalent to HK$0.6696 per underlying CB Conversion Share which may fall to be issued upon exercise of the conversion rights attached to the Sale Bonds at the conversion price of HK$0.3695 per CB Conversion Share which was effective at the time of the S&P Completion prior to the adjustment of the conversion price as a result of the Subscription Completion and the CN Subscription Completion.

Prior to the entering into of the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), (i) the Offeror did not hold any Ordinary Shares, or other relevant securities in the Company, and (ii) IDG Technology (which is managed by its general partner IDG Technology GP, and Mr. Ho and Mr. Zhou (who are the directors of IDG-Accel Ultimate GP, the ultimate general partner of the IDG Funds, which in turn own approximately 49.14% of the issued share capital of Titan Gas Holdings, the sole shareholder of the Offeror) are the only two managing members of IDG Technology GP, who manage IDG Technology GP pursuant to an operating agreement); and Mr. Lin (a director of Titan Gas Holdings which is interested in 100% of the issued shares of the Offeror and also a director of Standard Gas which holds approximately 35.13% of Titan Gas Holdings) held 11,500,000 Ordinary Shares and 12,910,000 Ordinary Shares, representing approximately 3.31% and 3.72% of the then total number of Ordinary Shares in issue respectively. IDG Technology and Mr. Lin are therefore parties acting in concert with the Offeror under the Takeovers Code. Accordingly, prior to the entering into of the S&P Agreement (as amended on 27 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016), the Offeror and parties acting in concert with it were interested in an aggregate of 24,410,000 Ordinary Shares, representing approximately 7.03% of the total number of Ordinary Shares then in issue.

Immediately after the Tranche 1 Sale Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 60,434,724 Ordinary Shares (representing approximately 17.40% of the then total number of Ordinary Shares in issue) and the Sale Bonds with an aggregate principal amount of HK$14,964,000.

The Tranche 2 Sale Completion took place on 29 July 2016 and immediately following which, the Offeror and parties acting in concert with it were interested in an aggregate of 199,410,000 Ordinary Shares (representing approximately 57.41% of the total number of Ordinary Shares in issue as at the date of the Tranche 2 Sale Completion) (prior to the completion of the Subscription which took place after the S&P Completion on 29 July 2016) and the Sale Bonds with an aggregate principal amount of HK$96,832,526. Accordingly, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general cash offer for all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

After the S&P Completion, the Subscription Completion and the CN Subscription Completion also took place on 29 July 2016 and were jointly announced on the same date by the Company and the Offeror. Immediately after the Subscription Completion and the CN Subscription, (i) 654,641,578 Ordinary Shares and 1,411,505,622 Preferred Shares (carrying rights to convert into 1,411,505,622 Ordinary Shares upon full payment and subject to their terms) have been issued to the Offeror; (ii) 614,772,997 Ordinary Shares and 1,336,403,577 Preferred Shares (carrying rights to convert into 1,336,403,577 Ordinary Shares upon full payment and subject to their terms) have been issued to the other Subscribers; and (iii) the Convertible Note was issued to League Way. The Convertible Bond conversion price has also been adjusted to HK$0.0672 per CB Conversion Share as a result of the Subscription Completion and the CN Subscription Completion. Accordingly, the Offeror and parties acting in concert with it (including the Public Share Subscribers who/which were interested in 614,772,997 Ordinary Shares representing approximately 38.03% of the total number of Ordinary Shares in issue as at the Latest Practicable Date) were interested in 1,468,824,575 Ordinary Shares (representing approximately 90.85% of the total number of Ordinary Shares in issue as at the Latest Practicable Date) and 2,747,909,199 Preferred Shares (carrying rights to convert into 2,747,909,199 Ordinary Shares upon full payment and subject to their terms) and the Sale Bonds with an aggregate principal amount of HK$96,832,526 (which carry rights to convert into 1,440,960,208 new Ordinary Shares).

Details of the shareholding interest of the Offeror and parties acting in concert with it as at the Latest Practicable Date and after conversion of the Preferred Shares, the Convertible Bonds and the Convertible Note are set out in the shareholding table on pages 45 to 46 of this Composite Document.

As stated in the Joint Announcement, pursuant to the S&P Agreement and the CN Subscription Agreement, Seller 1, Seller 2 and League Way have irrevocably and unconditionally provided the Excluded Shares Undertaking, the Excluded Bonds Undertaking and the CN Undertaking, respectively, in favour of the Offeror. Pursuant to the Undertakings, no offer will be made by the Offeror for the outstanding Convertible Bonds which will continue to be beneficially owned by Seller 2 (being the Excluded Bonds) or the Convertible Note issued to League Way.

Essence Securities, being the financial adviser to the Offeror, is making the Offer for and on behalf of the Offeror.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group and the Offer; (ii) letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Offer; and (iii) the letter from the Independent Financial Adviser containing their advice and recommendation to the Independent Board Committee in respect of the Offer.

THE OFFER

Principal terms of the Offer

Essence Securities is making the Offer to acquire all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) for and on behalf of the Offeror in accordance with the Takeovers Code on the following basis:

For each Offer Share .... HK$0.6696 in cash

The Offer Price of HK$0.6696 per Offer Share is the same as the price per Sale Share and price per underlying CB Conversion Share which may fall to be issued upon conversion of the Sale Bonds based on the CB Conversion Price paid by the Offeror to Seller 1 and Seller 2 under the S&P Agreement.

The Offer Price of HK$0.6696 represents:

(i) a discount of approximately 88.65% to the closing price of HK$5.90 per Ordinary Share as quoted on the Stock Exchange on 19 June 2015, being the Last Trading Day;

(ii) a discount of approximately 88.29% to the average closing price of approximately HK$5.72 per Ordinary Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended);

(iii) a discount of approximately 85.03% to the average closing price of approximately HK$4.474 per Ordinary Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended);

(iv) a discount of approximately 69.00% to the closing price of HK$2.16 per Ordinary Share as quoted on the Stock Exchange immediately before trading in the Ordinary Shares was suspended on 15 May 2015, being the Last Initial Announcement Trading Day;

(v) a discount of approximately 61.78% to the average closing price of approximately HK$1.752 per Ordinary Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Initial Announcement Trading Day;

(vi) a discount of approximately 57.83% to the average closing price of approximately HK$1.588 per Ordinary Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Initial Announcement Trading Day;

(vii) a premium of approximately 76.21% over the unaudited pro forma adjusted net tangible assets of the Restructured Group as at 31 March 2016 as represented by each Ordinary Share in issue upon completion of the Transactions (assuming conversion in full of the Convertible Bonds (at the CB Conversion Price), the Convertible Note and the Preferred Shares) of approximately HK$0.38;

(viii) a premium of 8% over the unaudited pro forma adjusted net assets of the Restructured Group as at 31 March 2016 (assuming that the related oil and gas properties and intangible assets (representing the acquired cooperation rights under the EPCC with an aggregate carrying value of RMB377.73 million (equivalent to approximately HK$449.68 million) as at 31 December 2015) were revalued based on the mid-point of the estimated fair market value of the PRC Target's revenue interest in Block 212 as estimated by the Competent Evaluator of US$125 million (equivalent to approximately HK$968.75 million) as at 31 December 2015 (which was determined by the Competent Evaluator based on many considerations as summarised in the report issued by the Competent Evaluator which is set out in Appendix IV to this Composite Document including, among other things, the estimated post-tax net present values based on different price assumptions, production plan schedules, discount rates, and other iterative analysis and evaluations) (the "**Adjusted NAV**")*Note* as represented by each Ordinary Share in issue upon completion of the Transactions (assuming conversion in full of the Preferred Shares but before conversion of any Convertible Bonds and the Convertible Note) of approximately HK$0.62 (before taking into account any fair market value adjustment to other assets of the Restructured Group); and

(ix) a premium of approximately 42.47% over the Adjusted NAV*Note* as represented by each Ordinary Share in issue upon completion of the Transactions (assuming conversion in full of the Preferred Shares, the Convertible Bonds (at the CB Conversion Price) and the Convertible Note) of approximately HK$0.47 (before taking into account any fair market value adjustment to other assets of the Restructured Group).

Note:

After completion of the Transactions, the property interests held by the PRC Target represent the entire property interests of the Restructured Group. The Company is not required to include an updated valuation report on its property interests in the Composite Document pursuant to the Takeovers Code as the Restructured Group does not have material property interests. There was a valuation report on the property interests of the PRC Target Company as at 31 March 2016 in the Circular. The aggregate appraised fair value of the property interests as at 31 March 2016 as per the said valuation report is lower than the aggregate net book value of the Restructured Group's property interests (as represented by the net book value of building and structures, and lease prepayments in its accounts). This is mainly due to (1) the net book value of the Restructured Group included other structures such as compensation paid for the use of the land, taxes paid, management cost and expenses incurred in relation to the construction of the building structures, which were not considered property interests for the purposes of the valuation and (2) there were a number of buildings which did have the proper title certificates and thus no fair value was ascribed to them for valuation purpose. Up to the Latest Practicable Date, the PRC Target had not received any notification that it cannot continue to use those structures. All property interests of the Restructured Group are held for self-use and the Company has no intention to dispose of such properties. Accordingly, the Company considers it fair to continue to state the building and structures as a whole at their aggregate cost less depreciation in accordance with its accounting policies and no impairment is provided as a result of the said property valuation.

The Company does not consider it necessary for the Adjusted NAV to be reviewed by the auditor of the Company or reporting accountants, as the adjustment reflects the simple replacement of the aggregate carrying value of the oil and gas properties and related intangible assets by the estimated fair market value of the oil and gas properties for valuation evaluation purposes. This procedure does not include any actual or pro forma accounting adjustment based on HKFRS.

Details of the Offer are set out in the letter from Essence Securities on pages 15 to 38 of this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE RESTRUCTURED GROUP

As the Acquisition Completion took place simultaneously with, among other things, the Divestment Completion, the Restructured Group is no longer engaged in the existing hotel and restaurant business carried on through the Divestment Group and is principally engaged in the new business of the exploration, development and production of crude oil in Inner Mongolia of the PRC through the PRC Target immediately after the Divestment Completion and the Acquisition Completion. Details of the PRC Target have been set out in the Circular.

Financial information of the PRC Target, the Group and the Restructured Group is set out in Appendices II and III to this Composite Document.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming no conversion of the Convertible Bonds, the Convertible Note and the Preferred Shares) and (ii) immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming conversion in full of the Convertible Bonds (taking into account of the adjustment of CB Conversion Price as detailed in the section headed "Letter from the Board — Adjustment to the CB Conversion Price of the Convertible Bonds" of the Circular), the Convertible Note and the Preferred Shares):

	Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming no conversion of the Convertible Bonds, the Convertible Note, and Preferred Shares)		**Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming conversion in full of the Convertible Bonds, the Convertible Note and Preferred Shares)** *(Note 1)*	
	Number of Ordinary Shares	*%*	*Number of Ordinary Shares*	*%*
Seller 1	34,753,409	2.15%	34,753,409	0.53%
Seller 2	—	—	344,754,077	5.28%
The Sellers	34,753,409	2.15%	379,507,486	5.82%
The Offeror	829,641,578	51.32%	3,682,107,408	56.44%
IDG Technology	11,500,000	0.71%	11,500,000	0.18%
Lin Dongliang (林棟梁)	12,910,000	0.80%	12,910,000	0.20%
Aquarius Investment *(Note 3)*	—	—	443,369,176	6.80%
Lu Xi *(Note 2)*	14,934,289	0.92%	14,934,289	0.23%
Fang Chao *(Note 2)*	14,934,289	0.92%	14,934,289	0.23%
華寶 • 境外市場投資2號系列20–6期 QDII 單一資金信託 (Hwabao.Overseas Investments Series 2 No 20–6 QDII Single Money Trust*) *(Note 2)*	93,588,212	5.79%	93,588,212	1.43%
華寶 • 境外市場投資2號系列20–7期 QDII 單一資金信託 (Hwabao.Overseas Investments Series 2 No 20–7 QDII Single Money Trust*) *(Note 2)*	46,794,106	2.89%	46,794,106	0.72%
New Fast Investments Limited *(Note 2)*	124,701,315	7.71%	241,437,675	3.70%
Real Smart Holdings Limited *(Note 2)*	50,029,870	3.09%	166,766,230	2.56%
Grand Empire Global Limited *(Note 2)*	50,029,870	3.09%	166,766,230	2.56%
True Success Global Limited *(Note 2)*	75,044,800	4.64%	250,149,340	3.83%
Sonic Gain Limited *(Note 2)*	144,716,246	8.95%	319,820,786	4.90%
Haitong International Securities Company Limited *(Note 2)*	—	—	50,000,000	0.77%
ExaByte Capital Fund L.P. *(Note 2)*	—	—	14,934,289	0.23%
Rich Harvest Worldwide Ltd. *(Note 2)*	—	—	127,681,952	1.96%
Public Shares Subscribers *(Note 2)*	614,772,997	38.03%	1,507,807,398	23.11%
The Offeror and parties acting in concert with it	1,468,824,575	90.85%	5,657,693,982	86.72%
League Way *(Note 4)*	—	—	373,357,228	5.72%
Other existing public Shareholders	113,162,591	7.00%	113,162,591	1.73%
Total	1,616,740,575	100.00%	6,523,721,287	100.00%
Total public Shareholders (before Mr. Mo resigns as Director) *(Note 5)*	727,935,588	45.02%	1,994,327,217	30.57%
Total public Shareholders (after Mr. Mo resigns as Director after close of the Offer)	762,688,997	47.17%	2,373,834,703	36.39%

Notes:

(1) The calculation of the total number of CB Conversion Shares is based on the CB Conversion Price of HK$0.0672 per CB Conversion Share.

(2) Given that the Public Shares Subscribers are not connected persons to the Offeror, their subscription of the Ordinary Subscription Shares and Preferred Shares are not financed by any connected persons of the Company and they will not become connected persons of the Company as a result of the Subscription or after full conversion of the Preferred Shares/Convertible Note, the interests of the Public Shares Subscribers in the Company upon the Subscription Completion and/or conversion of the Preferred Shares/Convertible Note shall form part of the Company's public shareholding. The Public Shares Subscribers are parties acting in concert with the Offeror as the Public Shares Subscribers were introduced by the Offeror and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company.

(3) Aquarius Investment is held as to 9% by Mr. Wang, who is the chief executive officer and an executive director of Titan Gas Holdings, and a director of Standard Gas and Aquarius Investment. Further, Mr. Wang holds an approximately 8.05% equity interest in Titan Gas Holdings.

(4) Given League Way is independent of the Offeror, its subscription of the Convertible Note is not financed by any connected persons of the Company and it will not become a connected person of the Company as a result of the CN Subscription or conversion of the Convertible Note, the interests of League Way in the Company upon the Subscription Completion and/or after conversion of the Convertible Note shall form part of the Company's public shareholding.

(5) In the above shareholding table, (i) under the column "Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming no conversion of the Convertible Bonds, the Convertible Note, and Preferred Shares)", "Total public Shareholders" refer to the total shareholding interest in the Company under "The Sellers", "Public Shares Subscribers" and "Other existing public Shareholders"; (ii) under the column "Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion and as at the Latest Practicable Date (assuming conversion in full of the Convertible Bonds, the Convertible Note and Preferred Shares)", "Total public Shareholders" refer to the total shareholding interest in the Company under "The Sellers", "Public Shares Subscribers", "League Way" and "Other existing public Shareholders".

INFORMATION ON THE OFFEROR AND THE SUBSCRIBERS

Details of the information on the Offerors and the Subscribers are set out in the "Letter from Essence Securities" on pages 15 to 38 of this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE RESTRUCTURED GROUP

Your attention is drawn to the section headed "Intentions of the Offeror in relation to the Restructured Group" in the "Letter from Essence Securities" as set out on pages 30 to 37 of this Composite Document, which set out further information on the intentions of the Offeror in relation to the Restructured Group.

The Board has noted the intention of the Offeror in relation to the Restructured Group and is willing to render cooperation and support to the Offeror which are in the interests of the Company and the Shareholders as a whole.

Maintaining the listing status of the Group

As stated in the "Letter from Essence Securities" in this Composite Document, the Offeror intends that the Ordinary Shares will remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure the minimum public float requirement under the Listing Rules is complied with by the Company.

In light of the possibility that Ordinary Shares may need to be disposed of by the Offeror in order to comply with the minimum public float requirement, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules, which provides, inter alia, that controlling shareholders of a listed issuer may not dispose of securities of such issuer for a six month period after dealings in the securities commence. Pursuant to the waiver, the Offeror may dispose of Ordinary Shares (the "**Disposal Shares**") during the first six months of completion of the Transactions on the following conditions:

(a) the Disposal Shares will be sold to purchasers which are independent third parties to the Company or its connected persons; and

(b) the number of Disposal Shares will not be more than that required to enable the Company to comply with the public float requirements under the Listing Rules.

The Stock Exchange has indicated that if, upon the close of the Offer, less than 25% of the issued Ordinary Shares are held by the public or if the Stock Exchange believes that:

(i) a false market exists or may exist in the trading of the Ordinary Shares; or

(ii) there are insufficient Ordinary Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend the trading in the Ordinary Shares.

Compulsory acquisition

As stated in the "Letter from Essence Securities" in this Composite Document, the Offeror does not intend to exercise any right which may be available to them to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

Proposed change of board composition of the Company

As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. All the current Directors except Prof. Chen Zhiwu have indicated to the Board their intentions to resign with effect from the Closing Date (being the earliest time permitted under the Takeovers Code).

The Offeror at present intends to appoint Mr. Wang and Mr. Lee Khay Kok as new executive Directors; Mr. Lin and Mr. Shong Hugo (熊曉鴿) as new non-executive Directors; and Mr. Shi Cen (石岑), Mr. Chau Shing Yim David (周承炎) as new independent non-executive Director with effect from the date of despatch of this Composite Document (being the earliest time permitted under the Takeovers Code). Any changes to the Board composition will be announced by the Company and made in compliance with the Listing Rules.

Details in relation to the proposed change of the Board and particulars of the new Directors are set out in the section headed "Proposed change to the Board composition" in the "Letter from Essence Securities" as set out on pages 31 to 37 of this Composite Document.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to make a recommendation to the Independent Shareholders in respect of whether the Offer is fair and reasonable for acceptance or not.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee to make recommendation to the Independent Shareholders in respect of whether the Offer is fair and reasonable for acceptance or not pursuant to Rule 2.1 of the Takeovers Code.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 50 to 51 of this Composite Document which contains recommendation to the Independent Shareholders in respect of the Offer and the "Letter from Independent Financial Adviser" as set out on pages 52 to 81 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offer and the principal factors considered by it in arriving at it recommendation.

You are also advised to read this Composite Document and the Form of Acceptance in respect of the acceptance and settlement procedure of the Offer. Your attention is also drawn to the additional information contained in the Appendices to this Composite Document.

By Order of the Board
Shun Cheong Holdings Limited
Cao Jing
Executive Chairman

SHUN CHEONG HOLDINGS LIMITED
順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

5 August 2016

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the composite document dated 5 August 2016 (the "**Composite Document**") jointly issued by the Offeror and the Company, of which this letter forms part. Unless otherwise indicated herein or the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document.

Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee to make recommendation to the Independent Shareholders in respect of the Offer. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out in the section headed "Letter from the Independent Financial Adviser" on pages 52 to 81 of this Composite Document.

We wish to draw your attention to the sections headed "Letter from the Board", "Letter from Essence Securities" and the additional information set out in the appendices to this Composite Document for the terms and details of the Offer.

* *For identification purposes only*

Having considered (i) the terms of the Offer; and (ii) the advice from Somerley Capital and the principal factors taken into account in arriving at its recommendations in respect of the Offer, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, the market price of the Shares has consistently exceeded the Offer Price in recent weeks, closing at HK$2.40 as at the Latest Practicable Date. Consequently, Independent Shareholders who wish to dispose of their Shares should monitor the Share price closely; if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, Independent Shareholders should sell in the market. Independent Shareholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares, but if so should refer to the risk factors set out in paragraph (v) in the section headed "Discussion and analysis" in the letter from the Independent Financial Adviser.

Yours faithfully,
For and on behalf of
INDEPENDENT BOARD COMMITTEE

Prof. YE Jianping	**Mr. PALASCHUK Derek Myles**	**Prof. CHEN Zhiwu**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

Set out below is the letter of advice received from Somerley Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in this document.

SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 August 2016

To: the Independent Board Committee

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER BY ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the unconditional mandatory cash offer by Essence International Securities (Hong Kong) Limited for and on behalf of the Offeror to acquire all the issued ordinary shares of the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Details of the Offer are set out in the Composite Document dated 5 August 2016, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As set out in the Joint Announcement, the Company's announcement dated 20 November 2015, the announcements dated 28 January 2016, 23 March 2016 and 28 June 2016 jointly issued by the Company and the Offeror, the Company and the Offeror jointly announced, among others, the entering into of the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement, further details of which were set out in the Circular dated 29 June 2016. The Joint Announcement further set out that subject to fulfilment (or where applicable, waiver) of the conditions under the S&P Agreement and immediately following the S&P Completion, the

Offeror will be required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

On 29 July 2016, the Tranche 2 Sale Completion took place. Accordingly, the Offeror, holding approximately 57.4% of the total number of Ordinary Shares in issue together with parties acting in concert with it after the Tranche 2 Sale Completion (but prior to the Subscription Completion and the CN Subscription Completion), is required to make the Offer in accordance with the Takeovers Code.

The Independent Board Committee, comprising all independent non-executive Directors, namely Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Prof. Chen Zhiwu, has been established to make a recommendation to the Independent Shareholders in respect of the Offer. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise it in this regard.

During the past two years, Somerley Capital Limited has acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Divestment (details of which were set out in the Circular). The past engagement was limited to providing independent advisory services to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules and the Takeovers Code. Under the past engagement, Somerley Capital Limited received normal professional fees from the Company. Accordingly, we do not consider the past engagement gives rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser regarding the Offer.

We are not connected with the Company, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group, which we have assumed to be true, accurate and complete in all material respects. We have reviewed, among other things, published information on the Company, including its annual report for the financial year ended 31 March 2016, the accountants' report on the PRC Target and the unaudited pro forma financial information of the Restructured Group as set out in Appendix III to the Composite Document, and the Competent Evaluator's Report as set out in Appendix IV to the Composite Document. We have visited the oil and gas properties of the Group in Inner Mongolia, the PRC, and we have reviewed the trading performance of the shares of the Company (the "**Shares**") on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter, and have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that Shareholders will be notified of any material changes to such representations as soon as reasonably practicable during the Offer Period.

We have not considered the tax and regulatory implications on Independent Shareholders, respectively, of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

Essence Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms in accordance with Rule 26.1 of the Takeovers Code:

The Offer

For each Offer Share .... HK$0.6696 in cash

The Offer Price of HK$0.6696 per Offer Share is the same as the price per Sale Share and price per underlying CB Conversion Share which might fall to be issued upon conversion of the Sale Bonds based on the conversion price of HK$0.3695 per CB Conversion Share (being the effective conversion price at the time of the S&P Completion) paid by the Offeror to Seller 1 and Seller 2 under the S&P Agreement. The Offer Shares which may be acquired by the Offeror under the Offer shall be fully paid and free from all Encumbrances together with all rights attaching to them, including but not limited to all dividends paid, declared or made, if any, on or after the date on which the Offer is made.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code. Further details of the Offer, including the expected timetable and the terms and procedures of acceptance of the Offer, are set out in the sections headed "Expected Timetable", "Letter from Essence Securities", "Letter from the Board", Appendix I to the Composite Document and the Form of Acceptance. Independent Shareholders are urged to read the relevant sections in the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background to the Offer

Pursuant to the S&P Agreement, the Offeror has, among others, conditionally agreed to acquire from Seller 1 the Sale Shares, being 175.0 million Ordinary Shares (approximately 50.4% of the then total number of Ordinary Shares in issue).

Immediately following the S&P Completion on 29 July 2016 (but before the Subscription Completion), the Offeror and parties acting in concert with it were interested in an aggregate of approximately 199.4 million Ordinary Shares (or approximately 57.4% of the then total number of Ordinary Shares in issue), and the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Accordingly, Essence Securities is making the Offer for and on behalf of the Offeror, at the price and on the terms set out above.

Irrevocable undertakings

Pursuant to the S&P Agreement and the CN Subscription Agreement, Mr. Mo, Seller 1, Seller 2 and League Way have irrevocably and unconditionally undertaken in favour of the Offeror the following:

1. The Sellers have irrevocably and unconditionally undertaken in favour of the Offeror under the S&P Agreement that during the Relevant Period (being the period commencing on the date of the S&P Agreement and ending on the date when the Offer closes or lapses), (i) Seller 1 shall not, and Mr. Mo shall cause Seller 1 not to, among others, accept the Offer in respect of approximately 34.8 million Excluded Shares and (ii) Seller 2 will not, and Mr. Mo shall cause Seller 2 not to, among others, accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds with an aggregate principal amount of approximately HK$23.2 million; and

2. League Way has irrevocably and unconditionally undertaken in favour of the Offeror under the CN Subscription Agreement that during the CN Relevant Period (being the period commencing from the date of the CN Subscription Completion and ending on the date on which the cash offer made by the Offeror to acquire the Convertible Note and all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (if any) closes or lapses), League Way shall, amongst others, not accept an offer (if any)

to be made by the Offeror to acquire the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and not convert the Convertible Note.

On the basis of the abovementioned irrevocable and unconditional undertakings, and excluding approximately 199.4 million Ordinary Shares (comprising the 175.0 million Sale Shares and the aggregate of approximately 24.4 million Ordinary Shares held by IDG Technology and Mr. Lin), and the Sale Bonds with an aggregate principal amount of approximately HK$96.8 million already owned by the Offeror and parties acting in concert with it, a total of approximately 113.2 million Offer Shares are subject to the Offer, and no offer is made by the Offeror for the outstanding Convertible Bonds which will continue to be beneficially owned by Seller 2 (being the Excluded Bonds) or the Convertible Note to be issued to League Way.

The Offer will not be extended to the Subscription Shares as the Public Shares Subscribers were introduced by the Offeror and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement together with the Company, and are therefore parties acting in concert with the Offeror in accordance with the Takeovers Code (further details are set out in "Information on the Subscribers (other than the Offeror)" in the letter from Essence Securities in the Composite Document).

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date, based on the Offer Price of HK$0.6696 per Offer Share and approximately 113.2 million Offer Shares, the Offer is valued at approximately HK$75.8 million.

2. Information on the Group

Prior to completion of the Transactions

Prior to the completion of the Transactions, the Group was principally engaged in hotel and restaurant operations in the PRC through its 100% equity interest in the Divestment Group, which principally comprised the Nanning Hotel and an approximately 26.7% interest in the a hotel in Beihai City (the "**Beihai Hotel**"), the PRC, 19 residential units in Nanning City, and two parcels of land near the Beihai Hotel.

Set out below is a summary of the consolidated operating results of the Group for the three financial years ended 31 March 2014, 2015 and 2016, as extracted from Appendix II to the Composite Document:

	For the financial year ended 31 March		
	2016	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(Re-presented) *(Note)*	(audited)
Revenue			
— Continuing operation	—	—	
— Discontinued operations	138,293	143,695	
Total revenue	138,293	143,695	121,384
Loss attributable to owners of the Company	(3,661)	(234,020)	(197,298)

Note: The financial information for the financial year ended 31 March 2015 has been restated to present the results of the hotel business as discontinued operations to conform to the presentation for the financial year ended 31 March 2016. The financial information for the financial year ended 31 March 2014 was presented in aggregate and was not separated into continuing operation and discontinued operations.

Revenue from the hotel business, being the operation of the Divestment Group up to the completion of the Transactions, represented almost the entire source of revenue of the Group for the each of the past three financial years presented above. For the financial year ended 31 March 2016, the operations of the Divestment Group were regarded as a discontinued operation of the Group following the entering into of the Divestment Agreement to dispose of the Group's hotel operations, with no revenue from continuing operations generated by the Group. The Group recorded a loss attributable to owners of the Company of approximately HK$3.7 million for the financial year ended 31 March 2016, representing a significant decrease compared to the previous year, due to (i) no impairment losses being recognised for the financial year ended 31 March 2016 in respect of the Nanning Hotel and the Convertible Bonds as compared to, in aggregate, approximately HK$189.8 million being recognised in the previous year, and (ii) a reduction of depreciation expenses relating to the hotel properties and miscellaneous property and equipment, following a significant write down of the book value of Nanning Hotel, as set out above, and the fact that no depreciation has been recorded for the relevant assets since their reclassification to "assets classified as held for sale".

Set out below is a summary of the consolidated financial positions of the Group as at 31 March 2014, 2015 and 2016 respectively, as extracted from Appendix II to the Composite Document:

	As at 31 March 2016 *HK$'000* (audited)	**As at 31 March 2015** *HK$'000* (audited)	**As at 31 March 2014** *HK$'000* (audited)
Non-current assets	—	416,234	571,044
Current assets	424,182	38,018	72,537
Current liabilities	426,956	185,128	466,308
Non-current liabilities	109,773	374,151	168,920
Net current liabilities	2,774	147,110	393,771
Net (liabilities)/assets attributable to owners of the Company	(119,455)	(112,410)	154

As at 31 March 2016, the Group reclassified all assets and liabilities in respect of the Divestment Group, being the hotel operations of the Group, as held for sale in current assets and current liabilities in the Group's consolidated balance sheet, following the entering into of the Divestment Agreement to dispose of the Group's hotel operations. The net liabilities attributable to owners of the Company amounted to approximately HK$119.5 million as at 31 March 2016.

Upon completion of the Transactions

Upon completion of the Transactions on 29 July 2016, the Group has divested its hotel and restaurant assets and operations and entered into a new principal business through the Acquisition, namely, the upstream oil exploration, development and production, through its wholly-owned subsidiary, the PRC Target.

Please make reference to the section headed "Summary of the PRC Target" in relation to the PRC Target, being the current principal business of the Group, and the section headed "Pro forma financial information of the Restructured Group" for the pro forma financial information of the Restructured Group below in this letter.

3. Summary of the PRC Target

Overview

The PRC Target was acquired by the Company pursuant to the Acquisition Agreement. It is principally engaged in the exploration, development and production of crude oil in the PRC. The PRC Target conducts exploration work to discover oil reservoirs and locate suitable locations for drilling oil wells. Crude oil is extracted from the PRC Target's wells and transferred to the PRC Target's oil gathering station, prior to sale.

The PRC Target operates through a contractual relationship with Yanchang, namely the EPCC, which holds the mineral rights in respect of Block 212 and Block 378, in a total area of approximately 591km^2 located in 中國內蒙古自治區錫林郭勒盟東烏珠穆沁旗及西烏珠穆沁旗 (East Ujimqin Banner and West Ujimqin Banner, Xilin Gol League, Inner Mongolia Autonomous Region, the PRC) (the "**Area**"). Under the EPCC, Yanchang (as the mineral right owner) and the PRC Target (as the operator) cooperate to explore crude oil in the Area; and the PRC Target and Yanchang are entitled to share 80% and 20% of the sale proceeds (net of any sales related taxes) from the sale of crude oil produced from the Area respectively. In particular, Yanchang has granted the PRC Target the right to explore and extract any crude oil from the Area. Yanchang is a branch company of Shaanxi Yanchang Petroleum (Group) Company Limited, a state-owned enterprise and one of four enterprises which can own mineral rights in respect of upstream oil resources in the PRC. It owns the oil exploration rights in the Area pursuant to exploration permits granted by the Ministry of Land and Resources (the "**MOLR**"), which are being renewed every two years.

東烏珠穆沁旗天浩石化有限公司 (East Ujimqin Banner Tianhao Petrochemical Limited) is the customer of the PRC Target designated by Yanchang pursuant to the EPCC (the "**Customer**"). A crude oil sales agreement was entered into between Yanchang and the Customer in 2014, under which the PRC Target is entrusted by Yanchang to sell crude oil on behalf of Yanchang. In accordance with this agreement, the Customer agrees to purchase crude oil produced in the Area, at the prevailing market price of crude oil from time to time (with reference to local prices). As disclosed in the section headed "Financial information of the Group — material change" in the Composite Document, the average unit selling prices of the PRC Target for the year ended 31 December 2015 and for the six months ended 30 June 2016 were approximately US$46.6 per barrel and US$34.9 per barrel respectively.

The Offeror and the proposed and new senior management teams of the Restructured Group together have extensive experience in the management and operation of oil and gas assets. Members of the new Directors and new senior management team of the Group on average have approximately 18 years of oil and gas experience.

The Area

The Area comprises Block 212, in which extensive exploration works have been carried out, and Block 378, in which, save for 2-dimensional seismic studies, no material exploration and development work has been carried out as at the Latest Practicable Date. As at 31 December 2015, the PRC Target's net proved plus probable reserves for Block 212 were 11.4 million barrels. As at 31 December 2015 and as at the Latest Practicable Date, there were 87 oil producers, 14 bailing wells, 11 dry holes and 23 water injectors at Block 212. According to the Competent Evaluator's Report as set out in Appendix IV to the Composite Document, the Competent Evaluator is of the opinion that the PRC Target's 80% revenue interest in Block 212 is worth between US$120 million and US$130 million as at 31 December 2015 (the "**Estimated FMV**"). The PRC Target has also entered into a services agreement with Hongjin Engineering and the Target Sellers, pursuant to which the exploration and development works in respect of Block 378 will be provided by Hongjin Engineering.

Financials

According to the accountants' report on the PRC Target as set out in Appendix III to the Composite Document which sets out the audited financial statements of the PRC Target for the three years ended 31 December 2015, the PRC Target recorded net losses in such three years, which were mainly attributable to a decline in the selling prices of crude oil. There was an increase in net loss for the year ended 31 December 2015 compared to the previous year, mainly due to a decline in the average unit selling price of crude oil which in turn led to a lower gross profit margin. The audited net asset value of the PRC Target as at 31 December 2015 was approximately RMB270.2 million, with assets primarily comprising of property, plant and equipment used for crude oil extraction and production, and liabilities consisting of trade payables, accrued expenses and other payables, and other borrowings.

4. Pro forma financial information of the Restructured Group

Following the completion of the Transactions, the Group has, among others, divested its entire hotel and restaurant operations and acquired the entire equity interest in the PRC Target. As such, the published historical financial information of the Group does not reflect the new business of the Group as at the Latest Practicable Date. We consider the unaudited pro forma financial information of the Restructured Group as set out in Appendix III to the Composite Document to be more indicative of the financial information of the Group following completion of the Transactions. However, Independent Shareholders should note that, as set out in Appendix III to the Composite Document, the unaudited pro forma financial information of the Restructured Group is based on a number of assumptions, estimates and uncertainties and has been prepared for the purposes of illustrating the effect of the Transactions pursuant to the terms of relevant agreements and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Restructured Group had the Transactions been completed as of the specified dates or any future date.

Set out below is a summary of the unaudited pro forma consolidated operating results of the Restructured Group for the financial year ended 31 March 2016 as extracted from Appendix III to the Composite Document, which includes the assumption that the Transfer and the Transactions had been completed on 1 April 2015:

	For the financial year ended 31 March 2016 *HK$'000* (unaudited)
Revenue	122,868
Costs of sales	(110,442)
Gross Profit	12,426
Administrative and other operating expenses	(35,889)
Exploration expenses	(1,512)
Gain on disposal of Divestment Group	28,759
Deemed listing expense arising from the reverse acquisition	(282,959)
Transaction costs	(60,000)
Finance costs	(17,251)
Others	(47)
Income tax	745
Loss for the financial year attributable to owners of the Company	(355,728)

Revenue of the Restructured Group of approximately HK$122.9 million, on a pro forma basis, represented the PRC Target's sharing of 80% of the sale proceeds of crude oil, net of sales related taxes, pursuant to the EPCC. The cost of sales represented the PRC Target's oil extraction costs, staff costs, consumables and materials as well as utility costs incurred in the course of crude oil extraction and production.

The administrative and other operating expenses of approximately HK$35.9 million comprise the expenses incurred by the PRC Target principally in relation to staff costs, business traveling and entertainment expenses as well as the depreciation of the property, plant and equipment for office and administrative use.

There are certain one-off items recorded, including (i) deemed listing expense arising from the reverse acquisition of approximately HK$283.0 million, which constituted a non-cash, pro forma adjustment due to the accounting treatment of the Acquisition and the Divestment under relevant accounting rules, (ii) the one-off transaction costs of approximately HK$60.0 million which mainly comprise professional fees payable in connection with the Transactions, and (iii) a gain on disposal of the Divestment Group of approximately HK$28.8 million.

The loss for the financial year attributable to owners of the Company, on a pro forma basis, of approximately HK$355.7 million includes the loss attributable to owners of the PRC Target of approximately HK$30.6 million, reflecting a decline in the selling price of crude oil during the year, and the one-off gain and expenses relating to the Transactions, as set out above.

Set out below is a summary of the unaudited pro forma consolidated financial position of the Restructured Group as at 31 March 2016 as extracted from Appendix III to the Composite Document, which includes the assumption that the Transfer and the Transactions had been completed on 31 March 2016:

	As at 31 March 2016 *HK$'000* (unaudited)
Property, plant and equipment	586,345
Other non-current assets	80,485
Total non-current assets	**666,830**
Prepayments, deposits and other receivables	1,993,397
Bank balances and cash	280,737
Other current assets	59,663
Total current assets	**2,333,797**
Interest-bearing bank and other borrowings	108,004
Other current liabilities	327,566
Total current liabilities	**435,570**
Convertible bonds	325,574
Other non-current liabilities	39,275
Total non-current liabilities	**364,849**
Net assets attributable to owners of the Company	**2,200,208**

Upon completion of the Transfer and the Transactions, the operating assets and liabilities (save for proceeds from the Subscription and the CN Subscription, the Convertible Bonds and the Convertible Note) of the Restructured Group will principally represent those of the PRC Target.

The Restructured Group, on a pro forma basis, recorded total assets of approximately HK$3,000.6 million, which principally comprised (i) property, plant and equipment used in the crude oil extraction and production of approximately HK$586.3 million, (ii) prepayments, deposits and other receivables of approximately HK$1,993.4 million, representing mainly the unpaid proceeds of the preferred shares subscription pursuant to the Subscription, and (iii) bank balances and cash of approximately HK$280.7 million.

The Restructured Group, on a pro forma basis, recorded total liabilities of approximately HK$800.4 million. The current liabilities of approximately HK$435.6 million principally comprised the PRC Target's (i) trade payables of approximately HK$173.3 million in relation to various exploration, extraction and stimulation services, and supplied spare parts and consumables, (ii) accrued expenses and other payables of approximately HK$144.5 million and (iii) bank and other borrowings of approximately HK$108.0 million. The non-current liabilities of approximately HK$364.8 million primarily represented the liability component of the existing Convertible Bond of the Group of approximately HK$110.0 million and the liability component of the Convertible Note issued pursuant to the Transactions of approximately HK$215.6 million.

Please make reference to Appendix III to the Composite Document for further information on the unaudited pro forma financial information of the Restructured Group.

5. Prospects of the Group

Existing business of the PRC Target

The PRC Target has formulated a plan to move the development of Unit 2 and Unit 19 of Block 212 on to commercial production, details of which are set out in the section "History and Business of the PRC Target — Future Plans for Commercial Production" of the Circular. Such development plan is formulated by the management of the PRC Target after having considered, among other factors, the current market environment, available technology, understanding of the reservoirs and available funding.

The PRC Target has also planned to carry out further exploration and development work in Block 212 with a view to migrating resources into reserves and identifying new reserves.

As part of the development plan to achieve commercial production in Block 212, the PRC Target intends to invest additional funds to increase production capacity up to 2019. The development plan is expected to mainly be funded by net proceeds from the Subscription, details of which are set out in the section "History and Business of the PRC Target — Future Plans for Commercial Production" of the Circular.

It is the current plan of the PRC Target that it shall continue to implement its development as planned to a material extent. However, if the crude oil price falls back and stays below approximately RMB261 per barrel or US$40 per barrel for a longer period of time than the management of the Group now anticipates (for about six to nine months), the PRC Target may defer or adjust its development plan accordingly.

Potential acquisitions

The Offeror is actively evaluating a number of projects in Canada and the United States of America, which the Offeror considers to have meaningful production and steady cash flow with further exploration upsides, and can be appropriate potential acquisition targets.

In addition, the Offeror and the PRC Target also consider that there will be more opportunities in the PRC. The PRC Target plans to leverage on the ongoing oil and gas industry reform in the PRC to expand its operations by selectively engaging in more upstream exploration projects in the PRC in future. Depending on the size of any future acquisitions, the Offeror considers that it may propose to the Company to raise additional funding to finance such acquisition, including debt or equity, subject to any applicable rules and regulations. As at the Latest Practicable Date, the Company had not reached any agreement with the Offeror or any other party (other than the Acquisition) in respect of any possible acquisition.

Following completion of the Transactions the Group is now principally engaged in an oil and gas business, with the possibility of the Group acquiring additional oil and gas projects in the future. Accordingly, the development of the global oil price is a key concern when assessing the prospects of the Group. As set out in the section headed "Risks associated with the Group's business", the price of Brent Crude (being a benchmark price for crude oil worldwide) has dropped significantly since mid-2004, but has since partially recovered, to approximately US$41.8 per barrel (extracted from Bloomberg) as at 4:00 p.m. on the Latest Practicable Date. As set out in the Competent Evaluator's Report as set out in Appendix IV to the Composite Document, oil prices are expected to rise in the coming years, as also noted in a report (the "**Wood Mackenzie Report**") on the global and China oil industry by Wood Mackenzie (being the industry research consultant engaged by the Company for the preparation of an industry overview in the Circular) and the Organisation of Petroleum Exporting Countries ("**OPEC**"). The Competent Evaluator has assumed the Brent crude oil price will rise to US$70.0 to US$90.0 per barrel by 2019, with annual 2% price increases thereon. Given the nature of the Group's business and future oil price estimates, together with the assessment of the fair value attributable to the Group's current oil and gas assets, pursuant to the Competent Evaluator's Report, we consider that the Group's general outlook is positive, albeit tempered by concerns around the future oil price.

6. Information on and intentions of the Offeror

a. Overview

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings, which is in turn held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury (Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings); (v) approximately 0.73% by Mr. Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Mr. Bryce Wayne Lee. The sole director of the Offeror is Mr. Xie Jianping (謝建平). Save for the entering into of the S&P Agreement, the CN Subscription Agreement and the Subscription Agreement, the Offeror has not engaged in any business activities.

b. Intention of the Offeror regarding the Group

Business of the Group

As disclosed in the letter from the Board in the Composite Document, apart from the Acquisition, the Offeror will, following the completion of the Offer, conduct a detailed review of the operations and investment portfolio of the Group with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should opportunities arise. As at the Latest Practicable Date, the Offeror was actively evaluating a number of acquisition opportunities, as discussed in the section headed "Prospects of the Group", and the Offeror has confirmed that it and its associates currently have no concrete plans for any acquisition of assets and/or business by the Company. In the event that any of such opportunities materialises, further announcements will be made as and when required by the Listing Rules.

As at the Latest Practicable Date, save for the proposed change of the Board composition as described below, and subject to the result of the Offeror's review on the operations of the Company, the Offeror had not entered into any agreement, arrangements, understandings or negotiations and had no intention to (i) discontinue the employment of any employee of the Group; (ii) redeploy any fixed assets of the Company other than those in its ordinary and usual course of business but may evaluate the continued employment of the remaining employees of the Company depending on the business strategy and focus of the Group.

Composition of the Board

As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. All the current Directors except Prof. Chen Zhiwu have indicated to the Board their intentions to resign with effect from the Closing Date (being the earliest time permitted under the Takeovers Code).

The Offeror intends to appoint Mr. Wang and Mr. Lee Khay Kok as new executive Directors; Mr. Lin and Mr. Shong Hugo (熊曉鴿) as new non-executive Directors; and Mr. Shi Cen (石岑) and Mr. Chau Shing Yim, David (周承炎) as new independent non-executive Directors. The appointment of new Directors is expected to be effective from the date of despatch of the Composite Document (being the earliest time permitted under the Takeovers Code). Details of the background and experience of the above new Directors to be nominated by the Offeror are set out in the Composite Document.

Listing status of the Company

As at the Latest Practicable Date, 727,935,588 Shares, representing approximately 45.02% of the issued share capital of the Company, were in the hands of the public. As stated in the letter from Essence Securities in the Composite Document, the Offeror intends that the Ordinary Shares will remain listed on the Stock Exchange after the close of the Offer and does not intend to exercise any rights to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer. The sole director of the Offeror and the new Directors to be nominated by the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

Independent Shareholders should be aware that if the number of Shares held by the public, as defined in the Listing Rules, comprises less than 25.0% of the total issued Shares of the Company at the close of the Offer, trading in the Shares may be suspended. If trading in the Shares is suspended, Independent Shareholders who chose not to accept the Offer would not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes. If a placing exercise is required to increase the Shares in public hands, this may impact the Share price.

7. Evaluation of the Offer Price

Upon completion of the Transactions, the Group has divested its principal business, hotel operations, and entered into a new principal business through the Acquisition. It follows that the historical financial results of the Group do not form an appropriate basis of evaluating the Offer, given the structure of the Group has changed fundamentally. In order to conduct a meaningful comparison of the Offer Price against the Company's net asset base, we consider that the pro forma financial results of the Group as at 31 March 2016, which take into account the completion of the Transactions, should be used as a basis of evaluation. In addition, the Composite Document carries, as Appendix IV, the Competent Evaluator's Report, which sets out an estimated fair market value of the Group's oil and gas assets. We consider that the Competent Evaluator's Report should be taken into account when comparing the net asset value of the Group, on a pro forma basis, to the Offer Price, as further set out in the sub-sections below.

a. Competent Evaluator's Report

Overall methodology

The Competent Evaluator's Report, as attached as Appendix IV to the Composite Document, contains the opinion of a competent evaluator on the fair market value of the PRC Target's unencumbered 80% revenue interest and operatorship in Block 212, being in the range of US$120 million (the "**Estimated Low End FMV**") to US$130 million (the "**Estimated High End FMV**") as at 31 December 2015, based on VALMIN Code. The Competent Evaluator's Report as contained in Appendix IV to the Composite Document also contains a statement by the Competent Evaluator that, on the basis that there has been no material change to Block 212, up to the Latest Practicable Date, there has been no material change to the Competent Evaluator's Report. Shareholders should refer to the Competent Evaluator's Report for details of the Estimated FMV.

We have reviewed and discussed with the Competent Evaluator regarding the methodology of, and bases and assumptions adopted for, the Estimated FMV. The Competent Evaluator has considered the future earnings potential through a risk-adjusted discounted cash flow analysis (the "**DCF Analysis**"), to arrive at the Estimated FMV. The Competent Evaluator has also identified value indications from three relevant market-based comparable transactions, but considered them to be unsuitable, as these comparable transactions either involve a very small reserve base or include assets located offshore or outside the PRC, and they took place at a time when prevailing oil prices were substantially different. The Competent Evaluator therefore considers the DCF Analysis, which is a commonly used valuation approach, to be an appropriate approach when valuing potential value of oil assets. Based on the above, we concur that the DCF Analysis is an appropriate valuation approach for arriving at the Estimated FMV.

Major bases and assumptions

In preparing the valuation, the Competent Evaluator has adopted a number of bases and assumptions in relation to the DCF Analysis. Major bases and assumptions include (1) input variables relating to the oil price, costs and discount rates, (2) Yanchang will be able to obtain a production permit for Unit 2 and Unit 19 of Block 212 and the PRC Target will continue to be the operator of the oil operation in the Area under the EPCC, and (3) the production forecast based on the successful implementation of the PRC Target's development and production plan. As set out in the Competent Evaluator's Report, the Estimated FMV is based on post-tax net present values.

Oil price, costs and discount rates

We understand from the Competent Evaluator that the Estimated FMV is based on various oil price scenarios as set out in the Competent Evaluator's Report, including (i) the "GCA 1Q 2016" scenario which assumes an average Brent Crude price of US$40.9 per barrel in 2016, with a gradual increase to US$70.0 per barrel in 2019, and a 2% per annum increase thereafter, and (ii) a "US$90 case" which assumes an average Brent Crude price of US$45.0 per barrel in 2016 escalating to US$90.0 per barrel in 2019, and a 2% per annum increase thereafter. We concur with the Competent Evaluator that in times of price volatility, it would be normal to expect the market to consider a broader range of price perceptions when assessing value. We note that the price of international crude oil is expected to rise in the coming years according to the Wood Mackenzie Report and the OPEC's 2015 World Oil Outlook issued in late 2015. According to Bloomberg, the average Brent Crude oil price was approximately US$41.2 per barrel during the first half of 2016. Although the future price of international crude oil is not certain, both Wood Mackenzie and OPEC consider that the long term oil price will increase compared to the current level, in line with the expectation of the Competent Evaluator.

Capital and operating cost estimates are substantially based on the development plan as detailed in the paragraph headed "Future Plans for commercial production" in the letter from the Board set out in the Circular, with a total capital expenditure up to 2019 of approximately RMB450 million. The forecast has been built up as the sum of an annual fixed cost covering facilities maintenance and general and administrative expenses, an annual maintenance cost per active well covering well servicing work plus a variable cost per barrel of oil produced based on the PRC Target's historical costs.

In order to arrive at the Estimated FMV, the Competent Evaluator has used discount rates reflecting the different risk characteristics of the different reserves categories, within a range of between 8% and 12%. The Competent Evaluator has taken into account other factors such as the effect of potential delays (a downside risk) and further cost reductions (a potential upside). We have discussed the above discount rates with the Competent Evaluator and note that a discount range of between 8% and 12% for developed and undeveloped reserves is common in the market.

Production permit and forecast

Yanchang has made an application to MOLR for a production permit for Unit 2 and Unit 19 of Block 212. The current exploration permits of Yanchang in respect of Block 212 and Block 378 will expire on 5 March 2017 and 9 November 2017, respectively. As stated in the section headed "History and business of the PRC Target" in the Circular, according to the memorandum dated 29 June 2016 of Haiwen & Partners, (i) the PRC legal advisors to the Company, Haiwen & Partners was told in an interview with relevant officers of MOLR that under the current rules and regulations in the PRC, Yanchang shall have the right to continue to renew its exploration permits in respect of the Area and during the term of the exploration permits, MOLR will not accept any application from other applicants for a production permit in respect of the Area and will not sell the production right in respect of the Area via tenders, and (ii) subject to the provision of documents and/or information required by MOLR, there is no legal impediment for Yanchang to be granted the production permit in respect of Unit 2 and Unit 19 of Block 212, as it has already successfully submitted a reserve report to MOLR. As at the Latest Practicable Date, the Group understands from Yanchang that MOLR was still reviewing its application for a production permit for Unit 2 and Unit 19 of Block 212.

We note that the Competent Evaluator has carried out physical inspections of the oil field facilities located in Block 212 verifying the state of the assets and the nature of the operation. We have performed work as required under note (1)(d) to Listing Rule 13.80 in relation to the Competent Evaluator, including interviewing the Competent Evaluator as to its experience and qualification, and we have also reviewed its terms of engagement and its work as regards the Estimated FMV.

b. The Offer Price relative to the adjusted NAV of the pro forma Restructured Group

The Group, following the completion of the Transactions, has entered a new principal business through the Acquisition. For the purpose of assessing the reasonableness of the Offer Price, the historical financial information of the Group, as set out in Appendix II to the Composite Document, is therefore of limited relevance. In this circumstance, the unaudited pro forma financial information of the Restructured Group, as set out in Appendix III to the Composite Document, despite being hypothetical in nature, provides a relatively more meaningful picture of the Group.

The Offer represents an opportunity for Independent Shareholders to realise their investment in the Company for a cash exit of HK$0.6696 per Offer Share. As set out in the section headed "Principal terms of the Offer" in the letter from the Board in the Composite Document, the adjusted NAV per Share based on the unaudited pro forma financial information of the Restructured Group attributable to owners of the Company as at 31 March 2016 was approximately HK$0.62 per Share, the detailed calculation of which is set out below:

In HK$ million, unless stated otherwise		**Assuming conversion in full of the Preferred Shares, and no conversion of the Convertible Bonds and the Convertible Note**
NAV of the pro forma Restructured Group as at 31 March 2016 *(Note)*		2,200.2
Adjustments		
Subtract:		
— Aggregate carrying value of the oil and gas properties and the intangible assets of the PRC Target regarding the acquired cooperation rights under the EPCC as at 31 December 2015		(449.7)
Add:		
— The mid-point of the Estimated FMV		968.8
Adjusted pro forma NAV (the "**Adjusted NAV**")	A	**2,719.3**
Total number of Shares	B	4,364,649,774
Adjusted NAV per Share (HK$)	**=A/B**	**0.62**
Offer Price (HK$)		**0.6696**
Premium over NAV		**8.0%**

Note: As extracted from Appendix III to the Composite Document

As set out in the table above, the Offer Price represents a premium of approximately 8.0% over the Adjusted NAV per Share. The Adjusted NAV per Share would be approximately HK$0.61 and HK$0.63 if the Estimated Low End FMV and the Estimated High End FMW, respectively, are used instead of the mid-point of the Estimated FMV range.

As set out in the section headed "Principal terms of the Offer" in the letter from the Board in the Composite Document, the Company does not consider it necessary for the Adjusted NAV to be reviewed by the auditor of the Company or reporting accountants, as the adjustment reflects the simple replacement of the aggregate carrying value of the oil and gas properties and related intangible assets by the estimated fair market value of the oil and gas properties for valuation evaluation purposes, and this procedure does not include any actual or pro forma accounting adjustment based on HKFRS. Given that the underlying pro forma financial statements of the Restructured Group (being the key basis for the calculation of the Adjusted NAV) have been reviewed by the reporting accountants, we do not consider it necessary for the Adjusted NAV to be separately reviewed by the reporting accountants.

We note that the Circular included, as Appendix IX, a valuation on the property interests held by the PRC Target (the "**Property Valuation**"). As set out in the section headed "Property interests and property valuation" in the Circular, the unaudited net book value of the PRC Target's properties as at 31 March 2016 was approximately RMB93.6 million, while the appraised value of the PRC Target's properties as at 31 March 2016 was approximately RMB52.4 million. Such difference was mainly due to the fact that (i) certain cost and expenses included in the net book value were incurred in relation to the construction of the building structures, but were not considered property interests for the purposes of the valuation, and (ii) for valuation purpose, no fair value was ascribed to a number of buildings without proper title certificates. As set out in the section headed "Principal terms of the Offer" in the letter from the Board in the Composite Document, all property interests held by the Restructured Group are for self-use purpose and the Company has no intention to dispose of such properties. Accordingly, the Company considers it fair to continue to state its property interests as a whole at their aggregate cost less depreciation in accordance with its accounting policies and no impairment is provided as a result of the Property Valuation. If the Property Valuation is taken into account in the calculation of the Adjusted NAV, the Adjusted NAV per Share would be reduced by approximately HK$0.01, before any tax effects.

Peer comparison

We have identified Hong Kong listed companies active in the PRC that are engaged in upstream oil exploration and production, with at least half of their revenues and segment results generated from this activity. Based on these criteria, we identified 3 companies (the "**Comparable Companies**"). We consider the list of Comparable Companies presented below to be an exhaustive list according to our research on the website of the Stock Exchange based on the above criteria. The Comparable Companies are set out in the table below:

Name of company	**Market capitalisation as at the Latest Practicable Date** *(HK$ million)* *(Note 1)*	**Closing price as at the Latest Practicable Date** *(HK$)* **(A)** *(Note 1)*	**Consolidated NAV per share** *(HK$)* **(B)** *(Note 2)*	**Price to book multiple ("P/B")** *(times)* **(A/B)**
United Energy Group Limited ("**United Energy**") (stock code: 467) *(Note 3)*	6,551.0	0.25	0.36	0.69
CNOOC Limited (stock code: 883)	395,130.0	8.85	10.29	0.86
MIE Holdings Limited (stock code: 1555)	2,057.0	0.70	0.88	0.80
			Mean	0.78
			Median	0.80
			Maximum	0.86
			Minimum	0.69
The Offer		**0.6696** *(Note 4)*	**0.50** *(Note 5)*	**1.34**

Notes:

(1) The market capitalisation and closing price of the Comparable Companies as at the Latest Practicable Date are sourced from the website of Stock Exchange.

(2) The consolidated NAV per share of the Comparable Companies is calculated by dividing the respective consolidated NAV attributable to the equity holders as extracted from the latest published financial statements by the respective number of issued shares (and assuming conversion of preference shares, if any) as at the Latest Practicable Date, and translated into HK$ at an exchange rate of RMB0.84 = HK$1.

(3) On 30 June 2016, United Energy published a circular in relation to a one-for-one open offer. As the shares of United Energy has been trading on an ex-entitlement basis since 26 July 2016, the minimum amount of net proceeds of the open offer of approximately HK$2,575.2 million as set out in the circular has been added to the consolidated NAV of the company as at 31 December 2015, and the number of shares of United Energy after completion of the open offer has been used, to arrive at the consolidated NAV per share above.

(4) Being the Offer Price of HK$0.6696 per Share.

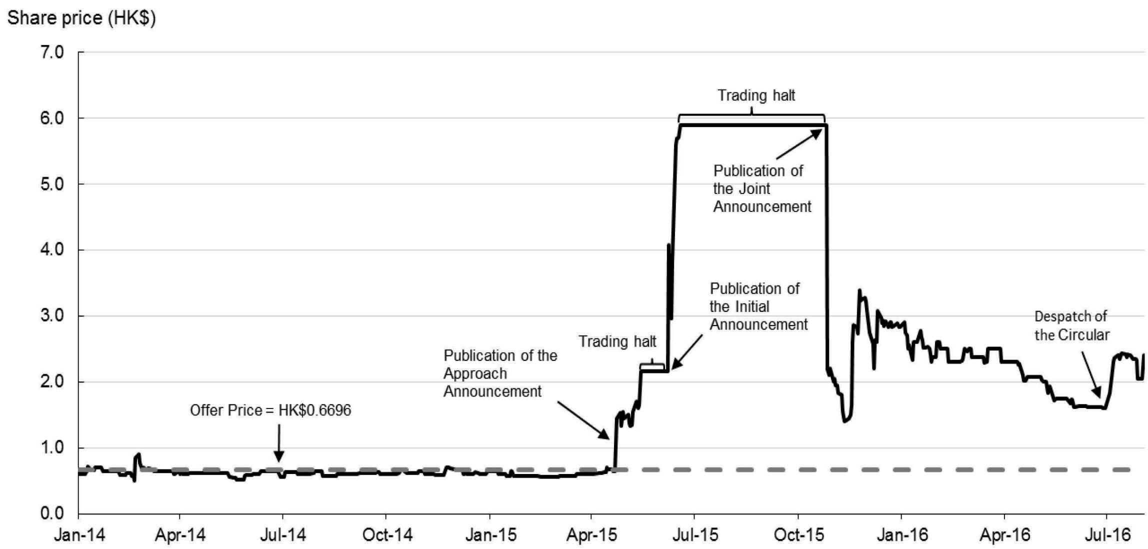
(5) The consolidated NAV per Share is calculated by dividing (a) capital and reserves of the Company of approximately HK2,200.2 million as at 31 March 2016 as extracted from the unaudited pro forma financial information of the Restructured Group as set out in Appendix III to the Composite Document by (b) 4,364,649,774 Shares, being the number of issued Shares as at the Latest Practicable Date, assuming the full conversion of the Preferred Shares.

As shown above, the P/B of the Comparable Companies ranged from approximately 0.69 times to 0.86 times, with a mean and a median of approximately 0.78 times and 0.80 times respectively. The implied P/B as represented by the Offer Price of approximately 1.34 is higher than all P/B of the Comparable Companies, which we consider favourable to the Independent Shareholders. In our analyses set out above we have not analysed the price-to-earnings ("**P/E**") multiples of the Comparable Companies for comparison with an implied P/E multiple based on the Offer Price, as the PRC Target recorded a loss for the financial year ended 31 December 2015.

8. Analysis of price performance and trading liquidity

a. Historical price performance of the Shares

Set out below is the movement of the closing prices of the Shares during the period from 1 January 2014 to the Latest Practicable Date (the "**Share Price Review Period**"):



Source: Bloomberg

As shown in the chart above, the Share price had fluctuated within a range of HK$0.51 to HK$0.91 from the beginning of the Share Price Review Period up to late April 2015 prior to the Approach Announcement (as defined below), and had in general been trading close to the Subscription Price of HK$0.6696. On 23 April 2015, the share price rose significantly and reached HK$1.05 by 3:00 pm on 23 April 2015, after which trading in the Shares was suspended. The Company published an announcement after trading hours that day which stated that, among others, some potential investors and third parties approached the Directors with investment opportunities (the "**Approach Announcement**").

Following the Approach Announcement, the Shares resumed trading the next day on 24 April 2015 and closed at HK$1.45. The Share price subsequently continued to trend higher and rose to HK$2.16 on 15 May 2015, being the last trading day prior to the Initial Announcement.

The Shares resumed trading on the day following publication of the Initial Announcement and the Share price rose to an all-time high of HK$5.90 on 19 June 2015. Trading in the Shares was suspended again on 22 June 2015, prior to the publication of the Joint Announcement on 27 October 2015.

The Shares resumed trading on 28 October 2015 and closed at HK$2.19 on that day. Subsequently, the Share price dropped to HK$1.40 on 12 November 2015 before climbing up to HK$3.39 on 25 November 2015. The Share price then exhibited a general downward trend and closed at HK$1.60 on 28 June 2016. Subsequently, the Share price rose and closed at HK$2.40 as at the Latest Practicable Date.

We note that following the Approach Announcement and up to the Latest Practicable Date, the Shares traded, at times substantially, above the Offer Price. As at the Latest Practicable Date, the Share price is approximately 2.6 times higher than the Offer Price.

b. Trading liquidity

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Share Price Review Period:

	Monthly total trading volume of the Shares *(Note 1)*	**Percentage of the monthly total trading volume of the Shares to the total issued Shares** *(Note 2)*	**Percentage of the monthly total trading volume of the Shares to public float of the Company** *(Note 3)*
2014			
January	630,000	0.18%	0.46%
February	4,667,500	1.34%	3.39%
March	905,000	0.26%	0.66%
April	440,050	0.13%	0.32%
May	330,000	0.10%	0.24%
June	292,500	0.08%	0.21%
July	531,540	0.15%	0.39%
August	112,500	0.03%	0.08%
September	147,500	0.04%	0.11%
October	1,070,500	0.31%	0.78%
November	160,000	0.05%	0.12%
December	1,250,000	0.36%	0.91%
2015			
January	590,000	0.17%	0.43%
February	—	—	—
March	512,500	0.15%	0.37%
April *(Note 4)*	64,586,340	18.60%	46.95%
May *(Note 4)*	20,143,000	5.80%	14.64%
June *(Note 4)*	68,358,345	19.68%	49.69%
July *(Note 4)*	—	—	—
August *(Note 4)*	—	—	—
September *(Note 4)*	—	—	—
October *(Note 4)*	13,885,000	4.00%	12.27%
November	45,564,639	13.12%	40.26%
December	23,566,300	6.79%	20.83%

	Monthly total trading volume of the Shares *(Note 1)*	Percentage of the monthly total trading volume of the Shares to the total issued Shares *(Note 2)*	Percentage of the monthly total trading volume of the Shares to public float of the Company *(Note 3)*
2016			
January	6,440,000	1.85%	5.69%
February	720,000	0.21%	0.64%
March	1,073,000	0.31%	0.95%
April	990,035	0.29%	0.87%
May	790,000	0.23%	0.70%
June	1,130,000	0.33%	1.00%
July	3,577,800	0.22%	0.49%
From 1 August 2016 to the Latest Practicable Date	20,000	0.00%	0.00%

Notes:

(1) Source: Bloomberg

(2) The calculation is based on the monthly total trading volumes of the Shares divided by the total issued share capital of the Group at the end of each month or at the Latest Practicable Date, as applicable

(3) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public at the end of each month or at the Latest Practicable Date, as applicable

(4) Trading in shares was suspended between 3:00 p.m. and 4:00 p.m. on 23 April 2015 and between 9:00 a.m. and 1:00 p.m. on 15 June 2015, during the period from 3:00 p.m. on 15 May 2015 to 8 June 2015, and during the period from 22 June 2015 to 27 October 2015

Based on the above table, the monthly trading volume of the Shares had been generally low, prior to the Approach Announcement in April 2015. Trading had been more active since the Approach Announcement and after the Joint Announcement in October 2015.

The higher trading volume after the Approach Announcement and up to January 2016 is in our view related to the Offer. The monthly trading volume of the Shares returned to a lower level, representing at most approximately 1.0% of the issued Shares constituting the public float of the Company, from February 2016 and up to the Latest Practicable Date. Independent Shareholders should note that, after the Closing Date, the trading volume of the Shares may not return to the levels seen in late 2015 and early 2016. The Offer consequently represents a good opportunity for the Independent Shareholders to dispose of their entire holdings at a fixed cash price, without regard to the effects of subdued trading volumes on the market price of the Shares in the case of selling in the market.

c. *Offer Price comparisons*

The Offer Price of HK$0.6696 per Offer Share represents:

1. a discount of approximately 72.10% to the closing price of HK$2.40 per Ordinary Share as quoted on the Stock Exchange on the Latest Practicable Date;

2. a discount of approximately 69.00% to the closing price of HK$2.16 per Ordinary Share as quoted on the Stock Exchange on 15 May 2015, being the Last Initial Announcement Trading Day;

3. a discount of approximately 88.65% to the closing price of HK$5.90 per Ordinary Share as quoted on the Stock Exchange on 19 June 2015, being the Last Trading Day;

4. a premium of approximately 33.92% over the unaudited pro forma financial information of the Restructured Group attributable to owners of the Company as at 31 March 2016 of approximately HK$0.50 per Share (calculated based on approximately 4,364.6 million Ordinary Shares in issue as at the Latest Practicable Date and assuming conversion in full of the Preferred Shares but before conversion of any Convertible Bonds and the Convertible Note); and

5. a premium of approximately 8.0% over the Adjusted NAV, as represented by each Ordinary Share in issue upon completion of the Transactions (assuming conversion in full of the Preferred Shares but before conversion of any Convertible Bonds and the Convertible Note) of approximately HK$0.62 (before taking into account any fair market value adjustment to other assets of the Restructured Group)

The Offer Price represented discounts to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date, the Last Initial Announcement Trading Day and the Last Trading Day respectively. However, Independent Shareholders are again drawn to the fact that following the completion of the Transactions the Group has, among others, divested its hotel and restaurant operations and acquired the PRC Target. On this basis, we consider it appropriate to compare the Offer Price to the unaudited pro forma financial information of the Restructured Group, as adjusted for revalued oil and gas properties and intangible assets as set out under (v) above, and consider a premium of approximately 8.0% represented by the Offer Price to be beneficial to the Independent Shareholders. Please make reference to the section headed "Evaluation of the Offer Price" for further information on the Adjusted NAV per Share.

9. Risks associated with the Group's business

Set out below are the principal risks associated with the Group's business following the completion of the Transactions, which we have considered during our assessment:

Volatility of global crude oil price

The Group's profitability is affected by the volatility of global crude oil prices, which is correlated to the Group's selling price of crude oil. The price of Brent Crude has dropped significantly since mid-2014, but recently showing signs of recovery, albeit from a low base. If the global crude oil price remains at low levels or drops even further, the profitability of the Group will be adversely affected, and the development plan of the Group's oil and gas assets may also be delayed and adversely affected.

Based on the Competent Evaluator's Report and Wood Mackenzie Report, the current low oil price affects oil supply and demand, and the oil price is expected to rise in the coming years. Based on the above, the Group is of the view that crude oil prices are more likely to increase in the long term and, therefore, the risk to which the Group is subject is low to moderate in the long term. In light of the forecasted rise in oil prices as set out in the Wood Mackenzie Report and noted by OPEC, and taking into account the Competent Evaluator's Report, we concur with the Group's view.

Relationship with Yanchang

The Group's business operations depend on the EPCC with Yanchang. If the Group fails to maintain a continued good working relationship with Yanchang, or if Yanchang changes its intention and decides to enforce its right to terminate the EPCC, the Group's business, financial condition and results of its operations may be materially and adversely affected. In addition, the EPCC requires the Group to meet certain requirements, including payment of the revenue sharing monies based on the relevant payment term. As of 30 June 2016, revenue sharing monies payable of approximately RMB79.4 million under the EPCC were due and remain outstanding, which is not in accordance with the terms of the EPCC. As such, Yanchang has the right to terminate the EPCC before expiry.

Yanchang has not set a timetable for repayment and renewed the EPCC in 2015 and again in 2016 notwithstanding the outstanding overdue payment. Yanchang has also stated that it has established a good working relationship with the Group, and confirmed that it will renew the EPCC with the PRC Target for so long as the PRC Target has performed its obligations under the EPCC, and that it will not terminate the EPCC as a result of the outstanding overdue payment from the PRC Target.

Renewal of exploration permit and application of production permit

The current EPCC will expire on 30 June 2018, and the current exploration permits held by Yanchang in respect of Block 212 and Block 378 will expire on 5 March 2017 and 9 November 2017, respectively. It is expected that the EPCC will be renewed after the expiry of the current EPCC based on Yanchang's existing exploration permits or after the first production permit in Block 212 is granted to Yanchang by MOLR. In this connection, Yanchang has made an application to MOLR for a production permit for Unit 2 and Unit 19 of Block 212. If the EPCC is not renewed or a production permit is not granted to Yanchang, it may adversely affect the business operation, financial condition and operating results of the Group.

As set out in the section headed "Production permit and forecast", Yanchang shall have the rights to continue to renew its exploration permits and during the term of the exploration permits, MOLR will not accept any application from other applicants and will not sell the production right in respect of the Area via tenders, and there should be no legal impediment for Yanchang, subject to the provision of documents/information required by MOLR, to obtain the production permit in respect of Block 212.

Reliance on a single customer

Under the EPCC, Yanchang has the right to designate customers to which the Group can sell the crude oil produced from the Area. Up to the Latest Practicable Date, all of the Group's crude oil sales have been made to a single customer designated by Yanchang, creating a concentration risk to the Group.

In the event that such single customer is unable to purchase from the Group, the Group is of the view that it and/or Yanchang should be able to identify other customers paying market price, as crude oil is a commonly traded commodity with an established market. In addition, the Group intends to pursue oil and gas opportunities in other locations, which may help to reduce such reliance on a single customer.

Outstanding litigation against the PRC Target

The Group is currently involved in an outstanding litigation. If this case is determined against the Group, the Group's business, financial conditions, operating results, prospects or reputation may be adversely affected. In this connection, Hongbo Investment and the Group executed an agreement on 1 July 2015, pursuant to which Hongbo Investment would be responsible for any direct loss suffered by the Group, including but not limited to damages ordered by a court or arbitral tribunal, caused by any dispute with the claimant and/or related to the agreement between the claimant and Hongbo Investment dated 15 June 2008.

Independent Shareholders should note that while the above risks are either inherent to the Group's business, or have been addressed or contained to a certain extent, they may not be completely eliminated and as such, any material development of the above risks may adversely affect the future business of the Group.

DISCUSSION AND ANALYSIS

1. A "new" Company

Following completion of the Transactions, the Group is now engaged principally in the oil and gas business. Although loss making in recent years, the historical financials of the Group are of no relevance in assessing the financial performance as of the current time. Further information on the PRC Target, which holds the Group's new business, is set out in the section headed "Summary of the PRC Target". We consider the prospects of the Group to be largely dependent on the development of the oil price and the future operating performance of the oil exploration and extraction business of the PRC Target. According to the Competent Evaluator's Report, the oil price is expected to rise in the coming years, although this is not a certainty.

2. Offer Price higher than the Adjusted NAV

The pro forma NAV of the Group, which includes the financial information of the PRC Target and excludes the Divestment Group, serves as a basis of evaluation of the Offer Price. In addition, the pro forma NAV should be adjusted for the value of the Group's oil and gas assets, as set out in the Competent Evaluator's Report. On this basis, the Offer Price is higher than the Adjusted NAV of HK$0.62, which is beneficial to the Independent Shareholders.

3. Favourable comparison with peers on P/B basis

We have analysed Comparable Companies which have a business similar to the Group, and note that the implied P/B as represented by the Offer Price of approximately 1.34 is higher than all P/Bs of the Comparable Companies trading in the market, which is favourable.

4. Maintenance of the listing status

The Offeror has stated that it intends to maintain the listing status of the Company, which normally requires a public float of at least 25.0%. As at the Latest Practicable Date, the public float of the Company is approximately 45.02%. Significant acceptances of the Offer might cause the public float to fall below the minimum requirement. In that case, trading in the Shares may be suspended until the public float is restored and the measures needed to achieve this, for example a placing of new or existing shares, may have an impact on the Share price.

5. Risks

We have set out above certain risk factors in the section headed "Risks associated with the Group's business". For the reasons discussed in the same section, the relevant risks are either inherent (such as volatility of global crude oil price) or have been addressed to a certain extent. Any material unfavourable development as regards to the above risks may adversely affect the future business of the Group. Independent Shareholders should note that the risks outlined above would not be relevant to them in case they decide to accept the Offer.

6. Current market price and trading volume of the Shares

Although we consider the Offer Price reasonable on the basis of the analyses under (ii) and (iii) above, the Share price following the Approach Announcement and up to the Latest Practicable Date has been consistently significantly higher than the Offer Price. This is sometimes observed when there is a speculation in the market as to the future development of the Group, and Independent Shareholders should bear in mind that recent share prices are based on thin trading volume (for example average daily trading volume of 178,890 shares in July 2016, or approximately 0.16% of the number of Offer Shares of approximately 113.2 million). While the Offer Price is considered reasonable when evaluated against fundamental data of the Company as well as by comparison to peers, if the Shares continue to trade at a substantial premium to the Offer Price, Independent Shareholders who wish to realise their investment should consider selling their Shares in the market instead of accepting the Offer. However, particularly in view of low trading volume, the recent price level may not necessarily be sustained in future if a significant number of sellers come into the market, and Independent Shareholders should carefully monitor the trend of the Share price and trading volume.

OPINION AND RECOMMENDATION

Based on the principal factors and reasons set out in this letter, we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer. However, the market price of the Shares has consistently exceeded the Offer Price in recent weeks, closing at HK$2.40 as at the Latest Practicable Date. Consequently, Independent Shareholders who wish to dispose of their Shares should monitor the Share price closely; if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, Independent Shareholders should sell in the market. Independent Shareholders who are attracted to the future of the Company under the management of the Offeror may consider retaining some or all of their Shares, but if so should refer to the risk factors set out in paragraph (v) in the section headed "Discussion and analysis".

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED

M. N. Sabine	**John Wong**
Chairman	*Director*

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years of experience in the corporate finance industry.

Mr. John Wong is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited. He has over seven years of experience in the corporate finance industry.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary Share is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand, to the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, marked "**Shun Cheong Holdings Limited — Offer**" on the envelope, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer (whether in full or in part of your Ordinary Shares), you must either:

(i) lodge your Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "**Shun Cheong Holdings Limited — Offer**"; or

(ii) arrange for the Ordinary Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "**Shun Cheong Holdings Limited — Offer**"; or

(iii) if your Ordinary Shares have been lodged with your licensed securities dealer/ registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Ordinary Shares have been lodged with your investor participant account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Ordinary Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Ordinary Shares, the Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "**Shun Cheong Holdings Limited — Offer**" to the Registrar together with a letter stating that you have lost one or more of your Ordinary Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become available, the relevant Ordinary Share certificate(s) and/or, transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Ordinary Shares for registration in your name and have not yet received your Ordinary Share certificate(s), and you wish to accept the Offer in respect of your Ordinary Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked "**Shun Cheong Holdings Limited — Offer**" to the Registrar together with the transfer receipt(s) that you have duly signed. Such action will be deemed to be an irrevocable authority to the Offeror and/or Essence Securities and/or any of their respective agent(s) to collect from the Registrar on your behalf the relevant Ordinary Share certificate(s) when issued and to deliver such Ordinary Share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Unless otherwise decided by the Offeror, acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code), and is:

(i) accompanied by the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Ordinary Share, executed by the registered holder) as are required in order to establish your right to become the registered holder of the relevant Ordinary Shares; or

(ii) from a registered Ordinary Share Holder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Ordinary Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. a grant of probate/administration or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty for transfer of Offer Shares registered by the Registrar arising in connection with the Offer will be payable by each acceptable Independent Shareholder at the rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance, whichever is higher, the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Shareholder accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(g) No acknowledgement of receipt of any Form of Acceptance, Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offer is made on Friday, 5 August 2016, being the date of despatch of this Composite Document, and is open for acceptance on and from this date.

(b) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.

(c) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

(d) In the event the Offeror decides to extend or revise the Offer and the announcement jointly issued by the Company and the Offeror does not specify the next closing day, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Shareholders who have not accepted the Offer.

(e) If the Offeror revised the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(f) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

3. SETTLEMENT

Provided that a valid Form of Acceptance and the relevant Ordinary Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. on the Closing Date (or such other time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code), a cheque for the amount due to each Shareholder less seller's ad valorem stamp duty in respect of the Ordinary Shares tendered by him/her/it under the Offer will be despatched to the Shareholder by ordinary post at his/her/its own risks, as soon as possible but in any event within seven (7) business days following the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Shareholder who accepts the Offer will be rounded up to the nearest cent.

4. ANNOUNCEMENTS

(a) By 6:00 p.m. on the Closing Date (or such later time as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating, amongst other information required under Rule 19.1 of the Takeovers Code, whether the Offer has been extended, revised or has closed for acceptance.

The announcement must state the following:

(i) the total number of Ordinary Shares and rights over Ordinary Shares for which acceptances of the Offer have been received;

(ii) the total number of Ordinary Shares and rights over Ordinary Shares held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period;

(iii) the total number of Ordinary Shares and rights over Ordinary Shares acquired or agreed to be acquired by the Offeror or parties acting in concert with it during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with the Offeror has borrowed or lent (save for any borrowed Ordinary Shares which have been on-lent or sold); and

(v) the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights, represented by these numbers.

(b) In computing the total number of Ordinary Shares represented by acceptances, only valid acceptances that are complete, in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date (being the latest time and date for acceptance of the Offer) shall be included.

5. RIGHT OF WITHDRAWAL

(a) As the Offer is unconditional in all respects, acceptances tendered by the Shareholders shall be irrevocable and shall not be capable of being withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code.

(b) If the Offeror is unable to comply with the requirements set out in the section headed ''4. Announcements'' in this Appendix, the Executive may require all the Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Shareholder(s) withdraw(s) the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Ordinary Share certificate(s) and/or transfer receipts and/or other document(s) of title lodged with the Form of Acceptance to the relevant Shareholders at their own risks.

6. OVERSEAS SHAREHOLDERS

The Offer is available to all the Shareholders including the Overseas Shareholders. The making of the Offer to persons not resident in Hong Kong may be affected by the laws of non-Hong Kong jurisdictions. As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should satisfy themselves as to the observance of any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such accepting Overseas Shareholders in respect of such jurisdiction).

7. TAXATION

None of the Company, the Offeror, Essence Corporate Finance, Essence Securities, Somerley Capital, the Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the Shareholders on their individual tax implications. The Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Company, the Offeror, Essence Corporate Finance, Essence Securities, Somerley Capital, the Registrar, the professional advisers to the Company and the Offeror or any of their respective directors or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the Shareholders.

8. STAMP DUTY AND OTHER FEES

The seller's Hong Kong ad valorem stamp duty arising from the acceptance of the Offer amount to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Ordinary Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Shareholders who accept the Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders.

The Offeror will bear its own ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of acceptances of the Offer.

9. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Ordinary Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Ordinary Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

10. GENERAL

(a) All communications, notices, the Form of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Essence Securities, Essence Corporate Finance, REORIENT Financial Markets Limited, Somerley Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

(b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Ordinary Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of preemption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.

(c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Ordinary Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Ordinary Shares held by such nominee for such beneficial owners who accept the Offer.

(d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(g) Due execution of the Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.

(h) The Offer is made in accordance with the Takeovers Code.

(i) In making their decision, the Shareholders must rely on their own examination of the Group, the Restructured Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Essence Securities, Essence Corporate Finance, Somerley Capital or their respective professional advisers. The Shareholders should consult their own professional advisers for professional advice.

(j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

(k) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong (including the Takeovers Code) and the operating rules of the Stock Exchange.

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2014, 2015 and 2016 as extracted from the relevant annual reports of the Company.

	For the year ended 31 March		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(Re-presented)	(audited)
RESULTS			
Revenue			
— Continuing operation		—	—
— Discontinued operations		143,695	138,293
Total *(Note)*	121,384	143,695	138,293
Profit (loss) before tax			
— Continuing operation		(82,568)	(10,930)
— Discontinued operations		(152,366)	7,152
Total *(Note)*	(197,773)	(234,934)	(3,778)
Income tax expense			
— Continuing operation		—	—
— Discontinued operations		—	—
Total *(Note)*	—	—	—
Profit (loss) for the year			
— Continuing operation		(82,568)	(10,930)
— Discontinued operations		(152,366)	7,152
Total *(Note)*	(197,773)	(234,934)	(3,778)
Profit (loss) for the year attributable to owners of the Company:			
— Continuing operation		(82,568)	(10,930)
— Discontinued operations		(151,452)	7,269
Total *(Note)*	(197,298)	(234,020)	(3,661)

	For the year ended 31 March		
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(Re-presented)	(audited)
Profit (loss) for the year attributable to non-controlling interests:			
— Continuing operation		—	—
— Discontinued operations		(914)	(117)
Total *(Note)*	(475)	(914)	(117)
Loss per share:			
From continuing operation and discontinued operations *(Note)*			
— Basic and diluted	(HK$56.80 cents)	(HK$67.38 cents)	(HK$1.05 cents)
Loss per share:			
From continuing operation *(Note)*			
— Basic and diluted	N/A	(HK$23.77 cents)	(HK$3.15 cents)

*Note: On 22 June 2015, the Company entered into the sale and purchase agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) for the disposal of entire equity interests in Aykens Holdings Limited, Hopland Enterprises Limited and their respective subsidiaries (collectively referred to as the "***Divestment Group***")* to Upsky Enterprises Limited, the immediate and ultimate holding company of the Company.

The results of the Divestment Group were presented as a discontinued operations for the year ended 31 March 2016. The comparative financial information for the year ended 31 March 2015 has been restated to present the results of the hotel business as discontinued operations to conform with the presentation with the year ended 31 March 2016 in the annual reports of the Company for the year ended 31 March 2016.

For the avoidance of doubt, the financial results for the year ended 31 March 2014 were presented in aggregate and did not separate into continuing operation and discontinued operations in the annual reports of the Company for the year ended 31 March 2014.

For the financial year ended 31 March 2014, the Group recorded a provision for litigation of approximately HK$166.8 million. For further details of the litigation, please refer to note 39 of the consolidated financial statements set out in the annual reports of the Company for the financial year ended 31 March 2014.

For the financial year ended 31 March 2015, the Group recorded an impairment loss recognised in respect of property, plant and equipment and a loss on modifications of terms of convertible bonds of approximately HK$120.9 million and HK$68.9 million, respectively. For further details of the impairment loss and modifications of terms of convertible bonds, please refer to notes 17 and 29 of the consolidated financial statements set out in the annual reports of the Company for the financial year ended 31 March 2015, respectively.

Save as disclosed above, the Company had no items which are exceptional because of size, nature or incidence for the years ended 31 March 2014, 2015 and 2016.

No dividends have been declared/paid by the Company, and there were no amounts absorbed by dividends, for the years ended 31 March 2014, 2015 and 2016.

Disclaimer of opinion

For the financial years ended 31 March 2014, 2015 and 2016, because of material uncertainty relating to the going concern basis, Shinewing (HK) CPA Limited have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, Shinewing (HK) CPA Limited did not express an opinion on the consolidated financial statements. The relevant extracts of the annual reports of the Company for the financial years ended 31 March 2014, 2015 and 2016 are set out below.

Financial year ended 31 March 2014

Basis of Disclaimer of Opinion

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$393,771,000 as at 31 March 2014 and the Group incurred a loss for the year of approximately HK$197,773,000 for the year ended 31 March 2014.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis of Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial year ended 31 March 2015

Basis for Disclaimer of Opinion

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$147,110,000 and net liabilities of approximately HK$105,027,000 as at 31 March 2015 and the Group incurred a loss for the year of approximately HK$234,934,000 for the year ended 31 March 2015.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. However, we are unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, the successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial year ended 31 March 2016

Basis for Disclaimer of Opinion

Material uncertainty relating to the going concern basis

The Group had net current liabilities of approximately HK$2,774,000 and net liabilities of approximately HK$112,547,000 as at 31 March 2016 and the Group incurred a loss for the year of approximately HK$3,778,000 for the year ended 31 March 2016.

As explained in the basis of preparation set out in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the consolidated financial statements. However, we are unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, the successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY FOR THE YEARS ENDED 31 MARCH 2015 AND 31 MARCH 2016

Set out below is the full text of the audited consolidated financial information of the Company for the years ended 31 March 2015 and 31 March 2016 extracted from the annual reports of the Company for the years ended 31 March 2015 and 31 March 2016 respectively.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2016

	Notes	**2016** *HK$'000*	**2015** *HK$'000* (Re-presented)
Continuing operation			
Revenue	*8*	—	—
Cost of sales		—	—
Gross profit		—	—
Other income	*10*	195	195
Administrative expenses		(4,883)	(1,395)
Fair value loss on equity investment at fair value through profit or loss		(351)	(7,209)
Finance costs	*11*	(5,891)	(5,269)
Loss on modifications of terms of convertible bond		—	(68,890)
Loss before tax		(10,930)	(82,568)
Income tax expense	*12*	—	—
Loss for the year from continuing operation	*14*	(10,930)	(82,568)
Discontinued operations			
Profit (loss) for the year from discontinued operations	*13*	7,152	(152,366)
Loss for the year		(3,778)	(234,934)
Other comprehensive (expenses) income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive (expenses) income of joint ventures		(245)	450
Exchange difference arising on translation of foreign operations		(3,497)	954
Other comprehensive (expenses) income for the year		(3,742)	1,404
Total comprehensive expenses for the year		(7,520)	(233,530)

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
Profit (loss) for the year attributable to owners of the Company:			
— from continuing operation		(10,930)	(82,568)
— from discontinued operations		7,269	(151,452)
		(3,661)	(234,020)
Loss for the year attributable to non-controlling interest:			
— from continuing operation		—	—
— from discontinued operations		(117)	(914)
		(117)	(914)
Total loss for the year		(3,778)	(234,934)
Total comprehensive income (expense) for the year attributable to owners of the Company:			
— from continuing operation		(10,930)	(82,568)
— from discontinued operations		3,885	(150,146)
		(7,045)	(232,714)
Total comprehensive expense for the year attributable to non-controlling interest:			
— from continuing operation		—	—
— from discontinued operations		(475)	(816)
		(475)	(816)
Total comprehensive expenses for the year		(7,520)	(233,530)
Loss per share			
From continuing and discontinued operations			
— Basic and diluted	*17*	(HK 1.05 cents)	(HK 67.38 cents)
From continuing operation			
— Basic and diluted	*17*	(HK 3.15 cents)	(HK 23.77 cents)

Consolidated Statement of Financial Position
As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	—	327,506
Interests in joint ventures	19	—	88,728
		—	416,234
Current assets			
Inventories	20	—	2,425
Trade receivables	21	—	5,393
Prepayments, deposits and other receivables	22	1,245	6,330
Equity investment at fair value through profit or loss	23	5,840	6,191
Deposits placed with financial institutions	24	97	2,491
Bank balances and cash	25	616	15,188
		7,798	38,018
Assets classified as held for sale	13	416,384	—
		424,182	38,018
Current liabilities			
Trade payables	26	—	14,716
Other payables, accruals and deposits	27	9,738	79,566
Amounts due to related companies	28	—	7,678
Tax payables		—	5,401
Interest-bearing bank borrowings	30	—	77,767
		9,738	185,128
Liabilities directly associated with assets classified as held for sale	13	417,218	—
		426,956	185,128
Net current liabilities		(2,774)	(147,110)
Total assets less current liabilities		(2,774)	269,124

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Amounts due to related companies	28	—	148,941
Convertible bond	29	109,773	105,082
Interest-bearing bank borrowings	30	—	120,128
Total non-current liabilities		109,773	374,151
Net liabilities		(112,547)	(105,027)
Capital and reserves			
Share capital	31	3,473	3,473
Reserves		(122,928)	(115,883)
Capital deficiency attributable to owners of the Company		(119,455)	(112,410)
Non-controlling interests		6,908	7,383
Capital deficiency		(112,547)	(105,027)

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Capital deficiency attributable to owners of the Company										
	Share Capital	**Share Premium**	**Contributed surplus**	**Equity component of convertible bond**	**Capital redemption reserve**	**Exchange fluctuation reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**(Capital deficiency) total equity**
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000* *(Note b)*	*HK$'000* *(Note c)*	*HK$'000* *(Note d)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353
Loss for the year	—	—	—	—	—	—	—	(234,020)	(234,020)	(914)	(234,934)
Other comprehensive income											
Share of other comprehensive income of joint ventures	—	—	—	—	—	450	—	—	450	—	450
Exchange difference arising on translation of foreign operations	—	—	—	—	—	856	—	—	856	98	954
Total other comprehensive income for the year	—	—	—	—	—	1,306	—	—	1,306	98	1,404
Total comprehensive income (expenses) for the year	—	—	—	—	—	1,306	—	(234,020)	(232,714)	(816)	(233,530)
Deemed capital contribution	—	—	—	—	—	—	39,283	—	39,283	—	39,283
Derecognition upon modification of terms of convertible bond	—	—	—	(52,225)	—	—	—	—	(52,225)	—	(52,225)
Recognition upon modification of terms of convertible bond	—	—	—	133,092	—	—	—	—	133,092	—	133,092
At 31 March 2015	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)
At 1 April 2015	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)
Loss for the year	—	—	—	—	—	—	—	(3,661)	(3,661)	(117)	(3,778)
Other comprehensive expenses											
Share of other comprehensive expenses of joint ventures	—	—	—	—	—	(245)	—	—	(245)	—	(245)
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(3,139)	—	—	(3,139)	(358)	(3,497)
Total other comprehensive expenses for the year	—	—	—	—	—	(3,384)	—	—	(3,384)	(358)	(3,742)
Total comprehensive expenses for the year	—	—	—	—	—	(3,384)	—	(3,661)	(7,045)	(475)	(7,520)
At 31 March 2016	3,473	119,068	46,909	133,092	132	20,449	40,296	(482,874)	(119,455)	6,908	(112,547)

Notes:

(a) The contributed surplus of the Group represented the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances.

(b) The capital redemption reserve represented the nominal value of the shares repurchased by the Company.

(c) The exchange fluctuation reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve represented a contribution from related companies resulting from the balances of interest-free loans as described in note 28 to the consolidated financial statements, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

Consolidated Statement of Cash Flows
For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000* (Re-presented)
OPERATING ACTIVITIES		
Loss before tax from continuing operation	(10,930)	(82,568)
Profit (loss) before tax from discontinued operations	7,152	(152,366)
Loss before tax	(3,778)	(234,934)
Adjustments for:		
Finance costs	25,907	23,432
Bank interest income	(42)	(71)
Share of results of joint ventures	1,251	5,258
Depreciation of property, plant and equipment	6,510	38,996
Impairment loss recognised on other receivables	—	1,173
Impairment loss recognised on trade receivables	1,668	1,193
Impairment loss recognised on property, plant and equipment	—	120,865
Reversal of impairment loss recognised on trade receivables in prior years	(1,309)	(680)
Loss on modifications of terms of convertible bond	—	68,890
Loss on written off of property, plant and equipment	60	5
Fair value gain on equity investment at fair value through profit or loss	351	7,209
Dividend income from an equity investment at fair value through profit or loss	(195)	(195)
Operating cash flows before movements in working capital	30,423	31,141
Decrease (increase) in inventories	112	(176)
Increase in trade receivables	(1,018)	(604)
Decrease (increase) in prepayments, deposits and other receivables	1,247	(11,734)
Increase in trade payables	1,830	950
Increase (decrease) in other payables, accruals and deposits	11,914	(892)
Decrease in provision	—	(166,606)
Net cash generated from (used in) operating activities	44,508	(147,921)

	2016	2015
	HK$'000	*HK$'000* (Re-presented)
INVESTING ACTIVITIES		
Interest received	42	71
Purchases of property, plant and equipment	(2,675)	(4,843)
Withdrawal of deposits with financial institution	2,394	—
Placement of deposits with financial institution	—	(165)
Dividend received from an equity investment at fair value through profit or loss	195	195
Net cash used in investing activities	(44)	(4,742)
FINANCING ACTIVITIES		
Advance from related companies	3,313	181,550
Interest paid	(11,224)	(16,856)
Repayment of bank borrowings	(75,455)	(77,767)
New bank borrowings raised	36,807	37,935
Net cash (used in) generated from financing activities	(46,559)	124,862
Net decrease in cash and cash equivalents	(2,095)	(27,801)
Cash and cash equivalents at the beginning of year	15,188	42,793
Effect of foreign exchange rate changes	(647)	196
Cash and cash equivalents at the end of year	12,446	15,188
Cash and cash equivalents at the end of year, represented by		
Bank balances and cash	12,336	15,078
Non-pledged time deposits with original maturity of less than three months when acquired	110	110
	12,446	15,188

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

1. GENERAL

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Upsky Enterprises Limited ("Upsky"), incorporated in the British Virgin Islands and Mr. Mo Tianquan ("Mr. Mo") is the ultimate beneficial owner of Upsky.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company while the functional currency of a principal subsidiary of the Company operated in the People's Republic of China (the "PRC"), 廣西沃頓國際大酒店有限公司 ("沃頓酒店"), is Renminbi ("RMB").

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 37.

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the following facts and circumstances:

(i) the Group incurred a consolidated net loss of approximately HK$3,778,000 for the year ended 31 March 2016;

(ii) the Group had recorded net current liabilities and net liabilities of approximately HK$2,774,000 and HK$112,547,000 as at 31 March 2016 respectively;

In view of above, the directors of the Company considered the Group has adequate cash flows to maintain the Group's operation:

(i) The Group's principal banker will continue to provide continuing financing to the Group under the Group's existing available facilities; and

(ii) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Accordingly, the directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2016 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010-2012 Cycle has had no material impact in the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011–2013 Cycle has had no material impact in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKFRS 15	Clarification to HKFRS 15[2]

1 Effective for annual period beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group use straight-line method for depreciation of plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (i.e. its subsidiaries).

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Investment in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the joint arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in joint ventures are accounted for in the consolidated financial statements using the equity method, except for the investments classified as held for sale in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of joint ventures equals or exceeds its interest in the joint ventures, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

For joint ventures using accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint ventures' financial statements are used by the Group in applying the equity method.

Investment in joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the joint venture. Goodwill that forms part of the carrying amount of an investment in a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing significant influence over the joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing joint control over the joint venture.

After the disposal takes place, the Group accounts for any retained interest in the joint venture in accordance with HKAS 39 unless the retained interest continues to be a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in joint ventures above).

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of sales related taxes.

Revenue from food and beverage sales is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items that form part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and Mandatory Provident Fund (''MPF'') Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

A liability is recognised for benefit accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange of the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from result before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and financial assets at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, deposits placed with financial institutions and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible bond containing liability and equity components

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (Equity component of convertible bond).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bond until the embedded option is exercised (in which case the balance stated in equity component of convertible bond will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bond will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligation is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

Legal title of buildings

As detailed in note 18, certain of the Group's buildings have not been granted legal title from the relevant government authorities. Although the Group has not obtained the relevant legal title as at 31 March 2016, the directors of the Company had recognised the buildings on the grounds that they expected the legal title to be obtained in the near future with no major difficulties and the Group in substance were controlling these buildings.

Classification of joint ventures

As detailed in note 19, the Group's management exercises its critical judgement when determining whether the Group has share of control over an entity by evaluating the terms of the contractual arrangement signed by the Group and the shareholder of the joint ventures ("Shareholders' Agreement"). The directors of the Company consider that the Group is able to influence the operations of the joint ventures regarding the unanimous consent of all the parties sharing control which is required for resolution of important strategic financing and operation decisions under the Shareholders' Agreement.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation based on experience about economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

As at 31 March 2016, the carrying amount of the property, plant and equipment was nil (2015: HK$327,506,000, net of accumulated impairment of approximately HK$120,865,000). Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. No impairment loss (2015: HK$120,865,000) has been recognised during the year ended 31 March 2016 as detailed set out in note 18.

Valuation of liability component of convertible bond

The fair values of liability component of convertible bond that are not traded in an active market are estimated by management based on the valuation performed by independent valuer. The fair values of liability component of convertible bond are valued using binomial model based on assumptions supported, where possible, by observable market prices or rates. The fair value of the liability component of convertible bond immediately following the modification was approximately HK$102,024,000. Further details are given in note 29.

Estimated impairment of other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2016, the carrying amount of other receivables is approximately HK$1,245,000 (net of allowance for doubtful debts of nil) (2015: HK$6,330,000, (net of allowance for doubtful debts of HK$2,866,000)).

Income tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the convertible bond disclosed in note 29 and interest-bearing bank borrowings disclosed in note 30, net of cash and cash equivalents and capital deficiency attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company monitors capital risk using a gearing ratio, which is defined as interest-bearing debts divided by total assets. The gearing ratios as at 31 March 2016 and 2015 are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Interest-bearing debts:		
— Interest-bearing bank borrowings	—	197,895
— Amounts due to related companies	—	148,941
— Convertible bond	109,773	105,082
	109,773	451,918
Total assets	424,182	454,252
Gearing ratio	26%	99%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Equity investment at fair value through profit or loss	5,840	6,191
Loans and receivables (including cash and cash equivalents)	1,734	27,863
	7,574	34,054
Financial liabilities		
Financial liabilities at amortised cost	119,511	506,063

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, equity investment at fair value through profit or loss, deposits placed with financial institutions, bank balances and cash, trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group operates mainly in the PRC and HK, transactions, assets and liabilities denominated in currencies other than the functional currency of the respective group companies are minimal and therefore the directors of the Company considers the foreign exchange risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate short-term deposits, amounts due to related companies, convertible bond and fixed-rate bank borrowings. Details of the Group's short term deposits, amounts due to related companies, convertible bond and interest-bearing bank borrowings are disclosed in notes 25, 28, 29 and 30 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowings as disclosed in note 30. The Group currently does not have an interest rate hedging policy. However, the director's of the Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The exposure to interest rates for interest-bearing bank borrowings and deposit at the end of the reporting period is not material to the Group. As no significant impacts on the results of the Group would rise from the changes in interest rates for interest-bearing bank borrowings and deposit, accordingly sensitivity analysis in this respect is not presented.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in information technology industry sector quoted in the New York Stock Exchange. In addition, the Group currently does not have any hedging policy and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the price of the respective equity instruments had been 5% (2015: 5%) higher/lower, post-tax loss for the year ended 31 March 2016 would decrease/increase by approximately HK$244,000 (2015: HK$258,000) as a result of the changes in fair value of equity investment at fair value through profit or loss.

The Group's sensitivity to equity investment at fair value through profit or loss has not changed significantly from the prior year.

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, deposit and other receivables. Management has policies in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group had no material concentration of credit risk by geographical locations as at 31 March 2016 (2015: concentration of credit risk mainly in PRC, representing 100% of the trade receivable as at 31 March 2015).

Cash and bank deposits are mainly placed in major domestic banks with good credit ratings. Rental deposits are mainly paid to domestic private entities who are currently leasing the office premises to the Group. The Group's credit risk is primarily attributable to its deposits and other receivables. Management monitors each individual debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties. Further quantitative data in respect of the Group's exposure to credit risk arising from deposits and other receivables are disclosed in note 22.

Liquidity risk

At 31 March 2016, the Group had net current liabilities and net liabilities of approximately HK$2,774,000 and HK$112,547,000, respectively and the Group had incurred loss of approximately HK$3,778,000 for the year ended 31 March 2016. As explained in note 2, the management has taken several measures and arrangements to improve the financial position of the Group and after taking into account the proposed plans, the board of directors considers that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due at least next twelve months.

The consolidated financial statements have been prepared on a going concern basis. The Group relies on bank borrowings, banking facilities and amounts due to related companies as a significant source of liquidity. Details of which are set out in note 30.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and additional funding to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and convertible bond. The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Details of which are set out in note 2.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within one year	**One to five years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2016				
Other payables and accruals	9,738	—	9,738	9,738
Convertible bond	1,200	121,300	122,500	109,773
	10,938	121,300	132,238	119,511

	On demand or within one year	**One to five years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Trade payables	14,716	—	14,716	14,716
Other payables and accruals	31,751	—	31,751	31,751
Amounts due to related companies	9,006	193,787	202,793	156,619
Interest-bearing bank borrowings	90,467	135,864	226,331	197,895
Convertible bond	1,200	122,500	123,700	105,082
	147,140	452,151	599,291	506,063

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than one year	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2016			
Deposits and other receivables	1,021	1,021	1,021
Deposits placed with financial institution	97	97	97
Equity investment at fair value through profit or loss	5,840	5,840	5,840
Bank balances and cash	616	616	616
	7,574	7,574	7,574

	Less than one year	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2015			
Trade receivables	5,393	5,393	5,393
Deposits and other receivables	4,791	4,791	4,791
Deposits placed with financial institution	2,491	2,491	2,491
Equity investment at fair value through profit or loss	6,191	6,191	6,191
Bank balances and cash	15,188	15,188	15,188
	34,054	34,054	34,054

(c) Fair value measurements recognised of financial instruments

The Group's financial asset at FVTPL is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

Financial asset	**Fair value as at 2016**	**Fair value as at 2015**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Held-for-trading non-derivative financial assets classified as financial assets at FVTPL in the consolidated statement of financial position *(see note 23)*	Listed securities in the New York Stock Exchange: — Technology: US$748,750 (equivalent to HK$5,840,000)	Listed securities in the New York Stock Exchange: — Technology: US$793,750 (equivalent to HK$6,191,000)	Level 1	Quoted bid prices in an active market.

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.

There were no transfers between levels of fair value hierarchy in the current year and prior year.

8. REVENUE

The Company did not generate any revenue from continuing operation during the year (2015: Nil).

9. SEGMENT INFORMATION

Information reported to the board of directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Hotel business segment was discontinued during the year ended 31 March 2016. The segment information reported below does not include any amounts for these discontinued operations, which is described in more details in note 13.

Accordingly, the Group's reportable and operating segments under HKFRS 8 are as follows:

Corporate and others — investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results for continuing operation by reportable and operating segment for the years ended 31 March:

Continuing operation

	Corporate and others		Total	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Re-presented)
Revenue	—	—	—	—
Other revenue	195	195	195	195
Segment revenue	195	195	195	195
Segment loss	(5,039)	(8,409)	(5,039)	(8,409)
Unallocated Finance costs			(5,891)	(5,269)
Unallocated Loss on modifications of terms of convertible bond			—	(68,890)
Loss before tax			(10,930)	(82,568)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment loss represents the loss from earned by each segment without allocation of finance costs and loss on modifications of terms of convertible bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Continuing operation

	Hotel business		Corporate and others		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment and consolidated assets	—	433,871	7,798	20,381	7,798	454,252
Total segment assets					7,798	454,252
Assets relating to discontinued operations/assets classified as held for sale					416,384	—
Consolidated assets					424,182	454,252
LIABILITIES						
Segment liabilities	—	87,713	9,738	6,569	9,738	94,282
Unallocated liabilities					109,773	464,997
Total segment liabilities					119,511	559,279
Liabilities relating to discontinued operations/ liabilities classified with assets classified as held for sale					417,218	—
Consolidated liabilities					536,729	559,279

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments.
- all liabilities are allocated to reportable and operating segments other than tax payables, interest-bearing bank borrowings, amounts due to related companies and convertible bond.

(c) Other segment information

Continuing operation

	Corporate and others		Total	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	3	4	3	4
Fair value gain on equity investment at fair value through profit or loss	351	7,209	351	7,209
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Finance cost	5,891	5,269	5,891	5,269

(d) Geographical segment

The Group operates in two principal geographical areas: the PRC (country of domicile) and Hong Kong.

Information about the Group's non-current assets is presented based on the geographical location of the assets as detailed below:

	Non-current assets	
	As at 2016	**As at 2015**
	HK$'000	*HK$'000*
The PRC	—	416,231
Hong Kong	—	3

(e) Information about major customers

During the year, none of the Group's turnover was derived from transactions with individual external customers contributing over 10 per cent of the Group's turnover (2015: nil).

10. OTHER INCOME

	2016	**2015**
	HK$'000	*HK$'000*
		(Re-presented)
Dividend income from equity investment at FVTPL	195	195

11. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Effective interest expense on convertible bond *(note 29)*	5,891	5,269

12. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operation		
Current tax:		
Hong Kong Profits Tax	—	—
Deferred tax *(note 33)*	—	—
	—	—

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the year ended 31 March 2016 (2015: Nil).

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operation		
Loss before tax	(10,930)	(82,568)
Tax at the domestic income tax rate at 16.5% (2015: 16.5%) *(Note)*	(1,803)	(13,623)
Tax effect of income not taxable	(32)	(32)
Tax effect of expenses not deductible	1,835	13,655
Tax expense for the year	—	—

Details of deferred tax are set out in note 33.

Note: *The domestic tax rate (which is the Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.*

13. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

On 22 June 2015, the Company entered into the sale and purchase agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) for the disposal of entire equity interest in Aykens Holdings Limited ("Aykens"), Hopland Enterprises Limited ("Hopland") and their respective subsidiaries (collectively referred to as the "Divestment Group") to Upsky, the immediate and ultimate holding company of the Company. The assets and liabilities attributable to the business, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The results of the Divestment Group are presented in this consolidated financial statement as a discontinued operation. The comparative information has been restated to present the results of the hotel business as discontinued operation to conform with the current period presentation.

The results of the hotel business for the years were as follows:

	2016 *HK$'000*	**2015** *HK$'000*
Revenue	138,293	143,695
Cost of sales	(85,122)	(115,825)
Gross profit	53,171	27,870
Other income	2,518	2,375
Administrative expenses	(25,500)	(34,378)
Other operating expenses	(1,770)	(2,866)
Impairment loss recognised in respect of property, plant and equipment	—	(120,865)
Finance costs	(20,016)	(19,244)
Share of results of joint ventures	(1,251)	(5,258)
Profit (loss) before tax	7,152	(152,366)
Income tax expense	—	—
Profit (loss) for the year from discontinued operation (attributed to owners of the company)	7,152	(152,366)

Loss for the year from discontinued operation has been arrived at after charging (crediting):

	2016 HK$'000	2015 HK$'000
Staff costs		
— Salaries and related staff costs	34,850	26,541
— Retirement benefits scheme contributions	4,620	3,794
	39,470	30,335
Depreciation of property, plant and equipment	6,507	38,996
Auditor's remuneration	31	31
Minimum lease payment under operating leases of offices properties	—	28
Loss on written off of property, plant and equipment	60	5
Litigation claim	—	9,257
Impairment loss recognised on trade receivables (included in other operating expenses)	1,668	1,193
Impairment loss recognised on other receivables (included in other operating expenses)	—	1,173
Bank interest income	42	71
Reversal of impairment loss on trade receivables (included in other income)	(1,309)	(680)

	2016 HK$'000	2015 HK$'000
Net cash generated from (used in) operating activities	47,930	(147,911)
Net cash used in investing activities	(2,633)	(4,772)
Net cash (used in) generated from financing activities	(47,423)	127,059

The major classes of assets and liabilities of the Divestment Group as at 31 March 2016, which have been presented separately in the consolidated statement of financial position, are as follows:

	2016 HK$'000
Property, plant and equipment	305,754
Interests in joint ventures	87,232
Inventories	2,196
Trade receivables	5,774
Prepayments, deposits and other receivables	3,598
Bank balances and cash	11,830
Total assets classified as held for sale	416,384
Trade payables	15,787
Other payables, accruals and deposits	77,697
Amounts due to related companies	168,298
Tax payables	5,136
Interest-bearing bank borrowings	150,300
Total liabilities associated with assets classified as held for sale	417,218

14. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

Continuing operation

	2016	**2015**
	HK$'000	*HK$'000*
		(Re-presented)
Directors' and chief executive's emoluments *(note 15)*	1,112	1,134
Staff costs, excluding directors' and chief executive emoluments		
— Salaries and related staff costs	290	284
— Retirement benefits scheme contributions	14	14
	304	298
Auditor's remuneration	835	709

15. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 7 (2015: 6) directors and the chief executive were as follows:

For the year ended 31 March 2016

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Ms. Cao Jing	—	—	—	—
Mr. Zhang Shaohua *(Note a)*	105	—	—	105
Non-executive director				
Mr. Mo Tianquan	630	—	—	630
Independent non-executive directors				
Mr. Ye Jianping	105	—	—	105
Mr. Palaschuk Derek Myles	189	—	—	189
Prof. Chen Zhi Wu *(Note b)*	70	—	—	70
Mr. Wu Jiahong *(Note c)*	13	—	—	13
	1,112	—	—	1,112

For the year ended 31 March 2015

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking			
	Fees	**Salaries and other benefits**	**Retirement benefits scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Ms. Cao Jing	—	—	—	—
Mr. Zhang Shaohua *(Note a)*	105	—	—	105
Non-executive director				
Mr. Mo Tianquan	630	—	—	630
Independent non-executive directors				
Mr. Ye Jianping	105	—	—	105
Mr. Palaschuk Derek Myles	189	—	—	189
Mr. Wu Jiahong *(Note c)*	105	—	—	105
	1,134	—	—	1,134

Note a: *Mr. Zhang Shaohua is also the chief executive of the Company for the years ended 31 March 2016 and 2015 and his emoluments disclosed above include those for services rendered by him the as the chief executive.*

Note b: *Prof. Chen Zhi Wu was appointed on 31 July 2015 as independent non-executive director.*

Note c: *Mr. Wu Jiahong was resigned as independent non-executive director on 16 May 2015.*

Note d: *No other emoluments paid or receivable for directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking, retirement benefit and compensation for early termination of the appointment for loss of office for the years ended 31 March 2016.*

None of the directors and the chief executive waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2016 and 2015.

The remuneration of directors and the chief executive of the Company were determined by the remuneration committee having regard to the performance of individual and market trends.

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2015: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2015: three) individuals are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Salaries and other benefits	745	746
Retirement benefit scheme contributions	11	11
	756	757

The emoluments of the remaining three (2015: three) individuals were within the following bands:

	2016 Number of employees	2015 Number of employees
Nil – HK$1,000,000	3	3

During the years ended 31 March 2016 and 2015, no emoluments were paid or payable by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

17. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2016 *HK$'000*	2015 *HK$'000* (Re-presented)
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	(3,661)	(234,020)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	5,891	5,269
Profit (loss) for the purpose of diluted loss per share	2,230	(228,751)

	2016 *'000*	2015 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	347,326	347,326
Effect of dilutive potential ordinary shares		
Convertible bond	324,763	324,763
Weighted average number of ordinary shares for the purpose of diluted loss per share	672,089	672,089

	2016	2015
Basic and diluted loss per share *(in HK cents)*	(1.05)	(67.38)

For the years ended 31 March 2016 and 2015, because the diluted loss per share decreased when taking into account of the convertible bond, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of approximately HK$3,661,000 (2015: HK$234,020,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2015: 347,326,000) in issue during the year.

From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2016	**2015**
	HK$'000	*HK$'000*
		(Re-presented)
Loss for the year attributable to owners of the Company	(3,661)	(234,020)
Less:		
Profit (loss) for the year from discontinued operations	7,269	(151,452)
Loss for the purpose of loss per share from continuing operation	(10,930)	(82,568)
Effect of dilutive potential ordinary shares from interest on convertible bonds	5,891	5,269
Loss for the purpose of diluted loss per share	(5,039)	(77,299)

The denominators detailed above for both basic and diluted loss per share.

Diluted loss per share was same as the basic loss per share for the year ended 31 March 2016, as the effect of the Company's outstanding convertible bond would result in a decrease in loss per share for the year ended 31 March 2016.

From discontinued operations

Basic earnings per share for the discontinued operation is HK2.09 cents per share (2015: loss per share HK43.61 cents per share) and diluted earnings per share for the discontinued operation is HK1.96 cents per share (2015: loss per share HK43.61 cents per share), based on the profit (2015: loss) for the year from the discontinued operation of approximately HK$13,160,000 (2015: HK$146,183,000) and the denominators detailed above for basic and diluted loss per share.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Machinery and equipment *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvement *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2014	412,291	132,499	88,047	4,877	217,556	855,270
Exchange realignment	6,309	1,636	946	100	1,184	10,175
Additions	—	368	844	—	3,631	4,843
Written off	—	(4)	(30)	(19)	—	(53)
As at 31 March 2015 and 1 April 2015	418,600	134,499	89,807	4,958	222,371	870,235
Exchange realignment	(24,475)	(6,567)	(4,814)	(241)	(4,894)	(40,991)
Additions	—	74	740	—	1,861	2,675
Written off	—	(4)	(224)	—	(339)	(567)
Reclassified as discontinued	(394,125)	(127,958)	(85,489)	(4,717)	(218,942)	(831,231)
At 31 March 2016	—	44	20	—	57	121
Accumulated depreciation						
At 1 April 2014	129,297	107,737	56,532	3,078	81,118	377,762
Exchange realignment	1,941	1,018	257	41	1,897	5,154
Charge for the year	14,771	6,825	5,554	597	11,249	38,996
Impairment loss recognised	—	13,206	19,191	—	88,468	120,865
Written off	—	(4)	(27)	(17)	—	(48)
At 31 March 2015 and 1 April 2015	146,009	128,782	81,507	3,699	182,732	542,729
Exchange realignment	(8,317)	(6,043)	(4,071)	(192)	(4,511)	(23,134)
Charge for the year	3,165	293	790	77	2,185	6,510
Written off	—	(3)	(199)	—	(305)	(507)
Reclassified as discontinued	(140,857)	(122,985)	(78,007)	(3,584)	(180,044)	(525,477)
At 31 March 2016	—	44	20	—	57	121
Carrying values						
At 31 March 2016	—	—	—	—	—	—
At 31 March 2015	272,591	5,717	8,300	1,259	39,639	327,506

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

Land and buildings	2% to 3%
Machinery and equipment	6% to 20%
Furniture and office equipment	9% to 30%
Motor vehicles	18% to 24%
Leasehold improvement	5 years or over the lease terms, whichever is shorter

Certain of the properties of held for sale assets had been pledged for interest-bearing bank borrowings granted to the Group with a net carrying amounts HK$253,268,000 (2015: HK$272,591,000) (see note 30).

During the year ended 31 March 2015, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on machinery and equipments of HK$12,891,000, furniture and office equipment of HK$18,742,000, and leasehold improvement of HK$89,519,000, which had been recognised in consolidated statement of profit or loss and other comprehensive income. The pre-tax discount rate in measuring the amounts of value in-use was 8.5%.

19. INTERESTS IN JOINT VENTURES

	2016	2015
	HK$'000	*HK$'000*
Cost of investment in joint ventures — unlisted	—	32,841
Share of post acquisition loss and other comprehensive expenses	—	(9,672)
Advance to a joint venture	—	65,559
	—	88,728

The advance to a joint venture was unsecured, interest-free and repayable on demand. In the opinion of the directors, the advance is considered as quasi-equity investments in the joint venture. As at 31 March 2016, the joint ventures with carrying amount of HK$87,232,000 have been classified as held for sale as disclosed in note 13.

At 31 March 2016 and 2015, the Group had interests in the following joint ventures:

Name of entities	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Percentage of ownership interest and voting rights held by the Group 2016	2015	Principal Activities
廣西普凱興業酒店投資有限公司 ("興業酒店") *(Note b)*	Domestic equity joint venture	PRC	RMB50,360,000	26.7%	26.7%	Investment holding
北海海興房地產開發有限公司 ("北海海興") *(Notes a & b)*	Wholly-owned domestic enterprise	PRC	RMB10,000,000	26.7%	26.7%	Inactive

Notes:

(a) *北海海興 is a wholly owned subsidiary of 興業酒店. The interests in joint ventures are indirectly held by the Company.*

(b) *Since unanimous consent of all the parties sharing control is required for resolution of important strategic financing and operating decisions, the investment was classified as joint venture even though the Group has a 26.7% voting interest.*

The summarised financial information below represents amounts shown in the 興業酒店 and its subsidiary's financial statements which are material to the group and are accounted for using equity method and are prepared in accordance with HKFRSs.

	2015
	HK$'000
Current assets	6,350
Non-current assets	601,975
Current liabilities	(268,649)
Non-current liabilities	(252,900)
Net assets	86,776

The above amounts of assets and liabilities include the following:

	2015
	HK$'000
Cash and cash equivalents	1,278
Current financial liabilities (excluding trade and other payables and provisions)	—
Non-current financial liabilities (excluding trade and other payables and provisions)	252,900

	2015
	HK$'000
Revenue	2,469
Loss for the year	(19,692)
Other comprehensive income for the year	1,685
Total comprehensive expense for the year	(18,007)

The above loss for the year includes the following:

	2015
	HK$'000
Depreciation	17,357
Interest income	—
Interest expenses	—
Income tax expenses	—

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2015 *HK$'000*
Net assets of 興業酒店 and its subsidiary	86,776
Proportion of the Group's interests in 興業酒店 and its subsidiary	26.7%
Carrying amount of the Group's interests in 興業酒店 and its subsidiary	23,169

20. INVENTORIES

	2016 *HK$'000*	2015 *HK$'000*
Raw materials	—	688
Low-valued consumables	—	1,335
Consumables	—	402
	—	2,425

21. TRADE RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables	—	21,041
Less: allowance for doubtful debts	—	(15,648)
	—	5,393

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. The Group allows credit period ranging from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group does not hold any collateral over these balances.

(a) The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2016 *HK$'000*	2015 *HK$'000*
Within 30 days	—	3,951
31 days–60 days	—	746
61 days–90 days	—	10
Over 90 days	—	686
	—	5,393

(b) Movements in the allowance for doubtful debts during the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 April	15,648	14,948
Impairment loss recognised on receivables	1,668	1,193
Reversal of impairment loss recognised on receivables	(1,309)	(680)
Exchange realignment	(775)	187
Reclassification of assets held for sale *(note 13)*	(15,232)	—
At 31 March	—	15,648

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of nil (2015: HK$15,648,000) which have either been placed under liquidation or in severe financial difficulties. Impairment loss of HK$1,668,000 (2015: HK$1,193,000) has been recognised during the year ended 31 March 2016 accordingly.

(c) As at 31 March 2016, no trade receivables (2015: HK$695,000) of the Group were past due as at the reporting date but not impaired. The ageing analysis of these past due but not impaired receivables based on credit terms is as follows:

	2016	2015
	HK$'000	*HK$'000*
Less than 30 days past due	—	2
31 to 90 days past due	—	117
Over 90 days past due	—	576
	—	695

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Prepayments	224	1,539
Deposits and other receivables	1,021	4,791
	1,245	6,330

The above assets are neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Movements in the allowance for doubtful debts of other receivables during the year are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 April	2,866	1,693
Impairment loss recognised on other receivables	—	1,173
Reclassification to assets held for sale *(note 13)*	(2,866)	—
At 31 March	—	2,866

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of nil (2015: HK$2,866,000) which were in severe financial difficulties. No impairment loss (2015: HK$1,173,000) has been recognised during the year ended 31 March 2016 accordingly.

23. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Listed securities		
— Equity securities listed in The New York Stock Exchange	5,840	6,191

The above equity investment at 31 March 2016 and 2015 was, upon initial recognition, recognised by the Group as financial assets at fair value through profit or loss.

24. DEPOSIT PLACED WITH FINANCIAL INSTITUTIONS

The deposit placed with financial institution is for the purpose of securities trading. The deposit does not carry any interest (2015: does not carry any interest).

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.50% (2015: 0.001% to 0.35%) per annum. As at 31 March 2016, the fixed interest rate on bank deposits with initial terms ranging from one month to three months were 0.01% (2015: 0.01%) per annum.

At 31 March 2016, the Group's bank balances and cash has no amount denominated in RMB (2015: approximately RMB4,061,000, equivalent to approximately HK$5,136,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2016	2015
	HK$'000	*HK$'000*
US$	29	9,392

26. TRADE PAYABLES

Ageing analysis of the Group's trade payables at the end of the reporting period presented based on the invoice dates is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	—	2,207
31 days – 60 days	—	3,464
Over 60 days	—	9,045
Trade payables	—	14,716

The credit period on purchases of goods ranges from cash on delivery to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

27. OTHER PAYABLES, ACCRUALS AND DEPOSITS

	2016	2015
	HK$'000	*HK$'000*
Deposits received	—	40,476
Other payables	7,011	33,609
Accruals	2,727	5,481
	9,738	79,566

28. AMOUNTS DUE TO RELATED COMPANIES

	Nominal interest rate (%)	Maturity	Original currency	2016	2015
			(US$'000)	*HK$'000*	*HK$'000*
Non-current portion *(Note (i))*	Fixed rate at 1%	January 2020	— (2015: 8,636)	—	66,968
	Fixed rate at 1%	December 2019	— (2015: 9,117)	—	70,692
	Interest free	March 2017	—	—	11,281
				—	148,941
Current portion	Interest free	Repayable on demand	— (2015: nil)	—	7,678
				—	156,619

Note:

(i) *During the year ended 31 March 2015, the Group received US$22,550,000 (equivalent to approximately HK$174,857,000)) interest bearing advances from the related companies bearing 1% interest per annum to be repayable in full within five years and interest free advances amounted to HK$6,693,000 repayable on demand.*

The fair values of the liability components of the amounts due to related companies were estimated at the inception date using an equivalent market interest rate for a similar loan. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at effective interest rate of 6.39%. The residual amounts were assigned as the equity components of the amounts due to *related companies and are included in shareholder's equity as deemed capital contribution from the related companies. These related companies are ultimately held by Mr. Mo, a non-executive director and ultimate beneficial controlling shareholder of the Company. During the year ended 31 March 2015, the Group recognised a deemed capital contribution in equity of HK$39,283,000 due to fair value adjustment on initial recognition of further advances from the related companies. As at 31 March 2016, amounts due to related companies of HK$168,298,000 were classified as liabilities directly associated with assets classified as held for sale.*

29. CONVERTIBLE BOND

On 28 March 2008, the Company issued a five-year, 1% convertible bond with nominal value of HK$120,000,000 (the "Bond") to Tanisca Investment Limited ("Tanisca"). Interest is payable half year in arrears. The Bond is convertible at any time from the first anniversary of the issue date to the maturity date of 28 March 2013, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK$0.6 per share, subject to adjustments in certain events. The Bond may be redeemed at the option of the Company in whole or in part, upon written confirmation obtained from the bondholder in accordance with the terms of the Bond, or by the bondholder under certain circumstances. Unless previously redeemed, purchased and cancelled or converted, all the outstanding Bond will be converted into ordinary shares of the Company on the maturity date.

On 12 June 2008, the Company, by a right issue, allotted and issued 208,395,600 ordinary shares of HK$0.01 each at the price HK$0.5 per share. As a result, the conversion price of the Bond was adjusted from HK$0.6 per share to HK$0.3695 per share, and the number of shares falling to be issued upon full conversion of the Bond was adjusted from 200,000,000 to 324,763,193 shares.

On 28 March 2013, the Group has entered into a deed of amendment ("Deed of Amendment") with Tanisca to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2013 to 28 March 2015. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 28 March 2015. On 20 May 2013, the shareholders have duly passed the Deed of Amendment in special general meeting.

On 3 June 2014, the Group has entered into a deed of amendment (the "2nd Amendment") with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2015 to 30 April 2018. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 30 April 2018 ("modification"). On 29 June 2014, the shareholders have duly passed the 2nd Amendment in special general meeting.

The fair value of the liability component of the Bond was estimated at the issuance date by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The discount rate of the Bond was 5.53% (2015: 5.53%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$102,024,000. The financial liability was determined using a discount rate of 5.53% (2015: 5.53%).

The Bond has been split as to the liability and equity components, as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	112,991	52,225	165,216
Interest expenses *(note 11)*	5,269	—	5,269
Derecognition of original liability/equity component	(114,002)	(52,225)	(166,227)
Recognition of new liability/equity component upon modification	102,024	133,092	235,116
Interest paid	(1,200)	—	(1,200)
At 31 March 2015 and 1 April 2015	105,082	133,092	238,174
Interest expenses *(note 11)*	5,891	—	5,891
Interest paid	(1,200)	—	(1,200)
At 31 March 2016	109,773	133,092	242,865

Note:

The fair value of the convertible bond was valued by using the Binomial Tree Model. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The residual amount, representing the value of the equity conversion component, is included in the equity component of convertible bond under equity attributable to the owners of the Company.

The liability component of convertible bond is classified under non-current liabilities.

30. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	**Maturity**	**2016**	**2015**
			HK$'000	*HK$'000*
Unsecured bank loan	2016: 4.35% 2015: 5.86%	2016: March 2017 2015: March 2016	—	37,935
Secured bank loan	Floating rate at the prime lending rate of the People's Bank of China	2016: February 2019 2015: February 2019	—	159,960
			—	197,895

	2016	**2015**
	HK$'000	*HK$'000*
Carrying amount repayable*:		
Within one year	—	77,767
More than one year, but not exceeding two years	—	39,832
More than two years but not more than five years	—	80,296
Total secured interest-bearing bank borrowings	—	197,895
Less: Amounts due within one year shown under current liabilities	—	(77,767)
Amounts shown under non-current liabilities	—	120,128

* The amounts due are based on scheduled repayment dates as set out in the loan agreements.

As at 31 March 2016, bank borrowings of HK$114,228,000 (2015: HK$159,960,000) were pledged by the Group's certain land and buildings, which were classified as assets held for sale, with net carrying amounts of HK$253,268,000 (2015: HK$272,591,000).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured and secured bank loan, which were classified as assets held for sale as at 31 March 2016, are ranged from 4.35% to 4.90% (2015: 5.86% to 6.55%) per annum.

31. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	8,000,000	80,000
Issued and fully paid:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	347,326	3,473

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	—	3
Interests in subsidiaries *(Note a)*	1,411	2,271
	1,411	2,274
Current assets		
Deposits placed with financial institutions	97	2,491
Prepayments, deposits and other receivables	1,245	730
Equity investment at fair value through profit or loss	5,840	6,191
Bank balances and cash	616	586
	7,798	9,998
Current liabilities		
Other payables and accruals	9,738	6,562
Net current (liabilities) assets	(1,940)	3,436
Total assets less current liabilities	(529)	5,710
Non-current liability		
Convertible bond	109,773	105,082
Net liabilities	(110,302)	(99,372)
Capital and reserves		
Share capital	3,473	3,473
Reserves *(Note b)*	(113,775)	(102,845)
Capital deficiency	(110,302)	(99,372)

Note a:

	2016	**2015**
	HK$'000	*HK$'000*
Unlisted shares, at cost	2	2
Amounts due from subsidiaries	1,409	257,513
	1,411	257,515
Less: Impairment loss recognised on amounts due from subsidiaries	—	(255,244)
	1,411	2,271

The amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment.

Note b:

	Share premium	**Contributed surplus**	**Capital redemption reserve**	**Equity component of convertible bond**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2014	119,068	60,918	132	52,225	(244,849)	(12,506)
Loss for the year and total comprehensive expense for the year	—	—	—	—	(171,206)	(171,206)
Recognition upon modification of terms of convertible bond	—	—	—	133,092	—	133,092
Derecognition upon modification of terms of convertible bond	—	—	—	(52,225)	—	(52,225)
At 31 March 2015 and 1 April 2015	119,068	60,918	132	133,092	(416,055)	(102,845)
Loss for the year and total comprehensive expense for the year	—	—	—	—	(10,930)	(10,930)
At 31 March 2016	119,068	60,918	132	133,092	(426,985)	(113,775)

Note i: The contributed surplus of the Company represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Company's capital reorganisation in 2006. Under the Companies Law of the Bermuda and the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable under certain specific circumstances.

33. DEFERRED TAXATION

As at 31 March 2016, the Group did not have unused tax losses and other deductible temporary differences from continuing operation.

As at 31 March 2015, the Group did not recognise tax losses of approximately HK$39,090,000 due to the unpredictability of future profit streams from discontinued operation. Tax loss amounting to approximately HK$39,090,000 would be expired within five years.

As at 31 March 2015, the aggregate amount of temporary differences associated with investments in joint ventures for which deferred tax liabilities had not been recognised amounting to approximately HK$10,512,000, as the directors considered that the timing of reversal of the related temporary differences could be controlled and the temporary differences would not reverse in the foreseeable future.

34. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2016 and 2015.

(a) Related parties' transactions

Name of related party	**Relationship**	**Nature of transactions**	**2016** *HK$'000*	**2015** *HK$'000*
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest paid on the convertible bond *(note (i))*	1,200	1,200
Upsky International Holdings Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	78	15
Media Partner Technology Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	776	153
Next Decade Investment Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	896	253

(i) Interest expense on the convertible bond was paid to Tanisca at 1% per annum. Tanisca is wholly owned by Mr. Mo, who is a non-executive director and is also the ultimate beneficial controlling shareholder of the Company as at 31 March 2016. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 29.

(ii) Interest expenses on the amounts due to related companies were paid at 1% per annum. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of these companies. Details of the transaction were disclosed in note 28.

(b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at FVTPL, further details of which are included in note 23.

(ii) As detailed in note 19, the Group had an investment in joint ventures during the two years ended 31 March 2016 and 2015, Mr. Mo Tianquan, a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, is also a substantial shareholder and beneficial owner of the JV Partner.

(c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year were as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Short-term benefits	1,112	1,134

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

35. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$4,634,000 (2015: HK$3,808,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

36. OPERATING LEASES COMMITMENTS

The Group as lessee

The Group leases various offices properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Within one year	1,149	1,126
In the second to fifth year inclusive	1,484	2,633
	2,633	3,759

Leases are negotiated for an average term of five years (2015: five years) and rentals are fixed during the lease period.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Proportion effective ownership interest held by the Company Directly	Indirectly	Forms of legal entity	Principal activities
Aykens	British Virgin Islands	US$100	100%	—	Private limited company	Investment holding
Hopland	British Virgin Islands	US$100	100%	—	Private limited company	Investment holding
沃頓酒店	PRC	US$31,927,280	—	100%	Wholly-owned foreign enterprise	Hotel and restaurant operation
Open Land Holdings Limited ("Open Land")	Hong Kong	HK$10,000	—	100%	Private limited company	Investment holding
Unisonic Investment Limited	Hong Kong	HK$10,000	—	100%	Private limited company	Investment holding
廣西普凱礦業科技有限公司 ("普凱礦業")	PRC	US$3,000,000	—	60%	Sino-foreign equity joint venture	Inactive

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principle activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2016	2015
Catering	PRC	1	1
Inactive	PRC	1	1
		2	2

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of effective interests held by non-controlling interests		Voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015	2016	2015
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
普凱礦業	PRC	40%	40%	40%	40%	(117)	(914)	6,908	7,383

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

普凱礦業	**2015**
	HK$'000
Current assets	19,274
Current liabilities	(935)
Equity attributable to owners of the Company	10,956
Non-controlling interests	7,383

	2015
	HK$'000
Other income	6
Expenses	(2,291)
Loss for the year	(2,285)
Loss attributable to owners of the Company	(1,371)
Loss attributable to the non-controlling interests	(914)
Loss for the year	(2,285)
Other comprehensive income attributable to owners of the Company	146
Other comprehensive income attributable to the non-controlling interests	98
Other comprehensive income for the year	244

普凱礦業	2015
	HK$'000
Total comprehensive expense attributable to owners of the Company	(1,225)
Total comprehensive expense attributable to the non-controlling interests	(816)
Total comprehensive expense for the year	(2,041)
Net cash outflow from operating activities	(2,192)
Net cash inflow from investing activities	6
Net cash inflow from financing activities	11
Net cash outflow	(2,175)

38. CAPITAL COMMITMENT

	2016	2015
	HK$'000	HK$'000
Contracted but not provided for:		
— Acquisition of the entire equity capital of Xilin Gol League Hongbo Mining Development Co., Ltd. (the "PRC Target")	682,000	—

The Company has entered into an acquisition agreement with an independent third party on 22 June 2015 (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) pursuant to which, the Company conditionally agreed to acquire from the Shanghai Hongbo Investment & Management (Group) Co., Ltd and Shanghai Lida Investment Management Company Limited (the "Target Sellers") the entire equity interests in the Xilin Gol League Hongbo Mining Development Co., Ltd. at a consideration of RMB558,880,000 (equivalent to approximately HK$682,000,000).

39. SUBSEQUENT EVENTS

On 22 June 2015, the Company entered into several agreements (the "Proposed Transactions") as follows:

a. A subscription agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with several independent subscribers (the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 new shares (the "Subscription Shares"), comprising (i) 1,269,414,575 ordinary subscription shares, (ii) 1,373,954,600 tranche 1 preferred shares under the tranche 1 preferred shares subscription; and (iii) 1,373,954,599 tranche 2 preferred shares, at the subscription price of HK$0.6696 per Subscription Share;

b. An acquisition agreement (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with the Target Sellers and the PRC Target, pursuant to which the Company conditionally agreed to acquire from the Target Sellers the entire equity interests in the PRC Target at a consideration of RMB558,880,000 (equivalent to approximately HK$682 million);

c. A CN Subscription Agreement (as amended on 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) as issuer with League Way Ltd. (as subscriber) and Titan Gas Technology Investment Limited (as guarantor), pursuant to which League Way Ltd. conditionally agreed to subscribe for, and the Company conditionally agreed to issue, a convertible promissory note with an aggregate principal amount of HK$250,000,000; and

d. A divestment agreement (as amended on 23 October 2015, 20 November 2015, 28 January 2016, 23 March 2016 and 28 June 2016) with Upsky (as purchaser), pursuant to which the Company conditionally agreed to sell, and Upsky conditionally agreed to purchase, 100% of the issued and outstanding share capital of the Divestment Group, the aggregate amount of the net account receivable owed by the Divestment Group to the Company and the shares of SouFun held by the Company at the initial consideration of HK$1,652,995 which shall be subject to adjustment as set out in the divestment agreement.

Completion of the Proposed Transactions is subject to the fulfilment of a number of conditions precedent as stated in the abovementioned agreements. Details of the Proposed Transactions, the conditions precedent, the adjustments to the consideration for the Divestment and the estimated financial effect of the Divestment are set out in the announcements of the Company dated 28 October 2015, 20 November 2015, 28 January 2016, 23 March 2016, 4 May 2016 and 28 June 2016 and the circular of the Company dated 29 June 2016.

On 28 June 2016, the Company entered an option deed with Titan Gas Technology Investment Limited ("Grantor"), pursuant to which the Grantor has granted the option to the Company to sell its entire equity interest in the PRC Target to the Grantor. Details are set out in the announcement of the Company dated 28 June 2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	8	143,695	121,384
Cost of sales		(115,825)	(106,938)
Gross profit		27,870	14,446
Other income	10	2,570	2,775
Administrative expenses		(36,854)	(25,287)
Other operating expenses		(2,866)	(2,882)
Impairment loss recognised in respect of property, plant and equipment		(120,865)	—
Provision for litigation	27	—	(166,780)
Fair value (loss) gain on equity investment at fair value through profit or loss		(7,209)	8,131
Finance costs	11	(23,432)	(23,372)
Gain on deregistration of a subsidiary	34	—	119
Loss on modifications of terms of convertible bond		(68,890)	—
Share of results of joint ventures		(5,258)	(4,923)
Loss before tax	12	(234,934)	(197,773)
Income tax expense		—	—
Loss for the year	13	(234,934)	(197,773)
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expenses) of joint ventures		450	(144)
Release of translation reserve upon deregistration of a foreign subsidiary	34	—	(119)
Exchange difference arising on translation of foreign operations		954	(73)
Other comprehensive income (expenses) for the year		1,404	(336)
Total comprehensive expenses for the year		(233,530)	(198,109)

	Notes	2015 HK$'000	2014 HK$'000
Loss for the year attributable to:			
Owners of the Company		(234,020)	(197,298)
Non-controlling interests		(914)	(475)
		(234,934)	(197,773)
Total comprehensive expenses attributable to:			
Owners of the Company		(232,714)	(197,625)
Non-controlling interests		(816)	(484)
		(233,530)	(198,109)
Loss per share			
— Basic and diluted	*16*	(HK67.38 cents)	(HK56.80 cents)

Consolidated Statement of Financial Position
As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	327,506	477,508
Interests in joint ventures	18	88,728	93,536
		416,234	571,044
Current assets			
Inventories	19	2,425	2,219
Trade receivables	20	5,393	5,236
Prepayments, deposits and other receivables	21	6,330	6,563
Equity investment at fair value through profit or loss	22	6,191	13,400
Deposits placed with financial institutions	23	2,491	2,326
Bank balances and cash	24	15,188	42,793
		38,018	72,537
Current liabilities			
Trade payables	25	14,716	13,572
Other payables, accruals and deposits	26	79,566	90,066
Provision for litigation	27	—	166,606
Amounts due to related companies	28	7,678	924
Tax payables		5,401	5,335
Convertible bond	29	—	112,991
Interest-bearing bank borrowings	30	77,767	76,814
		185,128	466,308
Net current liabilities		(147,110)	(393,771)
Total assets less current liabilities		269,124	177,273
Non-current liabilities			
Amounts due to related companies	28	148,941	10,921
Convertible bond	29	105,082	—
Interest-bearing bank borrowings	30	120,128	157,999
Total non-current liabilities		374,151	168,920
Net (liabilities) assets		(105,027)	8,353

	Notes	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	*31*	3,473	3,473
Reserves		(115,883)	(3,319)
(Capital deficiency) equity attributable to owners of the Company		(112,410)	154
Non-controlling interests		7,383	8,199
(Capital deficiency) total equity		(105,027)	8,353

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Equity attributable to owners of the Company										
	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000 (Note a)	Equity component of convertible bond HK$'000	Capital redemptions reserve HK$'000 (Note b)	Exchange fluctuation reserve HK$'000 (Note c)	Other reserve HK$'000 (Note d)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013	3,473	119,068	46,909	52,225	132	22,854	1,362	(47,895)	198,128	8,683	206,811
Loss for the year	—	—	—	—	—	—	—	(197,298)	(197,298)	(475)	(197,773)
Other comprehensive expense											
Share of other comprehensive expenses of joint ventures	—	—	—	—	—	(144)	—	—	(144)	—	(144)
Release of translation reserve upon deregistration of a foreign subsidiary *(note 34)*	—	—	—	—	—	(119)	—	—	(119)	—	(119)
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(64)	—	—	(64)	(9)	(73)
Total other comprehensive expenses for the year	—	—	—	—	—	(327)	—	—	(327)	(9)	(336)
Total comprehensive expenses for the year	—	—	—	—	—	(327)	—	(197,298)	(197,625)	(484)	(198,109)
Imputed interest released on non-current amount due to related companies	—	—	—	—	—	—	(349)	—	(349)	—	(349)
At 31 March 2014	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353

	(Capital deficiency) equity attributable to owners of the Company										
	Share Capital HK$'000	Share Premium HK$'000	Contributed surplus HK$'000 (Note a)	Equity component of convertible bond HK$'000	Capital redemptions reserve HK$'000 (Note b)	Exchange fluctuation reserve HK$'000 (Note c)	Other reserve HK$'000 (Note d)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	(Capital deficiency) total equity HK$'000
At 1 April 2014	3,473	119,068	46,909	52,225	132	22,527	1,013	(245,193)	154	8,199	8,353
Loss for the year	—	—	—	—	—	—	—	(234,020)	(234,020)	(914)	(234,934)
Other comprehensive income											
Share of other comprehensive income of joint ventures	—	—	—	—	—	450	—	—	450	—	450
Exchange difference arising on translation of foreign operations	—	—	—	—	—	856	—	—	856	98	954
Total other comprehensive income for the year	—	—	—	—	—	1,306	—	—	1,306	98	1,404
Total comprehensive income (expenses) for the year	—	—	—	—	—	1,306	—	(234,020)	(232,714)	(816)	(233,530)
Deemed capital contribution	—	—	—	—	—	—	39,283	—	39,283	—	39,283
Derecognition upon modification of terms of convertible bond	—	—	—	(52,225)	—	—	—	—	(52,225)	—	(52,225)
Recognition upon modification of terms of convertible bond	—	—	—	133,092	—	—	—	—	133,092	—	133,092
At 31 March 2015	3,473	119,068	46,909	133,092	132	23,833	40,296	(479,213)	(112,410)	7,383	(105,027)

Notes:

(a) The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's capital reorganisation in 2006. Under the Companies Law of the Bermuda, the contributed surplus is distributable under certain specific circumstances.

(b) The capital redemption reserve represented the nominal value of the shares repurchased by the Company.

(c) The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Other reserve represents a contribution from related companies resulting from the balances of interest-free loans as described in note 28 to the consolidated financial statements, being the difference between the loan principal and the fair value of their liability component calculated upon initial recognition.

Consolidated Statement of Cash Flows
For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(234,934)	(197,773)
Adjustments for:		
Finance costs	23,432	23,372
Bank interest income	(71)	(50)
Share of results of joint ventures	5,258	4,923
Depreciation of property, plant and equipment	38,996	38,237
Impairment loss recognised on other receivables	1,173	1,574
Impairment loss recognised on trade receivables	1,193	1,165
Impairment loss recognised on property, plant and equipment	120,865	—
Reversal of impairment loss recognised on trade receivables in prior years	(680)	(1,337)
Gain on deregistration of a subsidiary	—	(119)
Loss on modifications of terms of convertible bond	68,890	—
Government grants received	—	(418)
Gain on disposal of property, plant and equipment	—	(1)
Loss on written off of property, plant and equipment	5	352
Fair value loss (gain) on equity investment at fair value through profit or loss	7,209	(8,131)
Dividend income from an equity investment at fair value through profit or loss	(195)	(186)
Operating cash flows before movements in working capital	31,141	(138,392)
(Increase) decrease in inventories	(176)	284
(Increase) decrease in trade receivables	(604)	1,378
Increase in prepayments, deposits and other receivables	(11,734)	(319)
Increase in trade payables	950	85
(Decrease) increase in other payables, accruals and deposits	(892)	27,696
(Decrease) increase in provision	(166,606)	166,780
Net cash (used in) from operating activities	(147,921)	57,512
INVESTING ACTIVITIES		
Interest received	71	50
Purchases of property, plant and equipment	(4,843)	(29,013)
Proceeds from disposal of property, plant and equipment	—	1
Placement of deposits with financial institution	(165)	(186)
Dividend received from an equity investment at fair value through profit and loss	195	186
Net cash used in investing activities	(4,742)	(28,962)

	2015	2014
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Advance from (repayment to) related companies	181,550	(83)
Government grants received	—	418
Interest paid	(16,856)	(16,839)
Repayment of bank borrowings	(77,767)	(39,384)
New bank borrowings raised	37,935	37,590
Net cash from (used in) financing activities	124,862	(18,298)
Net (decrease) increase in cash and cash equivalents	(27,801)	10,252
Cash and cash equivalents at beginning of year	42,793	32,739
Effect of foreign exchange rate changes	196	(198)
Cash and cash equivalents at end of year	15,188	42,793
Cash and cash equivalents at end of year, represented by		
Bank balances and cash	15,078	42,683
Non-pledged time deposits with original maturity of less than three months when acquired	110	110
	15,188	42,793

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

1. GENERAL

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Upsky Enterprises Limited ("Upsky"), incorporated in the British Virgin Islands and Mr. Mo Tianquan is the ultimate beneficial owner of Upsky.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company while the functional currency of a principal subsidiary of the Company operated in the People's Republic of China (the "PRC"), 廣西沃頓國際大酒店有限公司 ("沃頓酒店"), is Renminbi ("RMB").

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 38.

2. BASIS OF PREPARATION OF CONSOLIDATION FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the following facts and circumstances:

(i) the Group incurred a consolidated net loss of approximately HK$234,934,000 for the year ended 31 March 2015;

(ii) the Group had recorded net current liabilities and net liabilities of approximately HK$147,110,000 and HK$105,027,000 as at 31 March 2015 respectively;

In view of above, the directors of the Company considered the Group has adequate cash flows to maintain the Group's operation:

(i) The Group's principal banker shall continue to provide continuing financing to the Group under the Group's existing available facilities;

(ii) The Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Accordingly, the directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2015 on a going concern basis.

Should the Group be not able to continue to operate as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRS Interpretations Committee) ("HK(IFRIC)")-Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal; and
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The directors of the Company consider that the application of the amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting in HKAS 39 if specific conditions are met. The amendments to HKAS 39 state that the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described below, the application of other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities and it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will be effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate no material effect on the Group. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group’s consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans — Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan’s contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company anticipate that the application of the amendments to HKAS 19 will have no material impact to the Group.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptance Methods of Depreciation and Amortisation

The amendments establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company anticipate that the application of HKAS 27 in the future may not have a material impact on the amounts reported and disclosures made in the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, interests in joint ventures are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint ventures. When the Group's share of losses of a joint venture exceeds its interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interests in joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of sales related taxes.

Revenue from food and beverage sales is recognised when the services are rendered.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and buildings held for use in the production or supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non- controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short- term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and financial assets at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, deposits placed with financial institutions and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 7.

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible bond containing liability and equity components

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (Equity component of convertible bond).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bond until the embedded option is exercised (in which case the balance stated in equity component of convertible bond will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bond will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligation is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period.

Legal title of buildings

As detailed in note 17, certain of the Group's buildings have not been granted legal title from the relevant government authorities. Although the Group has not obtained the relevant legal title as at 31 March 2015, the directors of the Company had recognised the buildings on the grounds that they expected the legal title to be obtained in the near future with no major difficulties and the Group in substance were controlling these buildings.

Classification of joint ventures

As detailed in note 18, the Group's management exercises its critical judgement when determining whether the Group has share of control over an entity by evaluating the terms of the contractual arrangement signed by the Group and the shareholder of the joint ventures ("Shareholders' Agreement"). The directors of the Company consider that the Group is able to influence the operations of the joint ventures regarding the unanimous consent of all the parties sharing control which is required for resolution of important strategic financing and operation decisions under the Shareholders' Agreement.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The determination of the useful lives and residual values involve management's estimation based on experience about economic useful lives of the assets and by making reference to market prices of similar assets. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

As at 31 March 2015, the carrying amount of the property, plant and equipment was approximately HK$327,506,000, net of accumulated impairment of approximately HK$120,865,000 (2014: HK$477,508,000, net of impairment of nil.) Determining whether property, plant and equipment are impaired requires an estimation of the recoverable amount of the property, plant and equipment. Such estimation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Impairment loss of HK$120,865,000 (2014: Nil) has been recognised during the year ended 31 March 2014 as detailed set out in Note 17.

Estimated impairment of interests in joint ventures

The Group regularly reviews interests in joint ventures for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, e.g. the financial health, cash flow projections and future prospects of the companies. No impairment loss of interests in joint ventures were recognised for both years and the carrying amount of interests in joint ventures as at 31 March 2015 is approximately HK$88,728,000 (2014: HK$93,536,000).

Valuation of liability component of convertible bond

The fair values of liability component of convertible bond that are not traded in an active market are estimated by management based on the valuation performed by independent valuer. The fair values of liability component of convertible bond are valued using binomial model based on assumptions supported, where possible, by observable market prices or rates. The fair value of the liability component of convertible bond immediately following the modification, was approximately HK$102,024,000. Further details are given in note 29.

Estimated impairment of trade receivables

The management of the Group performs ongoing credit evaluations of receivables and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from trade receivables and maintains a provision for estimated credit losses based upon its historical experience. As at 31 March 2015, the carrying amount of trade receivables is approximately HK$5,393,000 (net of allowance for doubtful debts of approximately HK$15,648,000) (2014: carrying amount of approximately HK$5,236,000 (net of allowance for doubtful debts of approximately HK$14,948,000)).

Estimated impairment of other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2015, the carrying amount of other receivables is approximately HK$6,330,000 (net of allowance for doubtful debts of HK$2,866,000) (2014: HK$6,563,000, (net of allowance for doubtful debts of HK$1,693,000)).

Income tax

The Group is subject to income taxes in Hong Kong and the PRC. There are certain calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the convertible bond disclosed in note 29, interest- bearing bank borrowings disclosed in note 30, net of cash and cash equivalents and capital deficiency attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company monitors capital risk using a gearing ratio, which is defined as interest-bearing debts divided by total assets. The gearing ratios as at 31 March 2015 and 2014 are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Interest-bearing debts:		
— Interest-bearing bank borrowings	197,895	234,813
— Amounts due to related companies	148,941	—
— Convertible bond	105,082	112,991
	451,918	347,804
Total assets	454,252	643,581
Gearing ratio	99%	54%

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	**2014**
	HK$'000	*HK$'000*
Financial assets		
Equity investment at fair value through profit or loss	6,191	13,400
Loans and receivables (including cash and cash equivalents)	27,863	54,318
	34,054	67,718
Financial liabilities		
Financial liabilities at amortised cost	506,063	390,387

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, equity investment at fair value through profit or loss, deposits placed with financial institutions, bank balances and cash, trade payables, other payables, accruals, amounts due to related companies, convertible bond and interest-bearing bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group operates mainly in the PRC and HK, transactions, assets and liabilities denominated in currencies other than the functional currency of the group companies are minimal and therefore the directors of the Company considers the foreign exchange risk is minimal.

The Group is mainly expose to currency risk arise from US$. The Group believes that the pegged rate between the US$ and the HK$ will be materially unaffected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK$ to be minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts due to related companies, fixed-rate short term deposits, convertible bond and fixed-rate bank borrowings. Details of the Group's short term deposits, amounts due to related companies, convertible bond and interest-bearing bank borrowings are disclosed in notes 24, 28, 29 and 30 respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate interest-bearing bank borrowings as disclosed in note 30. The Group currently does not have an interest rate hedging policy. However, the director's of the Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing bank borrowings and deposit at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post- tax loss for the year ended 31 March 2015 would increase/decrease by approximately HK$543,000 (2014: HK$577,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate interest-bearing bank borrowings and deposit.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments operating in information technology industry sector quoted in the New York Stock Exchange. In addition, the Group currently does not have any hedging policy and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the price of the respective equity instruments had been 5% (2014: 5%) higher/lower, post-tax loss for the year ended 31 March 2015 would decrease/increase by approximately HK$232,000 (2014: HK$503,000) as a result of the changes in fair value of equity investment at fair value through profit or loss.

The Group's sensitivity to equity investment at fair value through profit or loss has not changed significantly from the prior year.

Credit risk

As at 31 March 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, deposit and other receivables. Management has policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of hotel operations, the Group has certain concentration of credit risk in view of its customers. 9% (2014: 19%) and 22% (2014: 48%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. It has policies in place to ensure that sale of rooms to corporate customers are made to customers with an appropriate credit history. Sales to walk-in customers are made by credit cards or cash.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (2014: 100%) of the total trade receivable as at 31 March 2015.

Cash and bank deposits are mainly placed in major domestic banks with good credit ratings. Rental deposits are mainly paid to domestic private entities who are currently leasing the office premises to the Group. The Group's credit risk is primarily attributable to its trade and other receivables. Management monitors each individual trade debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties and customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 20 and 21 to the financial statements.

Liquidity risk

At 31 March 2015, the Group had net current liabilities and net liabilities of approximately HK$147,110,000 and HK$105,027,000, respectively and the Group had incurred loss of approximately HK$234,934,000 for the year ended 31 March 2015. As explained in note 2 to the consolidated financial statements, the management has taken several measures and arrangements to improve the financial position of the Group and after taking into account the Proposed Plans, the Board considers that the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due at least next twelve months.

The consolidated financial statements have been prepared on a going concern basis. The Group relies on bank borrowings and amounts due to related companies as a significant source of liquidity. Details of which are set out in note 30.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and additional funding to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, interest-bearing bank borrowings and amounts due to related companies. The directors of the Company believe that the Group will have sufficient working capital to meet its financial obligations when they fall due within the next twelve months from the end of the reporting period. Details of which are set out in note 2.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within 1 year	**1 to 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Trade payables	14,716	—	14,716	14,716
Other payables and accruals	31,751	—	31,751	31,751
Amounts due to related companies	9,006	193,787	202,793	156,619
Interest-bearing bank borrowings	90,467	135,864	226,331	197,895
Convertible bond	1,200	122,500	123,700	105,082
	147,140	452,151	599,291	506,063

	On demand or within 1 year	**1 to 5 years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2014				
Trade payables	13,572	—	13,572	13,572
Other payables and accruals	17,166	—	17,166	17,166
Amounts due to related companies	924	11,934	12,858	11,845
Interest-bearing bank borrowings	91,614	183,933	275,547	234,813
Convertible bond	121,200	—	121,200	112,991
	244,476	195,867	440,343	390,387

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The following table details the Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 March 2015			
Trade receivables	5,393	5,393	5,393
Deposits and other receivables	4,791	4,791	4,791
Deposits placed with financial institution	2,491	2,491	2,491
Equity investment at fair value through profit or loss	6,191	6,191	6,191
Bank balances and cash	15,188	15,188	15,188
	34,054	34,054	34,054

	Less than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 March 2014			
Trade receivables	5,236	5,236	5,236
Deposits and other receivables	3,963	3,963	3,963
Deposits placed with financial institution	2,326	2,326	2,326
Equity investment at fair value through profit or loss	13,400	13,400	13,400
Bank balances and cash	42,793	42,793	42,793
	67,718	67,718	67,718

(c) Fair value measurements recognised of financial instruments

The Group's financial asset at FVTPL is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial asset is determined.

Financial asset	**Fair value as at 2015**	**Fair value as at 2014**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Held-for-trading non-derivative financial assets classified as financial assets at fair value through profit or loss in the consolidated statement of financial position *(see note 22)*	Listed securities in the New York Stock Exchange: — Technology: US$793,750 (equivalent to HK$6,191,000)	Listed securities in the New York Stock Exchange: — Technology: US$1,710,500 (equivalent to HK$13,400,000)	Level 1	Quoted bid prices in an active market.

Except as detailed in the following table, 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:

Financial liabilities

	2015		2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liability component of convertible bond *(see note 29)*	105,082,000	105,082,000	106,458,000	106,458,000

The fair value of the liability component of convertible bond as at 31 March 2015 and 2014 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair values of the convertible bonds were valued by using the Binomial Tree Model. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company.

There were no transfers between levels of fair value hierarchy in the current year and prior year.

8. REVENUE

Revenue represents the fair value of the consideration received and receivable from outside customers during the year. An analysis of the Group's revenue for the year is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Hotel business	143,695	121,384

9. SEGMENT INFORMATION

Information reported to the board of directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

For management purposes, the Group is currently organised into two major operating segments which are the same as the reportable segments of the group: hotel business and corporate and others.

The two reportable and operating segments are as follows:

Hotel business — hotel and restaurant operations in the PRC

Corporate and others — investment in equity investment at fair value through profit or loss, corporate income, expense items, corporate assets and liabilities

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the years ended 31 March:

	Hotel business		Corporate and others		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Sales to external customers	143,695	121,384	—	—	143,695	121,384
Other revenue	1,336	2,582	1,234	193	2,570	2,775
Segment revenue	145,031	123,966	1,234	193	146,265	124,159
Segment (loss) profit	(122,292)	(12,771)	(10,763)	5,031	(133,055)	(7,740)
Finance costs					(23,432)	(23,372)
Provision for litigation					—	(166,780)
Litigation claim					(9,557)	—
Gain on deregistration of a subsidiary					—	119
Loss on modifications of terms of convertible bond					(68,890)	—
Loss before tax					(234,934)	(197,773)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of finance costs, provision for litigation, litigation claim, gain on deregistration of a subsidiary and loss on modifications of terms of convertible bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Hotel business		Corporate and others		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment and consolidated assets	433,871	611,140	20,381	32,441	454,252	643,581
LIABILITIES						
Segment liabilities	87,713	99,235	6,569	4,403	94,282	103,638
Unallocated liabilities					464,997	531,590
Consolidated liabilities					559,279	635,228

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments.

- all liabilities are allocated to reportable and operating segments other than tax payables, interest-bearing bank borrowings, provision for litigation, amounts due to related companies and convertible bond.

(c) Other segment information

	Hotel business		Corporate and others		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	38,992	38,233	4	4	38,996	38,237
Fair value loss (gain) on equity investment at fair value through profit or loss	—	—	7,209	(8,131)	7,209	(8,131)
Capital expenditure	4,844	29,013	—	—	4,844	29,013
Impairment loss recognised on other receivables	1,173	1,574	—	—	1,173	1,574
Impairment loss recognised on trade receivables	1,193	1,165	—	—	1,193	1,165
Impairment loss recognised on property, plant and equipment	120,865	—	—	—	120,865	—
Reversal of impairment loss recognised on trade receivables in prior years	(680)	(1,337)	—	—	(680)	(1,337)
Government grants	—	(418)	—	—	—	(418)
Bank interest income	(65)	(50)	(6)	—	(71)	(50)
Interests in joint ventures	88,728	93,536	—	—	88,728	93,536
Share of results of joint ventures	5,258	4,923	—	—	5,258	4,923
Loss on written off of property, plant and equipment	5	352	—	—	5	352
Gain on disposal of property, plant and equipment	—	(1)	—	—	—	(1)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Income tax expense	—	—	—	—	—	—
Finance cost	16,377	15,639	7,055	7,733	23,432	23,372

(d) Geographical segment

The Group operates in two principal geographical areas: the PRC (country of domicile) and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations and information about its non-current assets is presented based on the geographical location of the assets as detailed below:

	Revenue from external customers		Non-current assets	
	For the year ended 2015	**For the year ended 2014**	**As at 2015**	**As at 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC	143,695	121,384	416,231	571,037
Hong Kong	—	—	3	7

(e) Information about major customers

During the year, none of the Group's turnover was derived from transactions with individual external customers contributing over 10 per cent of the Group's turnover (2014: nil).

10. OTHER INCOME

	2015	**2014**
	HK$'000	*HK$'000*
Bank interest income	71	50
Dividend income from equity investment at FVTPL	195	186
Government grants	—	418
Exchange gain	1,032	—
Reversal of impairment loss recognised on trade receivables in prior years	680	1,337
Other	592	784
	2,570	2,775

Note: Government grants in respect of encouragement of development of the Group were recognised at the time the Group fulfilled the relevant granting conditions.

11. FINANCE COSTS

	2015	**2014**
	HK$'000	*HK$'000*
Interest on bank borrowings	15,656	15,639
Imputed Interest on amounts due to related companies	2,507	—
Effective interest expense on convertible bond *(note 29)*	5,269	7,733
	23,432	23,372

12. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	—	—
Deferred tax *(note 33)*	—	—
	—	—

Pursuant to the rules and regulations of the Bermuda, the Company is not subject to any income tax in the Bermuda.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years. No provision of EIT has been made as the Group did not have any assessable profits subject to EIT Law for the year ended 31 March 2015 (2014: Nil).

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	(234,934)	(197,773)
Tax at the domestic income tax rate at 25% (2014: 25%) *(note)*	(58,734)	(49,444)
Tax effect of income not taxable	(495)	(182)
Tax effect of expenses not deductible	55,163	43,057
Tax effect of share of results of joint ventures	1,315	1,231
Tax effect of tax loss not recognised	2,751	5,338
Tax expense for the year	—	—

Details of deferred tax are set out in note 33.

Note: The domestic tax rate (which is the People's Republic of China on EIT rate) in the jurisdiction where the operation of the Group is substantially based is used.

13. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging:

	2015 *HK$'000*	2014 *HK$'000*
Directors' and chief executive's emoluments *(note 14)*	1,134	1,150
Retirement benefit scheme contributions (excluding contributions for directors and chief executive)	3,808	4,657
Other staff costs	27,959	26,132
Total employee benefit expenses	32,901	31,939
Depreciation of property, plant and equipment	38,996	38,237
Auditor's remuneration	740	612
Minimum lease payment under operating leases of offices properties	302	468
Loss on written off of property, plant and equipment	5	352
Litigation claim	9,557	—
Impairment loss recognised on trade receivables (included in other operating expenses)	1,193	1,165
Impairment loss recognised on other receivables (included in other operating expenses)	1,173	1,574

14. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 6 (2014: 7) directors and the chief executive were as follows:

	Executive directors		Non-executive director	Independent non-executive directors				
	Ms. Cao Jing *HK$'000*	Mr. Zhang Shaohua *HK$'000* *(Note a)*	Mr. Mo Tianquan *HK$'000*	Mr. Ye Jianping *HK$'000*	Mr. Palaschuk Derek Myles *HK$'000*	Mr. Deng Wei *HK$'000* *(Note c)*	Mr. Wu Jiahong *HK$'000* *(Note b)*	Total
For the year ended 31 March 2015								
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Fees	—	105	630	105	189	—	105	1,134
Other emoluments:								
Salaries and other benefits	—	—	—	—	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—
Total emoluments	—	105	630	105	189	—	105	1,134
For the year ended 31 March 2014								
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Fees	—	104	623	104	187	62	70	1,150
Other emoluments:								
Salaries and other benefits	—	—	—	—	—	—	—	—
Retirement benefit scheme contributions	—	—	—	—	—	—	—	—
Total emoluments	—	104	623	104	187	62	70	1,150

Note a: Mr. Zhang Shaohua is also the chief executive of the Company for the year ended 31 March 2014 and 2015 and his emoluments disclosed above include those for services rendered by him the as the chief executive.

Note b: Mr. Wu Jiahong was appointed on 16 September 2013 and resigned as independent non-executive director after the end of the reporting period on 16 May 2015.

Note c: Mr. Deng Wei has been resigned as independent non-executive director on 8 November 2013.

Note d: No other emoluments paid or receivable for directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking, retirement benefit and compensation for early termination of the appointment for loss of office for the years ended 31 March 2015 and 31 March 2014.

None of the directors and the chief executive waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2015 and 31 March 2014.

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2014: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2014: three) individuals are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries and other benefits	746	748
Retirement benefit scheme contributions	11	11
	757	759

The emoluments of the remaining three (2014: three) individuals were within the following bands:

	2015 Number of employees	**2014 Number of employees**
Nil–HK$1,000,000	3	3

During the years ended 31 March 2015 and 31 March 2014, no emoluments were paid or payable by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2015 and 31 March 2014, nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	(234,020)	(197,298)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	5,269	7,733
Loss for the purpose of diluted loss per share	(228,751)	(189,565)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	347,326	347,326
Effect of dilutive potential ordinary shares		
Convertible bond	324,763	324,763
Weighted average number of ordinary shares for the purpose of diluted loss per share	672,089	672,089

	2015	2014
Basic and diluted loss per share *(in HK cents)*	(67.38)	(56.80)

For the year ended 31 March 2015 and 2014, because the diluted loss per share amount decreased when taking into account of the convertible bond, the convertible bond had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amounts are based on the loss for the year attributable to owners of the Company of approximately HK$234,020,000 (2014: HK$197,298,000), and the weighted average number of ordinary shares of approximately 347,326,000 (2014: 347,326,000) in issue during the year.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost						
At 1 April 2013	412,680	131,490	78,061	5,074	201,294	828,599
Exchange realignment	(389)	(138)	(92)	(5)	(226)	(850)
Additions	—	1,893	10,628	4	16,488	29,013
Written off	—	(746)	(550)	(8)	—	(1,304)
Disposals	—	—	—	(188)	—	(188)
As at 31 March 2014 and 1 April 2014	412,291	132,499	88,047	4,877	217,556	855,270
Exchange realignment	6,309	1,636	946	100	1,184	10,175
Additions	—	368	844	—	3,631	4,843
Written off	—	(4)	(30)	(19)	—	(53)
At 31 March 2015	418,600	134,499	89,807	4,958	222,371	870,235
Accumulated depreciation						
At 1 April 2013	117,729	100,014	53,810	2,612	66,893	341,058
Exchange realignment	(135)	(112)	(59)	(3)	(84)	(393)
Charge for the year	11,703	8,512	3,049	664	14,309	38,237
Written off	—	(677)	(268)	(7)	—	(952)
Eliminated on disposals	—	—	—	(188)	—	(188)
At 31 March 2014 and 1 April 2014	129,297	107,737	56,532	3,078	81,118	377,762
Exchange realignment	1,941	1,018	257	41	1,897	5,154
Charge for the year	14,771	6,825	5,554	597	11,249	38,996
Impairment loss recognised	—	13,206	19,191	—	88,468	120,865
Written off	—	(4)	(27)	(17)	—	(48)
At 31 March 2015	146,009	128,782	81,507	3,699	182,732	542,729
Carrying values						
At 31 March 2015	272,591	5,717	8,300	1,259	39,639	327,506
At 31 March 2014	282,994	24,762	31,515	1,799	136,438	477,508

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

Land and buildings	2% to 3%
Machinery and equipment	6% to 20%
Furniture and office equipment	9% to 30%
Motor vehicles	18% to 24%
Leasehold improvement	5 years or over the lease terms, whichever is shorter

The Group has pledged land and buildings with a net carrying value of approximately HK$272,591,000 (2014: HK$282,994,000) to secure interest-bearing bank borrowings granted to the Group. Details were stated in note 30.

At the end of reporting period, the Group is in the process of obtaining the building ownership certificate for staff quarter locating in the PRC with carrying amount of approximately HK$3,996,000 (2014: HK$4,096,000). The directors of the Company confirmed that although the subsidiary has not yet obtained the building ownership certificate of the staff quarter, the ownership of staff quarter vested with the subsidiary.

During the year ended 31 March 2015, as a result of the continuous decline in the performance of the Group, the Group carried out a review of the recoverable amount of the Group's property, plant and equipment. The review led to the recognition of impairment losses on machinery and equipments of approximately HK$12,891,000 (2014: Nil), furniture and office equipment of approximately HK$18,742,000 (2014: Nil), and leasehold improvement of approximately 89,519,000 (2014: Nil), which have been recognised in consolidated statement of profit or loss and other comprehensive income. The discount rate in measuring the amounts of value in use is 8.5% (2014: Nil).

18. INTERESTS IN JOINT VENTURES

	2015	**2014**
	HK$'000	*HK$'000*
Cost of investment in joint ventures — unlisted	32,841	32,841
Share of post acquisition loss and other comprehensive expenses	(9,672)	(4,864)
Advance to a joint venture	65,559	65,559
	88,728	93,536

The advance to a joint venture is unsecured, interest-free and repayable on demand. In the opinion of the directors, the advance is considered as quasi-equity investments in the joint venture.

At 31 March 2015 and 2014, the Group had interests in the following joint ventures:

Name of entities	Form of business structure	Place of incorporation and operation	Particulars of registered capital	Percentage of ownership interest and voting rights held by the Group 2015	2014	Principal Activities
廣西普凱興業酒店投資有限公司 ("興業酒店") *(Note b)*	Domestic equity joint venture	PRC	RMB50,360,000	26.7%	26.7%	Investment holding
北海海興房地產開發有限公司 ("北海海興") *(Note a & b)*	Wholly-owned domestic enterprise	PRC	RMB10,000,000	26.7%	26.7%	Inactive

Notes:

(a) 北海海興 *is a wholly owned subsidiary of* 興業酒店*. The interests in joint ventures are indirectly held by the Company.*

(b) *Since unanimous consent of all the parties sharing control is required for resolution of important strategic financing and operating decisions, the investment was classified as joint venture even though the Group has a 26.7% voting interest.*

The summarised financial information below represents amounts shown in the 興業酒店 and its subsidiary's financial statements which is material to the group and are accounted for using equity method and are prepared in accordance with HKFRSs.

	2015	2014
	HK$'000	*HK$'000*
Current assets	6,350	5,397
Non-current assets	601,975	611,278
Current liabilities	(268,649)	(262,092)
Non-current liabilities	(252,900)	(249,800)
Net assets	86,776	104,783

The above amounts of assets and liabilities include the following:

	2015	2014
	HK$'000	*HK$'000*
Cash and cash equivalents	1,278	2,175
Current financial liabilities (excluding trade and other payables and provisions)	—	—
Non-current financial liabilities (excluding trade and other payables and provisions)	252,900	249,800
Revenue	2,469	—
Loss for the year	(19,692)	(18,439)
Other comprehensive income (expense) for the year	1,685	(539)
Total comprehensive expense for the year	(18,007)	(18,978)

The above loss for the year includes the following:

	2015	2014
	HK$'000	*HK$'000*
Depreciation	17,357	17,197
Interest income	—	—
Interest expenses	—	—
Income tax expenses	—	—

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	2015	2014
	HK$'000	*HK$'000*
Net assets of 興業酒店 and its subsidiary	86,776	104,783
Proportion of the Group's interests in 興業酒店 and its subsidiary	26.7%	26.7%
Carrying amount of the Group's interests in 興業酒店 and its subsidiary	23,169	27,977

19. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	688	530
Low-valued consumables	1,335	1,207
Consumables	402	482
	2,425	2,219

20. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	21,041	20,184
Less: allowance for doubtful debts	(15,648)	(14,948)
	5,393	5,236

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. The Group allows credit period ranging from cash on delivery of services to 60 days. A longer credit period is granted to a few customers with long business relationship with the Group and with strong financial positions. The Group does not hold any collateral over these balances.

(a) The following is an aged analysis of trade receivables net of allowance for doubtful debts based on the invoice dates at the end of the reporting period which approximated the respective revenue recognition dates:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	3,951	2,793
31 days–60 days	746	1,323
61 days–90 days	10	68
Over 90 days	686	1,052
	5,393	5,236

(b) Movements in the allowance for doubtful debts during the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 April	14,948	15,136
Impairment loss recognised on receivables	1,193	1,165
Reversal of impairment loss recognised on receivables	(680)	(1,337)
Exchange realignment	187	(16)
At 31 March	15,648	14,948

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$15,648,000 (2014: HK$14,948,000) which were in severe financial difficulties. Impairment loss of approximately HK$1,193,000 (2014: HK$1,165,000) has been recognised during the year ended 31 March 2015 accordingly.

(c) As at 31 March 2015, approximately HK$695,000 (2014: HK$1,120,000) of the Group's trade receivables were past due as at the reporting date but not impaired. The ageing analysis of these past due but not impaired receivables based on credit terms is as follows:

	2015	2014
	HK$'000	*HK$'000*
Less than 30 days past due	2	17
31 to 90 days past due	117	136
Over 90 days past due	576	967
	695	1,120

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Prepayments	1,539	2,600
Deposits and other receivables	4,791	3,963
	6,330	6,563

The above assets are neither past due nor impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Movements in the allowance for doubtful debts of other receivables during the year are as follows:

	2015	2014
	HK$'000	*HK$'000*
At 1 April	1,693	119
Impairment loss recognised on other receivables	1,173	1,574
At 31 March	2,866	1,693

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate balance of approximately HK$2,866,000 (2014: HK$1,693,000) which were in severe financial difficulties. Impairment loss of approximately HK$1,173,000 (2014: HK$1,574,000) has been recognised during the year ended 31 March 2015 accordingly.

22. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
	HK$'000	*HK$'000*
Listed securities		
— Equity securities listed in The New York Stock Exchange	6,191	13,400

The above equity investment at 31 March 2015 and 2014 was, upon initial recognition, recognised by the Group as financial assets at fair value through profit or loss.

23. DEPOSIT PLACED WITH FINANCIAL INSTITUTION

The deposit placed with financial institution is for the purpose of securities trading. The deposit does not carry any interest (2014: carry interest at market rates which range from 0.001% to 0.05% per annum).

24. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.35% (2014: 0.001% to 0.50%) per annum. As at 31 March 2015, the fixed interest rate on bank deposits with initial terms ranging from one month to three months were 0.01% (2014: 0.01%) per annum.

At 31 March 2015, the Group's bank balances and cash denominated in RMB amounted to approximately RMB4,061,000, equivalent to approximately HK$5,136,000 (2014: approximately RMB23,139,000, equivalent to approximately HK$28,900,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015	2014
	HK$'000	*HK$'000*
US$	9,392	13,186

25. TRADE PAYABLES

Ageing analysis of the Group's trade payables at the end of the reporting period presented based on the invoice dates is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	2,207	2,497
31 days–60 days	3,464	2,308
Over 60 days	9,045	8,767
Trade payables	14,716	13,572

The credit period on purchases of goods ranges from cash on delivery to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

26. OTHER PAYABLES, ACCRUALS AND DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Deposits received	40,476	49,757
Other payables	33,609	35,631
Accruals	5,481	4,678
	79,566	90,066

27. PROVISION

	2015	2014
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current liabilities	—	166,606

The litigation proceedings represented the ex-shareholder of a subsidiary of the Group (the "Ex-shareholder") commenced proceedings against the subsidiary in relation to a contractual dispute. As set out in the announcement of the Company on 18 December 2014, the final judgment of the legal proceeding was delivered and the subsidiary, Open Land Holdings Limited (the "Subsidiary"), was ordered to settle compensation of approximately RMB139,314,000 (approximately HK$176,163,000) to the Ex-shareholder. Provision of RMB133,392,000 (approximately HK$166,606,000) was made as of 31 March 2014 and was reversed to setoff the litigation settlement paid during the year. Details of the litigation are set out in note 39 to the consolidated financial statements.

28. AMOUNTS DUE TO RELATED COMPANIES

	Nominal interest rate (%)	Maturity	Original currency *(USD'000)*	2015 *HK$'000*	2014 *HK$'000*
Non-current portion	Fixed rate at 1%	January 2020	8,636	66,968	—
(note (i))	Fixed rate at 1%	December 2019	9,117	70,692	—
	Interest free	March 2017	—	11,281	11,010
				148,941	11,010
Current portion	Interest free	Repayable on demand	—	7,678	924
				156,619	11,934

Note:

(i) During the year, the Group received interest bearing advances from the related companies amounted to US$22,550,000 (equivalent to approximately HK$174,857,000) bearing interest at 1% per annum (2014: Nil) to be repayable in full within five years and interest free advances amounted to HK$6,693,000 repayable on demand.

The fair values of the liability components of the amounts due to related companies were estimated at the inception date using an equivalent market interest rate for a similar loan. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at effective interest rate of 6.39% (2014: Nil). The residual amounts were assigned as the equity components of the amounts due to related companies and are included in shareholder's equity as deemed capital contribution from the related companies. These related companies are ultimately held by Mr. Mo Tianquan ("Mr. Mo"), a non-executive director of the Company. Mr. Mo is also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2015 and he is also a beneficial owner of these related companies. During the year, the Group recognised a deemed capital contribution in equity of HK$39,283,000 (2014: Nil) due to fair value adjustment on initial recognition of further advances from the related companies in current year.

29. CONVERTIBLE BOND

On 28 March 2008, the Company issued a five-year, 1% convertible bond with nominal value of HK$120,000,000 (the "Bond") to Tanisca Investment Limited ("Tanisca"). Interest is payable half year in arrears. The Bond is convertible at any time from the first anniversary of the issue date to the maturity date of 28 March 2013, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK$0.6 per share, subject to adjustments in certain events. The Bond may be redeemed at the option of the Company in whole or in part, upon written confirmation obtained from the bondholder in accordance with the terms of the Bond, or by the bondholder under certain circumstances. Unless previously redeemed, purchased and cancelled or converted, all the outstanding Bond will be converted into ordinary shares of the Company on the maturity date.

On 12 June 2008, the Company, by a right issue, allotted and issued 208,395,600 ordinary shares of HK$0.01 each at the price HK$0.5 per share. As a result, the conversion price of the Bond was adjusted from HK$0.6 per share to HK$0.3695 per share, and the number of shares falling to be issued upon full conversion of the Bond was adjusted from 200,000,000 to 324,763,193 shares.

On 28 March 2013, the Group has entered into a deed of amendment ("Deed of Amendment") with Tanisca to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2013 to 28 March 2015. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 28 March 2015 ("modification"). On 20 May 2013, the shareholders have duly passed the Deed of Amendment in special general meeting.

On 3 June 2014, the Group has entered into a deed of amendment (the "2nd Amendment") with the holder of the Bond to extend the maturity date of the Bond of principal amount of HK$120,000,000 from 28 March 2015 to 30 April 2018. The conversion price remained at HK$0.3695 per share and if any of the Bond has not been converted subsequently, it shall be redeemed on the extended maturity date on 30 April 2018 ("modification"). On 29 June 2014, the shareholders have duly passed the Deed of Amendment in special general meeting.

The fair value of the liability component of the Bond was estimated at the issuance date by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The discount rate of the Bond was 5.53% (2014: 6.84%) per annum. The residual amount was assigned as the equity component of the Bond and is included in shareholders' equity.

The modification resulted in the extinguishment of the financial liability of the Bond and the recognition of its new financial liability and equity components. The fair value of the new liability immediately following the modification was approximately HK$102,024,000. The financial liability was determined using a discount rate of 5.53% (2014: 6.84%).

The Bond has been split as to the liability and equity components, as follows:

	Liability component	**Equity component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2013	106,458	52,225	158,683
Interest expenses *(note 11)*	7,733	—	7,733
Interest paid	(1,200)	—	(1,200)
At 31 March 2014 and 1 April 2014	112,991	52,225	165,216
Interest expenses *(note 11)*	5,269	—	5,269
Derecognition of original liability/equity component	(114,002)	(52,225)	(166,227)
Recognition of new liability/equity component upon modification	102,024	133,092	235,116
Interest paid	(1,200)	—	(1,200)
At 31 March 2015	105,082	133,092	238,174

Note: The fair value of the convertible bond was valued by using the Binomial Tree Model. The fair value of the debt portion of the convertible bond is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bond and discount rate that reflect the credit risk of the Company. The residual amount, representing the value of the equity conversion component, is included in the equity component of convertible bond under equity attributable to the owners of the Company.

The liability component of convertible bond is classified under non-current liabilities.

30. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2015 *HK$'000*	2014 *HK$'000*
Unsecured bank loan	Fixed rate at 5.86% (2014: 5%)	March 2016 (2014: March 2015)	37,935	37,470
Secured bank loan	Floating rate at the prime lending rate of the People's Bank of China	February 2019	159,960	197,343
			197,895	234,813

	2015 *HK$'000*	2014 *HK$'000*
Carrying amount repayable*:		
Within one year	77,767	76,814
More than one year, but not exceeding two years	39,832	39,344
More than two years but not more than five years	80,296	118,655
Total secured interest-bearing bank borrowings	197,895	234,813
Less: Amounts due within one year shown under current liabilities	(77,767)	(76,814)
Amounts shown under non-current liabilities	120,128	157,999

* The amounts due are based on scheduled repayment dates as set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured and secured bank loan are ranged from 5.86% to 6.55% (2014: 5% to 6.55%) per annum.

During the year, the Group has obtained new loan in the amount of approximately HK$37,935,000 (2014: HK$37,470,000). The loans bear interest at fixed rate and will be repayable in March 2016. The proceeds were used to finance the working capital.

The interest-bearing bank borrowings is secured by the pledge of the Group's land and buildings situated in PRC with a carrying value of approximately HK$272,591,000 (2014: HK$282,994,000) (note 17).

31. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	8,000,000	80,000
Issued and fully paid:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	347,326	3,473

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 *HK$'000*	2014 *HK$'000*
Non-current assets		
Property, plant and equipment	3	6
Interests in subsidiaries *(note a)*	2,271	88,830
	2,274	88,836
Current assets		
Deposits placed with financial institutions	2,491	2,326
Prepayments, deposits and other receivables	730	971
Equity investment at fair value through profit or loss	6,191	13,400
Bank balances and cash	586	2,762
	9,998	19,459
Current liabilities		
Other payables and accruals	6,562	4,337
Convertible bond	—	112,991
	6,562	117,328
Net current assets (liabilities)	3,436	(97,869)
Total assets less current liabilities	5,710	(9,033)
Non-current liability		
Convertible bond	105,082	—
Net liabilities	(99,372)	(9,033)
Capital and reserves		
Share capital	3,473	3,473
Reserves *(note b)*	(102,845)	(12,506)
Capital deficiency	(99,372)	(9,033)

Note a:

	2015 *HK$'000*	2014 *HK$'000*
Unlisted shares, at cost	2	2
Amounts due from subsidiaries	257,513	255,434
	257,515	255,436
Less: Impairment loss recognised on amounts due from subsidiaries	(255,244)	(166,606)
	2,271	88,830

The amounts due from subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayment.

Note b:

	Share premium *HK$'000*	**Contributed surplus** *HK$'000* *(note i)*	**Capital redemption reserve** *HK$'000*	**Equity component of convertible bond** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2013	119,068	60,918	132	52,225	(77,589)	154,754
Loss for the year and total comprehensive expense for the year	—	—	—	—	(167,260)	(167,260)
At 31 March 2014 and 1 April 2014	119,068	60,918	132	52,225	(244,849)	(12,506)
Loss for the year and total comprehensive expense for the year	—	—	—	—	(171,206)	(171,206)
Recognition upon modification of terms of convertible bond	—	—	—	133,092	—	133,092
Derecognition upon modification of terms of convertible bond	—	—	—	(52,225)	—	(52,225)
At 31 March 2015	119,068	60,918	132	133,092	(416,055)	(102,845)

Note i: The contributed surplus of the Company represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Company's capital reorganisation in 2006. Under the Companies Law of the Bermuda and the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable under certain specific circumstances.

33. DEFERRED TAXATION

At the end of the reporting period, the Group did not recognise tax losses of approximately HK$39,090,000 (2014: HK$28,085,000) due to the unpredictability of future profit streams. Tax loss amounting to HK$39,090,000 (2014: HK$28,085,000) will expire within five years.

Under the Enterprise Income Tax (the "EIT") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. No deferred taxation has been recognised in respect of these temporary differences attributable to accumulated profits of the PRC subsidiaries since the PRC subsidiaries recorded accumulated losses during the years ended 31 March 2015 and 31 March 2014.

As at 31 March 2015, the aggregate amount of temporary differences associated with investments in joint ventures for which deferred tax liabilities have not been recognised amounting to approximately HK$10,512,000 (2014: HK$5,254,000), as the directors consider that the timing of reversal of the related temporary differences can be controlled and the temporary differences will not reverse in the foreseeable future.

34. DEREGISTRATION OF A SUBSIDIARY

During the year ended 31 March 2014, the Group deregistered a wholly-owned subsidiary 廣西沃頓物業服務有限公司.

Net assets of the deregistered subsidiary at its respective date of deregistration were as follows:

	Total
	HK$'000
Net assets disposed of:	
Net assets	—
Release of exchange translation reserve	(119)
Gain on deregistration	(119)
Net cash outflow arising on deregistration Bank balances and cash	—

The deregistered subsidiary did not have significant contribution to the Group's revenue, loss and cash flow for the year ended 31 March 2014.

35. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 March 2015 and 2014.

(a) Related parties' transactions

Name of related party	**Relationship**	**Nature of transactions**	**2015**	**2014**
			HK$'000	*HK$'000*
Tanisca	Related parties in which certain directors of the Company have beneficial interests	Interest paid on the convertible bond *(note (i))*	1,200	1,200
Upsky International Holdings Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	15	—
Media Partner Technology Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	153	—
Next Decade Investment Limited	Related parties in which certain directors of the Company have beneficial interests	Actual interest paid on amounts due to related companies *(note (ii))*	253	—

(i) Interest expense on the convertible bond was paid to Tanisca at 1% per annum. Tanisca is wholly owned by Mr. Mo, who is a non-executive director and is also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2015. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and the issue of the Bond constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the Bond were disclosed in note 29.

(ii) Interest expenses on the amounts due to related companies were paid at 1% per annum. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of these companies. Details of the transaction were disclosed in note 28.

(b) Other arrangements of related parties' transactions

(i) On 30 September 2011 (the US time), the Group acquired in aggregate 25,000 shares in SouFun Holdings Limited ("SouFun") at the aggregate consideration of US$284,410 (approximately equivalent to HK$2,218,000) through various on-market transactions on the New York Stock Exchange. The equity interests acquired represented approximately 0.03% of the total issued share capital of SouFun as at the date of acquisition.

As Mr. Mo is the substantial shareholder and director of SouFun, beneficially holding approximately 32.4% in the total issued share capital of SouFun, and is also a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, SouFun is regarded as a connected person of the Company and hence the acquisition is considered as a connected transaction for the Company under Chapter 14A of the Listing Rules.

The Group's investment in SouFun is accounted for as an equity investment at FVTPL, further details of which are included in note 22.

(ii) As detailed in note 18, the Group had an investment in the JV Company during the two years ended 31 March 2015 and 31 March 2014, Mr. Mo Tianquan, a non-executive director, a substantial shareholder and the ultimate beneficial owner of the Company, also is a substantial shareholder and beneficial owner of the JV Partner.

(c) Compensation of key management personnel

The remunerations of directors and other members of key management during the year were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Short-term benefits	1,134	1,150

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loan, quasi-loan and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

36. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by PRC government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$3,808,000 (2014: HK$4,657,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

37. OPERATING LEASES COMMITMENTS

The Group as lessee

The Group leases various offices properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	1,126	1,159
In the second to fifth year inclusive	2,633	456
	3,759	1,615

Leases are negotiated for a term of three to five years (2014: three to five years) and rentals are fixed during the lease period.

38. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2015 and 2014 are as follows:

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Proportion effective ownership interest held by the Company Directly	Indirectly	Forms of legal entity	Principal activities
Aykens Holdings Limited	British Virgin Islands	US$100	100%	—	Private limited company	Investment holding
Hopland Enterprises Limited	British Virgin Islands	US$100	100%	—	Private limited company	Investment holding
沃頓酒店	PRC	US$31,927,280	—	100%	Wholly-owned foreign enterprise	Hotel and restaurant operation
Open Land Holdings Limited ("Open Land")	Hong Kong	HK$10,000	—	100%	Private limited company	Investment holding
Unisonic Investment Limited	Hong Kong	HK$10,000	—	100%	Private limited company	Investment holding
廣西普凱礦業科技有限公司 ("普凱礦業")	PRC	US$3,000,000	—	60%	Sino-foreign equity joint venture	Inactive

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principle activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2015	2014
Catering	the PRC	1	1
Inactive	the PRC	1	1
		2	2

Details of non-wholly owned subsidiaries that have material non-controlling interests.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of effective interests held by non-controlling interests		Voting rights held by non-controlling interests		(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014	2015	2014
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
普凱礦業	the PRC	40%	40%	40%	40%	(914)	(475)	7,197	8,199

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

普凱礦業	**2015**	**2014**
	HK$'000	*HK$'000*
Non-current assets	—	—
Current assets	19,274	21,314
Current liabilities	(935)	(934)
Non-current liabilities	—	—
Equity attributable to owners of the Company	10,956	12,181
Non-controlling interests	7,383	8,199
Revenue	—	—
Other income	6	—
Expenses	(2,291)	(1,193)
Loss for the year	(2,285)	(1,187)
Loss attributable to owners of the Company	(1,371)	(712)
Loss attributable to the non-controlling interests	(914)	(475)
Loss for the year	(2,285)	(1,187)
Other comprehensive income (expense) attributable to owners of the Company	146	(12)
Other comprehensive income (expense) attributable to the non-controlling interests	98	(9)
Other comprehensive income (expense) for the year	244	(21)

普凱礦業	**2015**	**2014**
	HK$'000	*HK$'000*
Total comprehensive expense attributable to owners of the Company	(1,225)	(724)
Total comprehensive expense attributable to the non-controlling interests	(816)	(484)
Total comprehensive expense for the year	(2,041)	(1,208)
Dividends paid to non-controlling interests	—	—
Net cash outflow from operating activities	(2,192)	(1,331)
Net cash inflow from investing activities	6	6
Net cash inflow (outflow) from financing activities	11	(55)
Net cash outflow	(2,175)	(1,380)

39. LITIGATION

In prior year ended 31 March 2013, an ex-shareholder of a subsidiary of the Group (the "Ex-Shareholder") brought legal action against a subsidiary of the Group (the "Subsidiary"). The total claim amount and the estimated legal costs are approximately RMB124,810,000 (equivalents to approximately HK$155,888,000). Details were set out in the announcements of the Company dated 24 June 2013 and 26 June 2013.

On 24 June 2014, the judgment of the legal proceeding was delivered and the Subsidiary was ordered to settle compensation of approximately RMB110,000,000 (equivalent to approximately HK$137,280,000) to the Ex-shareholder. In opinion of the directors of the Company, provision of RMB133,392,000 (equivalent to approximately HK$166,606,000) was recognised on the consolidated statement of financial position and results of operations of the Group for the year ended 31 March 2014, details refer to note 27. Subsequent to the receipt of the judgment, the Subsidiary filed an appeal to the Higher People's Court of Guangxi Zhuang Autonomous Region and the second instance of the case was held on 4 November 2014. Detail of the judgment and appeal were set out in the announcement of the Company dated 24 June 2014.

On 18 December 2014, the final judgment of the legal proceeding was delivered and the Subsidiary was ordered to settle compensation of approximately RMB139,314,000 (equivalent to approximately HK$176,163,000). The Subsidiary has paid the litigation settlement in full and the above case was closed during the year. Detailed of the judgment and appeal were set out in the announcement of the Company dated 18 December 2014.

3. INDEBTEDNESS

As at the date of this statement of indebtedness, the Transactions had not yet completed. Therefore, the statement of indebtedness of the Restructured Group is divided into the statement of indebtedness of the Group and the statement of indebtedness of the PRC Target.

A. Indebtedness of the Group

Borrowings

The following table sets forth the amounts of indebtedness of the Group as at 30 June 2016:

	HK$'000
Current liabilities	
Bank borrowings	71,803
Amounts due to related companies	14,630
	86,433
Non-current liabilities	
Bank borrowings	74,138
Convertible bond	111,287
Amounts due to related companies	148,446
	333,871
Total	420,304

The Company

As at 30 June 2016, being the latest practicable date (the "**Latest Practicable Date**") for the purpose of this statement of indebtedness prior to the printing of this Document, the Group had convertible bonds of approximately HK$111 million.

The Divestment Group

At the Latest Practicable Date, for the purpose of this statement of indebtedness prior to the printing of this Document, the Divestment Group had outstanding secured bank borrowings of approximately HK$111 million, unsecured bank borrowing of approximately HK$35 million and amounts due to related companies of approximately HK$163 million.

As at 30 June 2016, the Divestment Group had (i) secured bank borrowing due within one year and due beyond one year but not exceeding five years amounted to approximately HK$37 million and HK$74 million respectively and (ii) unsecured bank borrowing due within one year amounted to approximately HK$35 million. These bank borrowings carried interest from 4.35% to 4.90% per annum. The aggregate banking facilities amounted to approximately HK$409 million whereas the unutilised banking facilities amounted to approximately HK$263 million. As at the close of business on 30 June 2016, the Divestment Group had pledged lands and buildings of approximately HK$241 million.

As at 30 June 2016, the Divestment Group had amounts due to related companies repayable on demand or due within one year and due beyond one year but not exceeding five years amounted to approximately HK$15 million and HK$148 million respectively. The current amounts due to related companies of approximately HK$15 million was interest-free whereas the non-current amounts due to the related companies of approximately HK$148 million carried fixed interest of 1% per annum.

Contingent liabilities

Save as disclosed above, as at 30 June 2016, the Company and the Divestment Group (collectively referred to as "**the Group**") had no material contingent liabilities.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, as at 30 June 2016, the Group did not have any outstanding mortgages, charges, debentures, other loan capital, bank overdrafts, loans, debt securities, other similar indebtedness, liabilities under acceptances or acceptances credits or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed there was no material adverse change in the indebtedness and contingent liabilities of the Group since 30 June 2016 and being the date for determining the Group's indebtedness.

For the purpose of the above indebtedness statement, certain amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB0.86: HK$1, which is the rate of exchange prevailing at the close of business on 30 June 2016.

B. Indebtedness of the PRC Target

Borrowings

As at 30 June 2016, being the latest practicable date for purpose of this statement of indebtedness, the PRC Target had unsecured entrusted loans due within one year of RMB89.9 million at a fixed rate of 4.8% per annum through a bank in the PRC from Guangzhou Zhang Su Investment Consulting Co., Ltd.

Contingent liabilities

The PRC Target has been involved in a legal dispute with 北京炅湘鈺技術開發有限公司(Beijing Jiongxiangyu Technology Development Co. Ltd.*) (the "**Claimant**"). The dispute between the PRC Target and the Claimant is currently pending a rehearing by the Supreme People's Court. Details of the litigation are set out below. According to the legal opinion dated 30 June 2016 of Haiwen & Partners, the legal advisors to the Company, taking into consideration the claims made by the Claimant in the legal action, and the legal nature of the relevant exploration permit and the EPCC, from a legal perspective the legal action should not affect Yanchang's lawful right to the exploration permit or the legality and validity of the EPCC. Accordingly, the Company does not consider the litigation to have any material adverse impact on the financial position of the PRC Target.

As at 30 June 2016, except as disclosed above, the PRC Target had no material contingent liabilities.

Disclaimer

As at 30 June 2016, except as disclosed in this section, the PRC Target did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

C. Material indebtedness change

The Directors have confirmed that, save as disclosed above up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of the Restructured Group since 30 June 2016, being the latest date for purpose of this statement of indebtedness.

4. LITIGATION

In September 2011, the Claimant commenced legal action against Hongbo Investment, the PRC Target and Yanchang. The claim made by the Claimant was for Hongbo Investment, the PRC Target and Yanchang to pay it (i) outstanding mineral rights transfer fees of RMB20,000,000; (ii) RMB16,800,000 in respect of the profit of two particular oil wells, being a contingent fee representing its share of the profits of the said two oil wells from August 2009 to August 2011; and (iii) a further contingent fee to be assessed representing its share of the profits of the said two oil wells up to the date of judgment. The Claimant further claimed that it was entitled to a share of the profit and management rights in respect of the said two oil wells. The PRC Target is not a party to any agreement with the Claimant. In relation to this case, the Shaanxi Higher People's Court of the PRC issued a judgment dated 4 April 2014 ((2014) 陝民一終字第00022號), pursuant to which Hongbo Investment was ordered to pay RMB20,000,000 of outstanding mineral rights transfer fees to the Claimant together with penalty interest. The claims for contingent fees, and profit and management rights of the two oil wells were dismissed. Hongbo Investment subsequently paid the RMB20,000,000 and penalty interest in 2014, for which it was subsequently reimbursed by the PRC Target as the cooperation right with Yanchang is owned by the PRC Target.

On 10 August 2015, the Supreme People's Court of the PRC issued an order ((2014)民申字第1925號) granting the Claimant leave to have the same case reheard by the Supreme People's Court of the PRC. Up to the Latest Practicable Date, there is no material development on this case.

According to the legal opinion dated 30 June 2016 of Haiwen & Partners, the PRC legal advisors to the Company, taking into consideration that (1) the conditions for applying for or maintaining an exploration permit do not require a lack of legal proceedings relating to the relevant cooperation area, and the Claimant's case did not challenge the validity of the exploration permit; and (2) the EPCC is a contract between Yanchang and the PRC Target, and the Claimant's case neither constitutes a vitiating factor under section 52 of the PRC Contract Law nor alleges that the EPCC is invalid, from a legal perspective the legal action should not affect Yanchang's lawful right to the exploration permit or the legality and validity of the EPCC.

On 1 July 2015, Hongbo Investment and the PRC Target executed an agreement pursuant to which Hongbo Investment would be responsible for any direct loss suffered by the PRC Target, including but not limited to damages ordered by a court or arbitral tribunal, caused by any dispute with the Claimant and/or related to the agreement between the Claimant and Hongbo Investment dated 15 June 2008.

As at the Latest Practicable Date, save as mentioned above, the PRC Target is not currently a party to any material legal or administrative proceedings, and the management of the PRC Target is not aware of any potential material legal claims or administrative proceedings.

5. MATERIAL CHANGE

Save for the completion of the Transactions on 29 July 2016 and the movement of crude oil prices and the sales of the PRC Target as set out below, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 March 2016, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

The average price of Brent Crude (a trading classification of crude oil that serves as a benchmark price for crude oil worldwide) was approximately US$53.6 per barrel in 2015. After 2015, Brent Crude fell once to as low as US$26 per barrel on 20 January 2016 and then gradually increased to about US$42.0 per barrel as at the Latest Practicable Date. The volatility in international crude oil prices was also reflected in volatility of the PRC Target's average selling price of crude oil, which dropped from approximately US$46.6 per barrel for the year ended 31 December 2015 to approximately US$34.9 per barrel for the six months ended 30 June 2016. This adversely affected the revenue, cash flow and performance of the PRC Target for the six months ended 30 June 2016.

As a result of the Transactions, the Group has sold all its interests in the Divestment Group and acquired the entire equity interest in the PRC Target, and the Group's business has restructured from its previous hotel and restaurant business carried out by the Divestment Group to upstream oil exploration and production carried out by the PRC Target after completion of the Transactions on 29 July 2016. Save for the business activities of the PRC Target, the Group has no other material operations as at the date of this Composite Document. With regard to the financial information on the Restructured Group, the Independent Shareholders may refer to (i) the accountants' report on the PRC Target for the three years ended 31 December 2015; and (ii) the unaudited pro forma financial information of the Restructured Group as set out below. Capitalised terms used in this appendix have the same meaning as defined in the Circular.

A. ACCOUNTANTS' REPORT ON THE PRC TARGET FOR THE THREE YEARS ENDED 31 DECEMBER 2015

Reproduced below is the accountants' report on the PRC Target, which is set out in Appendix III to the Circular from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong. The Circular is not incorporated by reference herein and does not form part of this Composite Document.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 June 2016

The Directors
Shun Cheong Holdings Limited

REORIENT Financial Markets Limited
BOSC International Company Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Xilin Gol League Hongbo Mining Development Co., Ltd. (the "**PRC Target**") which comprise the statements of financial position as at 31 December 2013, 2014 and 2015 and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements, for each of the years ended 31 December 2013, 2014 and 2015 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), for inclusion in the circular of Shun Cheong Holdings Limited (the "**Company**") dated 29 June 2016 (the "**Circular**") in connection with the proposed acquisition of the entire equity of the PRC Target.

The PRC Target was established in the People's Republic of China (the "**PRC**") on 29 July 2008 as a company with limited liability under the Company Law of the PRC.

The PRC Target has adopted 31 December as its financial year end date. The statutory financial statements of the PRC Target for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Xilinhot Anxin Certified Public Accountants (錫林浩特安信會計師事務所).

The directors of the PRC Target have prepared the financial statements of the PRC Target for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Circular in relation to the acquisition of the entire equity interest in the PRC Target by the Company based on the Underlying Financial Statements with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the PRC Target in respect of any period subsequent to 31 December 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the PRC Target as at 31 December 2013, 2014 and 2015 and of the PRC Target's financial performance and cash flows for the Relevant Periods then ended.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw your attention to Note 2(b) of Section B to the Financial Information which indicates that the PRC Target incurred a loss of RMB24,594,000 for the year ended 31 December 2015 and had net current liabilities of RMB252,748,000 as at 31 December 2015. These conditions indicate the existence of material uncertainties which may cast significant doubt on the PRC Target's ability to continue as a going concern.

The Financial Information has been prepared on a going concern basis, the validity of which is dependent on the availability of the ongoing financial support from the PRC Target's banker and its shareholder, Shanghai Hongbo Investment & Management (Group) Co., Ltd, and the successful completion of the Proposed Transactions (as defined in Note 1 of Section B to the Financial Information) to enable the PRC Target to operate as a going concern and meet its financial liabilities as they fall due for the foreseeable future. The Financial Information does not include any adjustments that would result should the PRC Target be unable to continue to operate as a going concern.

I. FINANCIAL INFORMATION OF THE PRC TARGET

1. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December		
	Section B Note	**2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*
Revenue	*4*	232,176	191,341	98,761
Cost of sales		(157,112)	(118,547)	(88,773)
Gross profit		75,064	72,794	9,988
Other net loss	*5*	(23)	—	(20)
Exploration expenses, including dry holes		(26,187)	(11,238)	(1,215)
Taxes other than income tax	*6*	(17,973)	(15,406)	(6,897)
Administrative expenses		(39,251)	(40,832)	(18,026)
(Loss)/profit from operations		(8,370)	5,318	(16,170)
Finance income		59	29	108
Finance costs	*7(a)*	(14,600)	(15,000)	(9,131)
Net finance costs		(14,541)	(14,971)	(9,023)
Loss before taxation	*7*	(22,911)	(9,653)	(25,193)
Income tax	*8(a)*	(2,536)	(3,415)	599
Loss and total comprehensive income for the year		(25,447)	(13,068)	(24,594)

The accompanying notes form part of the Financial Information.

2. STATEMENTS OF FINANCIAL POSITION

	Section B Note	31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000
Non-current assets				
Property, plant and equipment	*11*	603,334	542,145	488,601
Construction in progress	*12*	3,398	3,398	108
Intangible assets	*13*	26,982	25,924	24,916
Lease prepayments	*14*	4,219	9,692	9,436
Other non-current assets	*15*	15,350	25,523	32,009
Deferred tax assets	*23(b)*	3,415	—	599
		656,698	606,682	555,669
Current assets				
Inventories	*16*	4,349	4,302	6,456
Trade receivables	*17*	34,956	35,000	43,180
Prepaid expenses and other current assets	*18*	39,005	68,259	17,963
Current tax recoverable	*23(a)*	—	—	22,000
Cash and cash equivalents	*19*	10,686	7,341	12,498
		88,996	114,902	102,097
Current liabilities				
Bank and other borrowings	*20*	183,326	185,656	90,000
Trade payables	*21*	165,338	168,205	144,435
Accrued expenses and other payables	*22*	271,935	260,336	120,410
		620,599	614,197	354,845
Net current liabilities		(531,603)	(499,295)	(252,748)
Total assets less current liabilities		125,095	107,387	302,921
Non-current liabilities				
Provisions	*24*	48,760	44,120	32,728
NET ASSETS		76,335	63,267	270,193
CAPITAL AND RESERVES				
Paid-in capital	*25(a)*	203,400	203,400	434,920
Reserves		(127,065)	(140,133)	(164,727)
TOTAL EQUITY		76,335	63,267	270,193

The accompanying notes form part of the Financial Information.

3. STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Capital reserve	Specific reserve	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25(a)	*Note 25(b)*	*Note 25(b)*		
Balance at 1 January 2013	203,400	21,394	1,008	(124,020)	101,782
Changes in equity:					
Loss and total comprehensive income for the year	—	—	—	(25,447)	(25,447)
Appropriation of safety production fund	—	—	1,154	(1,154)	—
Utilisation of safety production fund	—	—	(43)	43	—
Balance at 31 December 2013	203,400	21,394	2,119	(150,578)	76,335
Changes in equity:					
Loss and total comprehensive income for the year	—	—	—	(13,068)	(13,068)
Appropriation of safety production fund	—	—	1,004	(1,004)	—
Utilisation of safety production fund	—	—	(167)	167	—
Balance at 31 December 2014	203,400	21,394	2,956	(164,483)	63,267
Changes in equity:					
Loss and total comprehensive income for the year	—	—	—	(24,594)	(24,594)
Capitalisation of amounts due to shareholders *(Note 19(b))*	231,520	—	—	—	231,520
Appropriation of safety production fund	—	—	967	(967)	—
Balance at 31 December 2015	434,920	21,394	3,923	(190,044)	270,193

The accompanying notes form part of the Financial Information.

4. CASH FLOW STATEMENTS

	Section B Note	2013 RMB'000	2014 RMB'000	2015 RMB'000
		Years ended 31 December		
Operating activities				
Loss before taxation		(22,911)	(9,653)	(25,193)
Adjustments for:				
Depreciation		97,440	62,090	43,876
Amortisation		2,738	2,663	2,848
Finance costs		14,481	14,400	8,923
Net loss on disposal of property, plant and equipment		23	—	20
Changes in working capital:				
Decrease/(increase) in inventories		3,032	47	(2,154)
Increase in trade receivables		(28,539)	(44)	(8,180)
(Increase)/decrease in prepaid expenses and other current assets		(9,794)	2,539	13,679
Increase/(decrease) in trade and other payables		47,339	9,386	(45,408)
Net cash generated from/(used in) operating activities		103,809	81,428	(11,589)
Investing activities				
Payment for the purchase of property, plant and equipment and intangible assets		(60,332)	(15,408)	(37,360)
Lease prepayments		—	(5,670)	—
Proceeds from disposal of property, plant and equipment		100	—	—
Net cash used in investing activities		(60,232)	(21,078)	(37,360)

	Section B Note	Years ended 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000
Financing activities				
Proceeds from advances and borrowings		218,780	253,395	167,179
Repayment of advances and borrowings		(258,104)	(309,625)	(110,990)
Interest paid		(2,320)	(7,465)	(2,083)
Net cash (used in)/generated from financing activities		(41,644)	(63,695)	54,106
Net increase/(decrease) in cash and cash equivalents		1,933	(3,345)	5,157
Cash and cash equivalents at the beginning of the year		8,753	10,686	7,341
Cash and cash equivalents at the end of the year	*19(a)*	10,686	7,341	12,498

The accompanying notes form part of the Financial Information.

II. NOTES TO FINANCIAL INFORMATION

1. BACKGROUND INFORMATION

Xilin Gol League Hongbo Mining Development Co., Ltd. (the "**PRC Target**") was established in the People's Republic of China (the "**PRC**") on 29 July 2008. The registered office and principal place of business of the PRC Target is Kulun South Road, Wuliyasitai Town, East Ujimqin Banner, Xilin Gol League, Inner Mongolia, the PRC.

At 31 December 2015, the PRC Target was held as to 60% by Shanghai Hongbo Investment & Management (Group) Co., Ltd (上海宏博投資管理(集團)有限公司, "**Hongbo Investment**") and 40% by Shanghai Lida Investment Management Company Limited (上海立大投資管理有限公司, "**Lida Investment**"). Lida Investment is 95% owned by Hongbo Investment.

The PRC Target is mainly engaged in the exploration, development, production and sale of crude oil through production cooperation contract in the PRC. The PRC Target 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 the PRC Target the right to explore, develop, produce and sell the crude oil extracted from the two blocks (Block 212 and Block 378) located at Xilin Gol League, Inner Mongolia (the "**Area**"). Pursuant to the EPCC, all the capital expenditures and operation costs in relation to the Area shall be borne by the PRC Target and the revenue generated from the sales of crude oil extracted from the two blocks shall be shared between the PRC Target and Yanchang in the proportion of 80% and 20% respectively. The PRC Target commenced production in Block 212 during 2010. The PRC Target had not incurred significant exploration work in respect of Block 378 during the Relevant Periods.

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

On 22 June 2015 (and as further amended), the PRC Target's shareholders entered into an acquisition agreement with Shun Cheong Holdings Limited (the "**Company**") pursuant to which the Company conditionally agreed to acquire from the PRC Target's shareholders the entire equity interests in the PRC Target at a consideration of RMB558,880,000 which shall be satisfied in cash upon completion of the acquisition (the "**Acquisition**"). The completion of the Acquisition is subject to certain conditions precedent and the completion of certain other agreements entered into by the Company ("**Proposed Transactions**"). As of the date of this report, the Acquisition is not completed.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has 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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the PRC Target has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year beginning 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2015 are set out in Note 33.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Going concern

During the year ended 31 December 2015, the PRC Target incurred a loss of RMB24,594,000. In addition, as at 31 December 2015, the PRC Target had net current liabilities of RMB252,748,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the PRC Target's ability to continue as a going concern and therefore the PRC Target may be unable to realise its assets and discharge their liabilities in the normal course of business.

In determining the appropriate basis of preparation of the Financial Information, the directors of the Company have reviewed the PRC Target's cash flow projections for the twelve months ending 31 December 2016. They are of the opinion that, taking into account the following measures, the PRC Target will have sufficient working capital to meet its financial obligations as and when they fall due and committed future capital expenditures within the next twelve months from the reporting period end date:

(i) Under the terms of the agreements entered into in connection with the Proposed Transactions and subject to the successful completion of the Proposed Transactions, the Company will raise proceeds from issue of new shares from certain subscribers. It is expected that the Company will provide funding amounting to approximately RMB798,000,000 for the PRC Target's working capital. The completion of the Proposed Transactions is subject to certain conditions including approvals by the Listing Committee of The Hong Kong Stock Exchange Limited and the independent shareholders of the Company; and

(ii) The PRC Target's shareholder, Hongbo Investment, has undertaken to provide continuing financial support to the PRC Target for, at least, the next twelve months from the reporting period end date should the Proposed Transactions not proceed.

Given the above, the directors of the Company consider it appropriate to prepare the Financial Information on a going concern. However, should the PRC Target be unable to continue to operate as a going concern, adjustments would be required that could have a material impact to the Financial Information. The effect of these adjustments has not been reflected in the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Use of estimates and judgements

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses (Note 2(i)).

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.

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

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

Buildings and structures	40 years
Machinery and equipment	14 years
Motor vehicles	8 years
Other property, plant and equipment	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 over the shorter of the economic life of the recoverable reserves or the terms of the relevant production licences.

(f) 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.

If no potentially commercial hydrocarbons are discovered, the exploration 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. 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.

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.

(g) Intangible assets

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)). 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 over the shorter of the economic life of the recoverable reserves or the expected terms of the relevant production licences to be granted.

(h) Leased assets

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

(i) Classification of assets leased to the company

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

(ii) Operating lease charges

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

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

(i) Impairment of assets

(i) Impairment of receivables

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— intangible assets; and

— lease prepayments

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(j) 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.

(k) Trade and other receivables

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

(l) 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.

(m) 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.

(n) 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.

(o) 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 company can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) 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 the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company 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 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.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the company 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 company's expected dismantlement and abandonment costs at the end of related oil and gas exploration and development 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.

(r) Revenue recognition

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

(i) Sales of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(s) 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.

(t) Related parties

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

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

(ii) has significant influence over the company; or

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

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

(i) The entity and the company 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 company or an entity related to the company.

(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 provides key management personnel services to the company or to the company'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.

(u) 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 company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the company's various lines of business and geographical locations.

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

The PRC Target is engaged in the development, production and sale of crude oil. The PRC Target's most senior executive management regularly review its financial statements to assess the performance and make resource allocation decisions. Accordingly, no segment information is presented.

All of the PRC Target's external customers and non-current assets are located in the PRC.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Oil and gas properties and reserves

The accounting for the exploration and production's oil and gas activities is subject to accounting rules that are unique to the oil and gas industry. Engineering estimates of the PRC Target's oil and gas reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and proved developed 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 proved developed 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-current assets

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

(c) Depreciation

Property, plant and equipment, other than oil and gas properties, are depreciated on a straight line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The PRC Target 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 PRC Target's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future periods is adjusted if there are significant changes from previous estimates.

4. REVENUE

The PRC Target is engaged in the development, production and sale of crude oil. Revenue represents the sales value of goods supplied to customers, net of value added tax. The PRC Target only has one customer during the Relevant Periods.

5. OTHER NET LOSS

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Net loss on disposal of property, plant and equipment	23	—	20

6. TAXES OTHER THAN INCOME TAX

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Special oil income levy	3,236	3,373	—
Resources tax	11,538	9,797	5,910
City construction tax	1,704	1,397	617
Education surcharge	1,375	839	370
Others	120	—	—
	17,973	15,406	6,897

7. LOSS BEFORE TAXATION

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

(a) Finance costs

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	11,741	11,453	6,482
Accretion expenses *(Note 24)*	2,740	2,947	2,441
Bank charges	119	600	208
	14,600	15,000	9,131

(b) Staff costs

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	30,505	29,297	12,758
Contributions to defined contribution retirement plan	1,707	1,768	888
	32,212	31,065	13,646

Pursuant to the relevant labour rules and regulations in the PRC, the PRC Target participates in defined contribution retirement scheme (the "**Scheme**") organised by the relevant local government authority for their employees. The PRC Target is required to make contributions to the Scheme at 20% of basic salaries of the employees. The local government authority is responsible for the entire pension obligations payable to retired employees. The PRC Target has no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

(c) Other items

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation			
— intangible assets	1,215	1,058	1,008
— lease prepayments	115	197	256
— other non-current assets	1,408	1,408	1,584
Depreciation			
— property, plant and equipment	97,440	62,090	43,876
Operating leases charges: minimum lease payments			
— buildings	1,815	1,943	800
Auditors' remuneration			
— audit service	50	50	50
Cost of inventories# *(Note 16(b))*	157,112	118,547	88,773

\# Cost of inventories includes RMB105,471,000, RMB69,970,000, and RMB49,981,000 relating to staff costs and depreciation and amortisation charges for the years ended 31 December 2013, 2014 and 2015 respectively, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8. INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the statement of profit or loss and other comprehensive represents:

	Years ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax			
Origination and reversal of temporary differences	2,536	3,415	(599)

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

	Years ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(22,911)	(9,653)	(25,193)
Notional tax on loss before taxation at PRC corporate income tax rate	(5,728)	(2,413)	(6,298)
Effect of non-deductible expenses	2,650	9,278	5,746
Effect of unrecognised temporary differences and tax losses	5,614	(3,450)	(47)
Actual tax expense	2,536	3,415	(599)

The PRC Target is subject to PRC corporate income tax at the statutory rate of 25% during the Relevant Periods. No provision for PRC corporate income tax has been made as the PRC Target sustained losses for taxation purpose or there was tax loss available for offsetting taxable profit during the Relevant Periods.

9. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods is as follows:

	Year ended 31 December 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Shi Wei	—	961	77	36	1,074
Directors					
Wang Ping	—	417	32	36	485
Shi Jianji	—	661	55	—	716
Supervisor					
Xu Wenqin	—	304	25	—	329
	—	2,343	189	72	2,604

	Year ended 31 December 2014				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Shi Wei (resigned as Chairman on 22 October 2014)	—	785	33	31	849
Shi Jianji (appointed as Chairman on 22 October 2014)	—	101	4	—	105
Directors					
Wang Ping	—	402	20	37	459
Shi Jianji (resigned as director on 22 October 2014)	—	539	22	—	561
Shi Wei (appointed as director on 22 October 2014)	—	157	7	6	170
Supervisor					
Xu Wenqin	—	288	20	—	308
	—	2,272	106	74	2,452

	Year ended 31 December 2015				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Shi Jianji *(note b)*	—	—	—	—	—
Directors					
Wang Ping	—	730	—	40	770
Shi Wei *(note b)*	—	—	—	—	—
Supervisor					
Xu Wenqin *(note b)*	—	—	—	—	—
	—	730	—	40	770

Notes:

(a) During the Relevant Periods, no emoluments were paid by the PRC Target to the directors (including supervisor) as an inducement to join or upon joining the PRC Target or as compensation for loss of office. No director or supervisor has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Remuneration of these persons were borne by Hongbo Investment during the year ended 31 December 2015.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors, supervisor, non-directors and non-supervisors included in the five highest paid individuals for the years ended 31 December 2013, 2014 and 2015 are set forth below:

	Years ended 31 December		
	2013	**2014**	**2015**
Directors and supervisor	2	2	1
Non-directors and non-supervisors	3	3	4
	5	5	5

The emoluments of the directors (including supervisor) are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,810	1,404	1,777
Discretionary bonuses	186	208	—
Retirement scheme contributions	—	37	59
	1,996	1,649	1,836

The emoluments of the non-directors and non-supervisors with the highest emoluments are within the following bands:

	Years ended 31 December		
	2013	**2014**	**2015**
Nil to HKD1,000,000 (Nil to RMB840,000)	3	3	4

During the Relevant Periods, no emoluments were paid by the PRC Target to the five highest paid individuals as an inducement to join or upon joining the PRC Target or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicle *RMB'000*	Oil and gas properties *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2013	88,434	54,838	8,035	538,095	13,324	702,726
Additions	120	4,415	1,048	8,751	4,531	18,865
Reassessment of provision *(Note 24)*	—	—	—	(176)	—	(176)
Transferred from construction in progress	4,146	—	—	92,572	—	96,718
Disposals	—	—	(494)	—	—	(494)
At 31 December 2013	92,700	59,253	8,589	639,242	17,855	817,639
Additions	264	162	511	—	1,397	2,334
Reassessment of provision *(Note 24)*	—	—	—	(7,587)	—	(7,587)
Transferred from construction in progress	1,200	—	—	4,954	—	6,154
At 31 December 2014	94,164	59,415	9,100	636,609	19,252	818,540
Additions	—	587	—	364	165	1,116
Reassessment of provision *(Note 24)*	—	—	—	(14,197)	—	(14,197)
Transferred from construction in progress	—	—	—	3,433	—	3,433
Disposals	—	—	—	—	(315)	(315)
At 31 December 2015	94,164	60,002	9,100	626,209	19,102	808,577
Accumulated depreciation:						
At 1 January 2013	(2,686)	(8,013)	(1,554)	(102,385)	(2,598)	(117,236)
Charge for the year	(1,947)	(4,361)	(1,329)	(87,084)	(2,719)	(97,440)
Written back on disposals	—	—	371	—	—	371
At 31 December 2013	(4,633)	(12,374)	(2,512)	(189,469)	(5,317)	(214,305)
Charge for the year	(2,309)	(4,545)	(997)	(51,065)	(3,174)	(62,090)
At 31 December 2014	(6,942)	(16,919)	(3,509)	(240,534)	(8,491)	(276,395)
Charge for the year	(2,394)	(4,576)	(1,071)	(32,861)	(2,974)	(43,876)
Written back on disposals	—	—	—	—	295	295
At 31 December 2015	(9,336)	(21,495)	(4,580)	(273,395)	(11,170)	(319,976)
Net book value:						
At 31 December 2013	88,067	46,879	6,077	449,773	12,538	603,334
At 31 December 2014	87,222	42,496	5,591	396,075	10,761	542,145
At 31 December 2015	84,828	38,507	4,520	352,814	7,932	488,601

During the Relevant Periods, certain property, plant and equipment with the following net book values have been pledged to bank to secure a credit facility granted to the PRC Target:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	—	63,609	62,055

12. CONSTRUCTION IN PROGRESS

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	26,313	3,398	3,398
Additions	73,803	6,154	143
Transferred to property, plant and equipment	(96,718)	(6,154)	(3,433)
At the end of the year	3,398	3,398	108

13. INTANGIBLE ASSETS

	Cooperation right
	RMB'000
Cost:	
At 1 January 2013, 31 December 2013, 31 December 2014, and 31 December 2015	30,000
Accumulated amortisation:	
At 1 January 2013	(1,803)
Charge for the year	(1,215)
At 31 December 2013	(3,018)
Charge for the year	(1,058)
At 31 December 2014	(4,076)
Charge for the year	(1,008)
At 31 December 2015	(5,084)
Net book value:	
At 31 December 2013	26,982
At 31 December 2014	25,924
At 31 December 2015	24,916

14. LEASE PREPAYMENTS

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

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights held under medium-term leases	4,219	9,692	9,436

During the Relevant Periods, certain land use right with the following net book values has been pledged to bank to secure a credit facility granted to the PRC Target:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Land use right	—	4,104	3,996

15. OTHER NON-CURRENT ASSETS

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for construction in progress			
— a fellow subsidiary	—	—	3,000
— third parties	4,197	3,490	3,801
Performance deposit	5,455	5,455	5,455
Expenditures on public facilities	5,698	16,578	19,753
	15,350	25,523	32,009

16. INVENTORIES

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

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Spare parts and consumables	3,948	4,076	3,084
Finished goods	401	226	3,372
	4,349	4,302	6,456

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

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold *(Note 7(c))*	157,112	118,547	88,773

17. TRADE RECEIVABLES

	31 December 2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
— third party	34,956	35,000	43,180

(a) Ageing analysis

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

	31 December 2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	19,084	22,983	8,818
1–6 months	15,872	12,017	34,362
	34,956	35,000	43,180

According to the crude oil sales agreement, payment by the customer should be made one day in advance of each delivery. In June 2013, a supplementary agreement was signed by the PRC Target and the customer. Pursuant to the supplementary agreement, a guarantee deposit of RMB35,000,000 was paid by the customer to the PRC Target in return for a maximum 180 days credit period for an amount up to RMB35,000,000.

(b) Impairment of trade receivables

Impairment loss in respect of trade receivables is recorded using an allowance account unless the PRC Target is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable (see Note 2(k)).

The ageing analysis of the PRC Target's trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	31 December 2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	34,956	35,000	35,000
Less than 1 month past due	—	—	8,180
	34,956	35,000	43,180

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

(c) Transfer of financial assets

During the years ended 31 December 2013, 2014 and 2015, the PRC Target discounted certain trade receivables with an aggregate amount of RMB32,911,000, RMB98,799,000 and RMB32,891,000 to a bank for cash proceeds amounting to RMB29,600,000, RMB88,800,000 and RMB29,600,000 respectively. If the trade receivables are not paid at maturity, the bank has the right to request the PRC Target to pay the unsettled balance. As the PRC Target has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the trade receivables and has recognised the cash received on the transfer as a secured borrowing.

At 31 December 2013, 2014 and 2015, the carrying amount of the trade receivables that have been transferred but have not been derecognised amounted to RMB32,911,000, RMB32,899,000 and Nil respectively, and the carrying amounts of the associated liability were RMB29,600,000, RMB29,600,000 and Nil respectively (see Note 20).

18. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment to suppliers	7,115	6,671	7,034
Value-added tax recoverable	2,900	—	974
Amounts due from related parties			
— holding company	—	19,671	—
— fellow subsidiaries	20,828	32,607	3,294
Others	8,162	9,310	6,661
	39,005	68,259	17,963

At 31 December 2013, 2014 and 2015, amounts due from related parties were unsecured, interest free and had no fixed terms of repayment.

All of the prepaid expenses and other current assets (including amounts due from related parties) are expected to be recovered or recognised as expense within one year.

19. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	10,686	7,341	12,498

(b) Major non-cash transactions

During the year ended 31 December 2015, pursuant to agreements between the PRC Target, the PRC Target's shareholders (Hongbo Investment and Lida Investment) and certain fellow subsidiaries (collectively "**Hongbo Investment and its affiliates**"), amounts due from, amounts due to and loans from Hongbo Investment and its affiliates, amounting to RMB22,024,000, RMB92,338,000 and RMB161,206,000 respectively, were restructured into net amounts due to Hongbo Investment and Lida Investment of RMB138,912,000 and RMB92,608,000 respectively. Pursuant to a resolution passed at the shareholders' meeting held on 21 May 2015, the above amounts due to Hongbo Investment and Lida Investment were converted into the PRC Target's paid-in capital.

20. BANK AND OTHER BORROWINGS

		31 December		
		2013	**2014**	**2015**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowing	*(i)*	29,600	29,600	—
Other borrowings				
— related parties	*(ii)*	153,726	156,056	—
— third party	*(iii)*	—	—	90,000
		183,326	185,656	90,000

Notes:

(i) During the Relevant Periods, the PRC Target obtained a one-year trade finance bank facility of RMB29,600,000 which was expired on 24 February 2016. The bank facility was secured by certain buildings and land use rights of the PRC Target (see Notes 11 and 14) and guaranteed by Hongbo Investment. The bank facility was utilised to the extent of RMB29,600,000, RMB29,600,000 and Nil at 31 December 2013, 2014 and 2015 respectively (see Note 17(c)).

(ii) Borrowings from related parties comprise:

- Unsecured loan from holding company, Hongbo Investment with no fixed terms of repayment. The loan was bearing interest at prevailing market interest rate published by the People's Bank of China ("**PBOC**"). The outstanding balances of the loan at 31 December 2013, 2014 and 2015 were RMB20,000,000, RMB20,000,000 and Nil, respectively.

- Unsecured loan from a fellow subsidiary, Shanghai Zhongshan Lida Industry Co., Ltd. with no fixed terms of repayment. The loan was bearing interest at prevailing market interest rate published by the PBOC. The outstanding balances of the loan at 31 December 2013, 2014 and 2015 were RMB59,840,000, RMB64,010,000 and Nil, respectively.

- Unsecured loan from a fellow subsidiary, Shanghai B&K Trading Co., Ltd. with no fixed terms of repayment. The loan was bearing interest at prevailing market interest rate published by the PBOC. The outstanding balances of the loan at 31 December 2013, 2014 and 2015 were RMB69,046,000, RMB72,046,000 and Nil, respectively.

- Unsecured loan from a fellow subsidiary, Shanghai New Mainstream Media Technology Service Co., Ltd. with no fixed terms of repayment. The loan was bearing interest at prevailing market interest rate published by the PBOC. The outstanding balances of the loan at 31 December 2013, 2014 and 2015 were RMB4,840,000, Nil and Nil, respectively.

(iii) During the year ended 31 December 2015, the PRC Target obtained certain short-term loans amounting to RMB90,000,000 in aggregate from a third party, Guangzhou Zhang Su Investment Consulting Co., Ltd. ("Zhang Su"). The loans, amounting to RMB70,000,000, are bearing interest at 110% of the prevailing market interest rate published by the PBOC and secured by the PRC Target's paid-in capital of RMB120,026,000 held by Hongbo Investment, representing 27.6% of the equity interest in the PRC Target at 31 December 2015. The remaining loan of RMB20,000,000 is unsecured, bearing interest at 4.80% per annum and repayable in 6 months.

21. TRADE PAYABLES

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
A fellow subsidiary	1,188	1,188	—
Third parties	164,150	167,017	144,435
	165,338	168,205	144,435

All of the trade 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:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	150,141	105,377	57,211
Over 1 year but within 2 years	13,726	61,136	79,262
Over 2 years but within 3 years	871	221	6,998
Over 3 years	600	1,471	964
	165,338	168,205	144,435

22. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
— holding company	71,581	57,970	—
— fellow subsidiaries	60,033	50,864	—
— other related party	20,066	19,370	—
Taxes other than income tax	19,036	16,028	7,689
Guarantee deposit	35,000	35,000	35,000
Payable to Yanchang	62,439	76,903	74,170
Others	3,780	4,201	3,551
	271,935	260,336	120,410

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

23. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	31 December 2013	31 December 2014	31 December 2015
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	—	—	—
Income tax paid	—	—	22,000
At 31 December	—	—	22,000

(b) Deferred tax assets and liabilities recognised

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

	Provision for future dismantlement costs	Property, plant and equipment	Intangible assets	Accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	600	(340)	(29)	5,720	5,951
Credited/(charged) to profit or loss	684	825	(26)	(4,019)	(2,536)
At 31 December 2013	1,284	485	(55)	1,701	3,415
Credited/(charged) to profit or loss	737	(6,501)	(5)	2,354	(3,415)
At 31 December 2014	2,021	(6,016)	(60)	4,055	—
Credited/(charged) to profit or loss	610	(8,233)	10	8,212	599
At 31 December 2015	2,631	(14,249)	(50)	12,267	599

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the PRC Target has not recognised deferred tax assets in respect of cumulative tax losses amounting to RMB46,005,000, RMB32,347,000 and RMB48,830,000 and deductible temporary differences amounting to RMB33,621,000, RMB33,482,000 and Nil at 31 December 2013, 2014 and 2015 respectively, as it is not probable that future taxable profits against which the losses and deductible temporary differences can be utilised/reversed will be available in the relevant tax jurisdiction of the PRC Target.

The unutilised tax losses in the PRC Target can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. At 31 December 2015, the PRC Target's unutilised tax losses will be expired in 2017 and thereafter.

24. PROVISIONS

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

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	37,445	48,760	44,120
Additions	8,751	—	364
Reassessment	(176)	(7,587)	(14,197)
Accretion expense	2,740	2,947	2,441
At the end of the year	48,760	44,120	32,728

25. CAPITAL AND RESERVES

(a) Paid-in capital

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-in capital:			
At the beginning of the year	203,400	203,400	203,400
Capital contributions	—	—	231,520
At the end of the year	203,400	203,400	434,920

According to the resolution passed at the shareholders' meeting held on 21 May 2015, the registered capital of the PRC Target was increased by RMB231,520,000 to RMB434,920,000. Pursuant to which, amounts due to shareholders, amounting to RMB231,520,000, were converted into the PRC Target's paid-in capital (see Note 19(b)).

(b) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents the PRC Target's share premium, being the difference between the paid-in capital and the fair value of the considerations received from the capital contributions made by the investors.

(ii) Specific reserve

According to relevant PRC rules and regulations, the PRC Target 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.

26. CAPITAL MANAGEMENT

The PRC Target's primary objectives when managing capital are to safeguard the PRC Target's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

The PRC Target monitors its capital structure on the basis of adjusted net debt-to-equity ratio. For this purpose, adjusted net debt is defined as interest-bearing loans and borrowings less cash and cash equivalents.

The PRC Target's strategy is to maintain adequate funding from bank and related parties according to the operating needs and the capital commitments, and to maintain the net debt-to-equity ratio at a range considered reasonable by management.

The adjusted net debt-to-equity ratio at 31 December 2013, 2014 and 2015 was as follows:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Bank and other borrowings	183,326	185,656	90,000
Less: cash and cash equivalent	(10,686)	(7,341)	(12,498)
Adjusted net debt	172,640	178,315	77,502
Total equity	76,335	63,267	270,193
Adjusted net debt-to-equity ratio	2.26	2.82	0.29

The PRC Target is not subject to externally imposed capital requirements.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

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

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

(b) Liquidity risk

The PRC Target is responsible for its overall cash management, including raising of loans to cover expected cash demands. At 31 December 2013, 2014 and 2015, the PRC Target had net current liabilities of RMB531,603,000, RMB499,295,000 and RMB252,748,000, respectively. The liquidity of the PRC Target is primarily dependent on its ability to (1) obtain sufficient financing from its banker and shareholder; and (2) the Proposed Transactions will be successfully completed and sufficient funding will be provided by the Company to the PRC Target to enable the PRC Target to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures. The directors of the Company have carried out a detailed review of the PRC Target's cash flow projections for the twelve months ending 31 December 2016. Based on such projections, the directors of the Company have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements during that period. In preparing the cash flow projections, the directors of the Company have considered historical cash requirements of the PRC Target as well as other key factors including sufficient financing from its banker, shareholder and the Company. The directors of the Company are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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

	31 December 2013	
	Contractual undiscounted cash outflow — within 1 year or on demand	**Carrying amount**
	RMB'000	*RMB'000*
Bank and other borrowings	183,326	183,326
Trade payables	165,338	165,338
Accrued expenses and other payables	236,935	236,935
	585,599	585,599

	31 December 2014	
	Contractual undiscounted cash outflow — within 1 year or on demand	**Carrying amount**
	RMB'000	*RMB'000*
Bank and other borrowings	185,656	185,656
Trade payables	168,205	168,205
Accrued expenses and other payables	225,336	225,336
	579,197	579,197

	31 December 2015	
	Contractual undiscounted cash outflow — within 1 year or on demand	Carrying amount
	RMB'000	*RMB'000*
Bank and other borrowings	91,697	90,000
Trade payables	144,435	144,435
Accrued expenses and other payables	85,410	85,410
	321,542	319,845

(c) Interest rate risk

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

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

	31 December 2013	
	Effective interest rate	Carrying amount
	%	*RMB'000*
Fixed rate — bank borrowing	5.88%	29,600
Floating rate — other borrowings	6.55%–6.56%	153,726
		183,326

	31 December 2014		31 December 2015	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	%	*RMB'000*
Fixed rate — other borrowing	5.88%	29,600	4.80%	20,000
Floating rate — other borrowings	6.00%–7.00%	156,056	5.06%	70,000
		185,656		90,000

At the respective reporting period end dates, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have (increased)/decreased the PRC Target's loss after tax and accumulated losses as follows:

	31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
100 basis points increase	(1,537)	(1,561)	(700)
100 basis points decrease	1,537	1,561	700

(d) Price risk

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

(e) Fair values measurement

The PRC Target did not have financial instruments carried at fair value during the Relevant Periods. The carrying amounts of the PRC Target's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013, 2014 and 2015 because of the short term maturity of the financial instruments.

28 EXPLORATION SERVICE AGREEMENT

(a) Agreement signed on 1 May 2015

On 1 May 2015, the PRC Target entered into a service agreement ("**Exploration Service Agreement**") with Xilin Gol League Hongjin Engineering Technical Service Company Limited ("**Hongjin Engineering**"). Hongjin Engineering is held as to 60% by Hongbo Investment and 40% by Lida Investment. Pursuant to the Exploration Service Agreement, the PRC Target shall pay Hongjin Engineering a fixed fee of RMB30,000,000 within 3 years from the date of the Exploration Service Agreement, based on the progress of the exploration and development works as agreed between the PRC Target and Hongjin Engineering, and a monthly variable fee equivalent to 95% of the crude oil sales revenue generated from Block 378, after deduction of the 20% sharing by Yanchang. The PRC Target has the option to acquire 100% of the equity interests in Hongjin Engineering from its shareholders for a cash consideration of RMB200,000,000 within 3 years of the date of the Exploration Service Agreement ("**Call Option**"). If, within 3 years of the date of the Exploration Service Agreement, certain criteria relating to the production activities of any of the exploration wells in Block 378 are met, Hongjin Engineering will have the option to terminate the Exploration Service Agreement ("**Termination Option**") and the PRC Target shall pay Hongjin Engineering a termination fee of RMB200,000,000 less any fees paid/payable by the PRC Target to Hongjin Engineering under the Exploration Service Agreement prior to termination.

During the period from 1 May 2015 to the date of approval of New Exploration Service Agreement (see Note 28(b)), no major exploration work was performed on Block 378. Accordingly, the directors of the Company are of the opinion that the fair values of the Call Option and Termination Option were Nil.

(b) Agreement signed on 19 September 2015

The above agreement signed on 1 May 2015 was subsequently superseded by a new service agreement dated 19 September 2015 ("**New Exploration Service Agreement**"). The expiry date of the New Exploration Service Agreement is the same as that of EPCC subject to early termination as set out in the New Exploration Service Agreement. Pursuant to which, the PRC Target shall pay Hongjin Engineering a fixed fee of RMB30,000,000 within 3 years from the date of the New Exploration Service Agreement based on the progress of the exploration and development works as agreed between the PRC Target and Hongjin Engineering. After Hongjin Engineering has spent the fixed fee of RMB30,000,000 on the exploration work on Block 378, it can choose to terminate the New Exploration Service Agreement based on its judgement of Block 378's commerciality. If Hongjin Engineering does not decide to terminate the New Exploration Service Agreement, it will be responsible to finance any further exploration work of Block 378 thereafter at its own cost and expenses. If, within the term of the New Exploration Service Agreement, certain criteria relating to the production activities of any of the exploration wells in Block 378 are met, the PRC Target and Hongjin Engineering will have the right to terminate the New Exploration Service Agreement. Upon termination, the PRC Target shall pay Hongjin Engineering a success fee of RMB200,000,000, and Hongjin Engineering shall transfer all its property, plant and equipment, intangible assets and rights relating to Block 378's exploration and development to the PRC Target.

Up until 31 December 2015, no major exploration work was performed by Hongjin Engineering on Block 378.

29. COMMITMENTS

(a) Capital commitments outstanding at the respective reporting period end dates not provided for in the Financial Information were as follows:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for			
— property, plant and equipment	—	10,865	5,365

(b) As at the respective reporting period end dates, total future minimum lease payments under non-cancellable operating leases payable are as follows:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	75	800	800

The PRC Target leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

30. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the PRC Target, directly or indirectly, including directors and supervisor of the PRC Target.

Remuneration for key management personnel of the PRC Target, including amounts paid to the PRC Target's directors (including supervisor) as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	5,692	4,944	2,805
Post-employment benefits	206	254	135
	5,898	5,198	2,940

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Contribution to defined contribution retirement plan

The PRC Target participates in a defined contribution retirement plan organised by the relevant local government authority. As at 31 December 2013, 2014 and 2015, there was no material outstanding contribution to post-employment benefit plan. Details of the PRC Target's defined contribution retirement plan are set out in Note 7(b).

(c) Transactions with other related parties

The PRC Target had the following material transactions with related parties during the Relevant Periods:

	Years ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
With Hongbo Investment and its affiliates			
— advances received	(70,975)	(66,909)	(16,950)
— repayment of advances	127,380	123,105	24,590
— proceeds from borrowings	(119,070)	(100,050)	(22,350)
— repayment of borrowings	130,724	97,720	17,200
— interest expense	10,876	9,959	2,467
— rental expense	—	—	800
— purchase of construction materials	522	—	—
— prepayment	—	—	3,000
— decrease/(increase) in net payables	977	7,993	(14,837)
With other related party *(note a)*			
— (increase)/decrease in net payables	(501)	696	19,370

The PRC Target's outstanding balances with related parties are as follows:

	31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid expenses and other current assets			
— holding company	—	19,671	—
— fellow subsidiaries	20,828	32,607	3,294
Other non-current assets			
— a fellow subsidiary	—	—	3,000
Other borrowings *(note b)*			
— holding company	(20,000)	(20,000)	—
— fellow subsidiaries	(133,726)	(136,056)	—
Trade payables			
— a fellow subsidiary	(1,188)	(1,188)	—
Accrued expenses and other payables			
— holding company	(71,581)	(57,970)	—
— fellow subsidiaries	(60,033)	(50,864)	—
— other related party *(note a)*	(20,066)	(19,370)	—

Notes:

(a) Other related party represents a close family member of a director of the PRC Target.

(b) Further details of borrowings from related parties are disclosed in Note 20.

31. CONTINGENT LIABILITIES

The PRC Target acquired the cooperation right with Yanchang under the EPCC pursuant to an agreement entered into between Hongbo Investment and a third party (the "**Third Party**") dated 15 June 2008 (the "**15 June 2008 Agreement**"), and an agreement entered into between the PRC Target, Hongbo Investment and Ningxia Tianpu Mining Investment Consulting Company Limited (寧夏天普礦業投資諮詢有限公司).

In September 2011, the Third Party commenced legal action against Hongbo Investment, the PRC Target and Yanchang. The Third Party's claim was for Hongbo Investment, the PRC Target and Yanchang to pay it outstanding mineral rights transfer fees of RMB20,000,000, and the entitlement to the profit and management rights in respect of 2 oil wells in Block 212 to be selected based on certain criteria. Shaanxi Higher People's Court issued a judgement dated 4 April 2014, pursuant to which Hongbo Investment was ordered to pay RMB20,000,000 of the outstanding mineral rights transfer fees to the Third Party together with penalty interest. The Third Party's claims for profit and management rights of the 2 oil wells were dismissed. Hongbo Investment subsequently paid RMB20,000,000 and penalty interest to the Third Party in 2014.

On 1 July 2015, the PRC Target and Hongbo Investment entered into an agreement pursuant to which Hongbo Investment would be responsible for any direct loss suffered by the PRC Target caused by any dispute with the Third Party relating to the 15 June 2008 Agreement.

On 10 August 2015, the Supreme People's Court issued an order for rehearing of the same case by the Supreme People's Court.

Based on legal advice from the legal counsel of Hongbo Investment and the PRC Target, the PRC Target is an independent legal entity and shall not be liable for obligations in the agreement signed between Hongbo Investment and the Third Party. Accordingly, this matter will not have material adverse impact on the financial position of the PRC Target.

32. IMMEDIATE HOLDING COMPANY

At 31 December 2013, 2014 and 2015, the directors consider the immediate parent and ultimate controlling party of the PRC Target to be Hongbo Investment, which is established in the PRC. This entity does not produce financial statements available for public use.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the PRC Target:

	Effective for accounting periods beginning on or after
HKFRS 14, Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41, Agriculture: Bearer plants	1 January 2016
Amendments to HKAS 27, Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: Applying the consolidation exception	1 January 2016
Amendments to HKAS 1, Disclosure initiative	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2018
HKFRS 9, Financial instruments	1 January 2018
HKFRS 16, Leases	1 January 2019

The PRC Target is in the process of making an assessment of what the impact of these amendments and interpretations 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 PRC Target's results of operations and financial position.

III. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2015. No dividend or distribution has been declared or made by the PRC Target in respect of any period subsequent to 31 December 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the PRC Target from KPMG, the reporting accountants of the PRC Target, as set forth in Appendix III Section A to Composite Document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Appendix II — Financial information of the Group" and "Appendix III Section A — Accountants' Report on the PRC Target" to this circular.

Capitalised terms used in this appendix have the same meaning as defined in the section headed "Definitions" in this Composite Document.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

The following is the unaudited pro forma financial information of the Restructured Group as if the Subscription, the Acquisition, the CN Subscription, the Divestment and the Transfer (collectively the "**Transactions**") had been completed on 31 March 2016 for the Restructured Group's unaudited pro forma consolidated statement of financial position and at the beginning of the year ended 31 March 2016 for the Restructured Group's unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement. The unaudited pro forma financial information of the Restructured Group is based upon the consolidated financial statements of the Company for the year ended 31 March 2016 as set out in the Company's 31 March 2016 annual report and adjusted to reflect the effect of the Transactions.

The unaudited pro forma financial information of the Restructured Group is based on a number of assumptions, estimates and uncertainties.

The unaudited pro forma financial information of the Restructured Group has been prepared by the Directors in accordance with Rules 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), for the purposes of illustrating the effect of the Transactions pursuant to the terms of relevant agreements and because of its hypothetical nature, it may not give a true picture of the financial position or results of the Restructured Group has the Transactions been completed as of the specified dates or any future date.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESTRUCTURED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position of the Restructured Group

	The Group as at 31 March 2016 HK$'000	The PRC Target as at 31 December 2015 RMB'000 (Note 1)	The PRC Target as at 31 December 2015 HK$'000	Pro forma adjustments HK$'000 (Note 2)	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 7)	Pro forma adjustments HK$'000 (Note 8)	Pro forma adjustments HK$'000 (Note 9)	Pro forma adjustments HK$'000 (Note 10)	Pro forma adjustments HK$'000 (Note 11)	Pro forma Restructured Group as at 31 March 2016 HK$'000
Non-current assets											
Property, plant and equipment	—	488,601	586,345	—	—	—	—	—	—	—	586,345
Construction in progress	—	108	130	—	—	—	—	—	—	—	130
Intangible assets	—	24,916	29,900	—	—	—	—	—	—	—	29,900
Lease prepayment	—	9,436	11,324	—	—	—	—	—	—	—	11,324
Other non-current assets	—	32,009	38,412	—	—	—	—	—	—	—	38,412
Deferred tax assets	—	599	719	—	—	—	—	—	—	—	719
	—	555,669	666,830	—	—	—	—	—	—	—	666,830
Current assets											
Inventories	—	6,456	7,748	—	—	—	—	—	—	—	7,748
Trade receivables	—	43,180	51,818	—	—	—	—	—	—	—	51,818
Prepayments, deposits and other receivables	1,245	39,963	47,958	—	—	1,944,194	—	—	—	—	1,993,397
Equity investment at fair value through profit or loss	5,840	—	—	—	(5,840)	—	—	—	—	—	—
Deposits placed with financial institutions	97	—	—	—	—	—	—	—	—	—	97
Bank balances and cash	616	12,498	14,998	—	—	995,806	—	(670,683)	—	(60,000)	280,737
	7,798	102,097	122,522	—	(5,840)	2,940,000	—	(670,683)	—	(60,000)	2,333,797
Assets classified as held for sale	416,384	—	—	(416,384)	—	—	—	—	—	—	—
	424,182	102,097	122,522	(416,384)	(5,840)	2,940,000	—	(670,683)	—	(60,000)	2,333,797

	The Group as at 31 March 2016	The PRC Target as at 31 December 2015		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma Restructured Group as at 31 March 2016
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)		*(Note 2)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
Current liabilities											
Trade payables	—	144,435	173,329	—	—	—	—	—	—	—	173,329
Other payables, accruals and deposits	9,738	120,410	144,499	—	—	—	—	—	—	—	154,237
Interest-bearing bank and other borrowings	—	90,000	108,004	—	—	—	—	—	—	—	108,004
	9,738	354,845	425,832	—	—	—	—	—	—	—	435,570
Liabilities classified as held for sale	417,218	—	—	(417,218)	—	—	—	—	—	—	—
	426,956	354,845	425,832	(417,218)	—	—	—	—	—	—	435,570
Net current (liabilities)/ assets	(2,774)	(252,748)	(303,310)	834	(5,840)	2,940,000	—	(670,683)	—	(60,000)	1,898,227
Total assets less current liabilities	(2,774)	302,921	363,520	834	(5,840)	2,940,000	—	(670,683)	—	(60,000)	2,565,057

	The Group as at 31 March 2016 HK$'000	The PRC Target as at 31 December 2015 RMB'000 (Note 1)	HK$'000	Pro forma adjustments HK$'000 (Note 2)	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 7)	Pro forma adjustments HK$'000 (Note 8)	Pro forma adjustments HK$'000 (Note 9)	Pro forma adjustments HK$'000 (Note 10)	Pro forma adjustments HK$'000 (Note 11)	Pro forma Restructured Group as at 31 March 2016 HK$'000
Non-current liabilities											
Convertible bond	109,773	—	—	—	—	215,589	212	—	—	—	325,574
Provisions	—	32,728	39,275	—	—	—	—	—	—	—	39,275
	109,773	32,728	39,275	—	—	215,589	212	—	—	—	364,849
Net (liabilities)/assets	(112,547)	270,193	324,245	834	(5,840)	2,724,411	(212)	(670,683)	—	(60,000)	2,200,208
Capital and reserves											
Share capital	3,473	434,920	521,925	—	—	40,173	—	—	(521,925)	—	43,646
Reserves	(122,928)	(164,727)	(197,680)	7,742	(5,840)	2,684,238	(212)	(670,683)	521,925	(60,000)	2,156,562
	(119,455)	270,193	324,245	7,742	(5,840)	2,724,411	(212)	(670,683)	—	(60,000)	2,200,208
Non-controlling interests	6,908	—	—	(6,908)	—	—	—	—	—	—	—
	(112,547)	270,193	324,245	834	(5,840)	2,724,411	(212)	(670,683)	—	(60,000)	2,200,208

Unaudited Pro Forma Consolidated Income Statement of the Restructured Group

	The Group for the year ended 31 March 2016	The PRC Target for the year ended 31 December 2015		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma Restructured Group for the year ended 31 March 2016
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)		*(Note 3)*	*(Note 3)*	*(Note 5)*	*(Note 8)*	*(Note 11)*	
Continuing operations									
Revenue	—	98,761	122,868	—	—	—	—	—	122,868
Costs of sales	—	(88,773)	(110,442)	—	—	—	—	—	(110,442)
Gross profit	—	9,988	12,426	—	—	—	—	—	12,426
Other income	195	88	109	—	—	—	—	—	304
Administrative expenses	(4,883)	(18,026)	(22,426)	—	—	—	—	—	(27,309)
Other operating expenses	—	(6,897)	(8,580)	—	—	—	—	—	(8,580)
Exploration expenses, including dry holes	—	(1,215)	(1,512)	—	—	—	—	—	(1,512)
Fair value loss on equity investment at fair value through profit or loss	(351)	—	—	—	—	—	—	—	(351)
Finance costs	(5,891)	(9,131)	(11,360)	—	—	—	—	—	(17,251)
Gain on disposal of Divestment Group	—	—	—	—	34,599	(5,840)	—	—	28,759
Listing expense arising from the reverse acquisition	—	—	—	—	—	—	(282,959)	—	(282,959)
Transaction costs	—	—	—	—	—	—	—	(60,000)	(60,000)
Loss before tax	(10,930)	(25,193)	(31,343)	—	34,599	(5,840)	(282,959)	(60,000)	(356,473)
Income tax expense	—	599	745	—	—	—	—	—	745
Loss for the year from continuing operations	(10,930)	(24,594)	(30,598)	—	34,599	(5,840)	(282,959)	(60,000)	(355,728)
Discontinued operations									
Profit for the year from discontinued operations	7,152	—	—	(7,152)	—	—	—	—	—
Loss for the year	(3,778)	(24,594)	(30,598)	(7,152)	34,599	(5,840)	(282,959)	(60,000)	(355,728)
Loss for the year attributable to:									
Owners of the Company	(3,661)	(24,594)	(30,598)	(7,269)	34,599	(5,840)	(282,959)	(60,000)	(355,728)
Non-controlling interests	(117)	—	—	117	—	—	—	—	—

Unaudited Pro Forma Consolidated Cash Flow Statement of the Restructured Group

	The Group for the year ended 31 March 2016	The PRC Target for the year ended 31 December 2015		Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma adjustments	Pro forma Restructured Group for the year ended 31 March 2016
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note 1)		*(Note 3)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	*(Note 11)*	
OPERATING ACTIVITIES												
Loss before tax from continuing operations	(10,930)	(25,193)	(31,343)	—	34,599	—	(5,840)	—	(282,959)	—	(60,000)	(356,473)
Profit before tax from discontinued operations	7,152	—	—	(7,152)	—	—	—	—	—	—	—	—
Adjustments for:												
Finance costs	25,907	8,923	11,101	(20,016)	—	—	—	—	—	—	—	16,992
Bank interest income	(42)	—	—	42	—	—	—	—	—	—	—	—
Share of results of joint ventures	1,251	—	—	(1,251)	—	—	—	—	—	—	—	—
Depreciation of property, plant and equipment	6,510	43,876	54,586	(6,507)	—	—	—	—	—	—	—	54,589
Amortisation of intangible assets and lease prepayment	—	2,848	3,543	—	—	—	—	—	—	—	—	3,543
Impairment loss recognised on trade receivables	1,668	—	—	(1,668)	—	—	—	—	—	—	—	—
Reversal of impairment loss recognised on trade receivables in prior years	(1,309)	—	—	1,309	—	—	—	—	—	—	—	—
Gain on disposal of Divestment Group	—	—	—	—	(34,599)	—	5,840	—	—	—	—	(28,759)
Listing expense arising from the reverse acquisition	—	—	—	—	—	—	—	—	282,959	—	—	282,959
Transaction costs	—	—	—	—	—	—	—	—	—	—	60,000	60,000
Loss on written off of property, plant and equipment	60	20	25	(60)	—	—	—	—	—	—	—	25
Fair value loss on equity investment at fair value through profit or loss	351	—	—	—	—	—	—	—	—	—	—	351
Dividend income from an equity investment at fair value through profit or loss	(195)	—	—	—	—	—	—	—	—	—	—	(195)
Operating cash flows before movements in working capital	30,423	30,474	37,912	(35,303)	—	—	—	—	—	—	—	33,032

	The Group for the year ended 31 March 2016 HK$'000	The PRC Target for the year ended 31 December 2015 RMB'000 (Note 1)	The PRC Target for the year ended 31 December 2015 HK$'000	Pro forma adjustments HK$'000 (Note 3)	Pro forma adjustments HK$'000 (Note 3)	Pro forma adjustments HK$'000 (Note 4)	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 7)	Pro forma adjustments HK$'000 (Note 8)	Pro forma adjustments HK$'000 (Note 9)	Pro forma adjustments HK$'000 (Note 11)	Pro forma Restructured Group for the year ended 31 March 2016 HK$'000
Decrease/(increase) in inventories	112	(2,154)	(2,680)	(112)	—	—	—	—	—	—	—	(2,680)
Increase in trade receivables	(1,018)	(8,180)	(10,177)	1,018	—	—	—	—	—	—	—	(10,177)
Decrease in prepayments, deposits and other receivables	1,247	13,679	17,018	(1,762)	—	—	—	—	—	—	—	16,503
Increase/(decrease) in trade and other payables	13,744	(45,408)	(56,492)	(11,771)	—	—	—	—	—	—	—	(54,519)
Net cash generated from/(used in) operating activities	44,508	(11,589)	(14,419)	(47,930)	—	—	—	—	—	—	—	(17,841)
INVESTING ACTIVITIES												
Interest received	42	—	—	(42)	—	—	—	—	—	—	—	—
Purchase of property, plant and equipment	(2,675)	(37,360)	(46,478)	2,675	—	—	—	—	—	—	—	(46,478)
Net cash outflow from the Divestment	—	—	—	—	—	(14,603)	—	—	—	—	—	(14,603)
Advance to the Divestment Group	—	—	—	861	—	—	—	—	—	—	—	861
Placement of deposits with financial institutions	2,394	—	—	—	—	—	—	—	—	—	—	2,394
Dividends received from an equity investment at fair value through profit or loss	195	—	—	—	—	—	—	—	—	—	—	195
Payment for acquisition of the PRC Target	—	—	—	—	—	—	—	—	—	(670,683)	—	(670,683)
Net cash used in from investing activities	(44)	(37,360)	(46,478)	3,494	—	(14,603)	—	—	—	(670,683)	—	(728,314)

	The Group for the year ended 31 March 2016 HK$'000	The PRC Target for the year ended 31 December 2015 RMB'000 (Note 1)	The PRC Target for the year ended 31 December 2015 HK$'000	Pro forma adjustments HK$'000 (Note 3)	Pro forma adjustments HK$'000 (Note 3)	Pro forma adjustments HK$'000 (Note 4)	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 7)	Pro forma adjustments HK$'000 (Note 8)	Pro forma adjustments HK$'000 (Note 9)	Pro forma adjustments HK$'000 (Note 11)	Pro forma Restructured Group for the year ended 31 March 2016 HK$'000
FINANCING ACTIVITIES												
Advance from related companies	3,313	—	—	(3,313)	—	—	—	—	—	—	—	—
Proceeds from the issue of ordinary shares under the Subscription	—	—	—	—	—	—	—	850,000	—	—	—	850,000
Proceeds from the issue of preferred shares under Subscription	—	—	—	—	—	—	—	133,306	—	—	—	133,306
Proceeds from the CN subscription	—	—	—	—	—	—	—	12,500	—	—	—	12,500
Payment for the transaction costs	—	—	—	—	—	—	—	—	—	—	(60,000)	(60,000)
Interest paid	(11,224)	(2,083)	(2,591)	11,227	—	—	—	—	—	—	—	(2,588)
Repayment of bank and other borrowings	(75,455)	(110,990)	(138,082)	75,455	—	—	—	—	—	—	—	(138,082)
New bank and other borrowings raised	36,807	167,179	207,986	(36,807)	—	—	—	—	—	—	—	207,986
Net cash (used in)/generated from financing activities	(46,559)	54,106	67,313	46,562	—	—	—	995,806	—	—	(60,000)	1,003,122
Net (decrease)/increase in cash and cash equivalents	(2,095)	5,157	6,416	2,126	—	(14,603)	—	995,806	—	(670,683)	(60,000)	256,967
Cash and cash equivalents at beginning of year	15,188	7,341	9,133	—	—	—	—	—	—	—	—	24,321
Effect of foreign exchange rate changes	(647)	—	(551)	647	—	—	—	—	—	—	—	(551)
Cash and cash equivalents at end of year	12,446	12,498	14,998	2,773	—	(14,603)	—	995,806	—	(670,683)	(60,000)	280,737

Notes:

1 *The amounts represent the unadjusted financial information of the PRC Target as at 31 December 2015 (for the purpose of unaudited pro forma consolidated statement of financial position) and for the year ended 31 December 2015 (for the purpose of unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement), which is extracted from the Accountants' Report on the PRC Target as set out in Appendix III Section A to the Composite Document, and is translated to Hong Kong dollars at the exchange rate of RMB0.8333 to HK$1 prevailing at 31 March 2016 in relation to the statement of financial position and RMB0.8038 to HK$1 in relation to the income statement and cash flow statement.*

The Transactions are considered to be linked and shall be executed as a single package. Accordingly, the Directors determine to apply the principles of reverse acquisition in HKFRS 3 by analogy to the unaudited pro forma financial information. The consolidated financial statements prepared following a reverse acquisition represent a continuation of the financial statements of the legal subsidiary (accounting acquirer — the PRC Target), the assets and liabilities of which are recognised and measured at their pre-combination carrying amounts. Therefore, there is no adjustment in connection with the fair value of identifiable assets and liabilities of the PRC Target included in the unaudited pro forma financial information.

2 *In respect of the Restructured Group's unaudited pro forma consolidated statement of financial position, the adjustments represent the receipt of cash consideration, which amounts to HK$1 based on the adjustment mechanism pursuant to the Divestment Agreement as disclosed in the Company's announcement dated 29 July 2016, and the disposal of the assets and liabilities of the Divestment Group as if the Divestment had been completed on 31 March 2016. The carrying amounts of the assets and liabilities of the Divestment Group as at 31 March 2016 are derived from the financial information of the Group as set out in Appendix II Section 2 to the Composite Document.*

	HK$'000
Consideration for the Divestment	—
Add: net liabilities of the Divestment Group attributable to owners of the Company as at 31 March 2016	7,742
exchange fluctuation reserve relating to the Divestment Group transferred to profit or loss	20,449
Impact on profit or loss	28,191
Less: amount transferred from exchange fluctuation reserve relating to the Divestment Group	(20,449)
Impact on equity attributable to owners of the Company	7,742

3 *In respect of the Restructured Group's unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement, the adjustment represents the impact of the disposal of the Divestment Group on the results and cash flows, as if the Divestment had been completed on 1 April 2015. The adjustment will not have continuing effect on the consolidated income statement and consolidated cash flow statement of the Restructured Group.*

	HK$'000
Consideration for the Divestment *(note 2)*	—
Add: net liabilities of the Divestment Group attributable to owners of the Company as at 1 April 2015	10,766
	10,766
Exchange fluctuation reserve relating to the Divestment Group transferred to profit or loss	23,833
Impact on profit or loss	34,599

4 *The adjustment reflects the impact on cash flow as if the Divestment had completed on 1 April 2015.*

	HK$'000
Consideration for the Divestment *(note 2)*	—
Less: Cash and cash equivalents held by the Divestment Group as at 1 April 2015	(14,603)
Net proceeds for the Divestment, net of the cash disposed of	(14,603)

5 *This adjustment represents the disposal of equity investment in the securities of Soufun Holding Limited (NYSE: SFUN) ("***Equity Investment in Soufun***")* held by the Company, which is carried at fair value in the Company's financial statements. Pursuant to the Divestment Agreement, all the shares of Soufun held by the Company would be transferred from the Company to Aykens Holdings Limited in which the consideration was included in the consideration for the Divestment of HK$1.

6 *The income tax impact on the Divestment has not been made to the unaudited pro forma financial information, as the Directors determine that such impact is insignificant.*

The adjustments in notes (2), (3), (4) and (5) will not have continuing effect on the consolidated income statement and consolidated cash flow statement of the Restructured Group.

7 *The adjustment is related to the Subscription which represents:*

- *Issue of 1,269,414,575 Ordinary Subscription Shares at HK$0.6696 per share with proceeds of approximately HK$850,000,000, which are paid/payable by the subscribers upon completion of the Subscription.*

- *Issue of 1,373,954,600 Tranche 1 Preferred Shares and 1,373,954,599 Tranche 2 Preferred Shares at HK$0.6696 per share with proceeds of approximately HK$1,840,000,000, among which approximately HK$133,306,000, HK$853,347,000 and HK$853,347,000 are paid/payable by the subscribers upon completion, within 180 days after completion and within 1 year after completion, respectively.*

  The Company issued to the subscribers the Preferred Shares in accordance with the terms of the Subscription Agreement. The Preferred Share is classified as a non-derivative as the Company is not obligated to deliver the variable number of the Company's own equity instruments.

- *Issue of Convertible Note with a principal amount of HK$250,000,000, among which HK$12,500,000 and HK$237,500,000 are paid/payable by the subscribers upon completion and within 120 days after completion, respectively. No interest shall be payable on the entire principal amount. The principal amount of HK$250,000,000 and a redemption premium of HK$125,000,000 shall be payable upon redemption of the Convertible Note.*

  The Company issued to the subscriber a Convertible Note in accordance with the terms of the CN Subscription Agreement. The conversion price is HK$0.6696 per share, subject to adjustment shall there be any stock split, stock combination, stock bonus dividends or similar events affecting the share capital of the Company after the issuance date of the Convertible Note. The Convertible Note meet the fixed-for-fixed requirements, i.e. to be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares, subject to the adjustment of the conversion ratio to compensate holder for changes in the number of ordinary shares outstanding that relate to share issuances or redemption not at fair value.

  The liability and derivative component (redemption option) of the Convertible Note are measured at fair value as at 31 March 2016. The fair value of the liability component is determined by discounting the nominal amount of HK$250,000,000 at the discount rate of 5.77% as determined by the Directors with reference to valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent valuer. The discount rate is based on the credit rating of the Company and comparable corporate bond spreads with similar credit rating. The fair value of the derivative component (redemption option) is determined using binomial model. The total fair value of the liability and derivative component of the Convertible Note as at 31 March 2016 is HK$215,589,000. The excess of proceeds of HK$250,000,000 over the liability component and the derivative component totalling HK$34,411,000 is recognised as the equity component.

8 *The adjustment is related to the Acquisition.*

As described in note 1, the Directors have applied the principles of reverse acquisition in HKFRS 3 by analogy to the unaudited pro forma financial information. Accordingly, the Acquisition would be accounted for in the Restructured Group's financial statements as a continuation of the financial statements of the PRC Target, together with a deemed issue of equity, and a re-capitalisation of the equity of the PRC Target.

The acquisition-date fair value of the consideration transferred by the accounting acquirer for its interest in the accounting acquiree is based on the number of equity interests the legal subsidiary would have had to issue to give the owners of the legal parent the same percentage equity interest in the combined entity that results from the reverse acquisition.

The PRC Target is deemed to issue shares to give the Company's existing shareholders the same percentage of ownership in the Restructured Group (without considering the impact of the Transfer, the Subscription, the CN Subscription), which is calculated to be equivalent to 25.75% interest in the PRC Target. Consequently, the fair value of the shares deemed to have been issued is measured to be RMB558,880,000 (equivalent to HK$670,683,000 translated to Hong Kong dollars at the exchange rate of RMB0.8333 to HK$1 prevailing at 31 March 2016, representing purchase consideration for the entire interest in the PRC Target pursuant to the Acquisition Agreement) multiplied by the percentage of ownership of the PRC Target (i.e. 25.75%) associated with the deemed issue of equity.

The Acquisition and the Divestment are completed simultaneously and the Company is only a non-operating public shell corporation at the date of completion of the Acquisition. Because the Company is not a business under HKFRS 3, at the date of completion of the Acquisition and Divestment, the fair value of the shares deemed to have been issued by the accounting acquirer (the PRC Target) and the fair value of the accounting acquiree's (the Company's) identifiable net assets received should be treated in its entirety as a payment for a stock exchange listing and expensed as it is incurred.

The conversion price of the Company's convertible bond has been set at HK$0.3695 per share. The liability and equity components of the convertible bond have been measured at the fair value as at 31 March 2016. The fair value of the liability component is determined by discounting the nominal amount of HK$120,000,000 at the discount rate of 5.36% as determined by the Directors with reference to valuation carried out by LCH (Asia-Pacific) Surveyors Limited, an independent valuer. The fair value of the equity component is determined using binomial model. The discount rate is based on the credit rating of the Company and comparable corporate bond spreads with similar credit rating. The fair value of the liability component of the convertible bond as at 31 March 2016 is HK$109,985,000. As a result, the fair value adjustment on the liability component of the convertible bond is approximately HK$212,000 which is charged to the listing expenses.

	HK$'000
Fair value of deemed issued equity	172,687
Net liabilities of the Group (upon completion of the Divestment and without considering the impact of the Subscription and the CN Subscription) attributable to owners of the Company as at 31 March 2016	110,060
Fair value adjustment on the liability component of convertible bond	212
Estimated listing expenses charged to profit or loss	(282,959)

This adjustment in respect of the unaudited pro forma consolidated income statement above is not expected to have a continued effect on the Restructured Group.

9 *The adjustment represents the payment of consideration for the Acquisition, which amounts to RMB558,880,000 (equivalent to HK$670,683,000 translated to Hong Kong dollars at the exchange rate of RMB0.8333 to HK$1 prevailing at 31 March 2016) to be satisfied in cash.*

10 *The adjustment is related to the presentation of issued capital of the Restructured Group after the completion of the Transactions.*

The share capital is adjusted to reflect the capital of the legal parent (the accounting acquiree — the Company). It is represented by the movements in the share capital of the Company as follows:

	Number of Ordinary Shares HK$0.01 each	**Number of Preferred Shares HK$0.01 each**	**Par or nominal value** *HK$'000*
Authorised:			
At 31 March 2016	8,000,000,000	—	80,000
Immediately after the changes to the authorised share capital of the Company	7,252,090,801	2,747,909,199	100,000
Issued and fully paid:			
At 31 March 2016	347,326,000	—	3,473
Shares issued upon completion of the Subscription	1,269,414,575	2,747,909,199	40,173
	1,616,740,575	2,747,909,199	43,646

11 *This adjustment represents the estimated transaction-related costs, mainly comprise professional fees, of approximately HK$60,000,000, payable by the Company to the sponsors, legal advisors, financial advisor, reporting accountants, valuer and printer in connection with the Transactions.*

This adjustment in respect of the unaudited pro forma consolidated income statement and unaudited pro forma cash flow statement above is not expected to have a continued effect on the Restructured Group.

12 *Unaudited pro forma statement of adjusted net tangible (liabilities)/assets of the Restructured Group:*

	Net tangible liabilities of the Group as at 31 March 2016 *HK$'000* *Note a*	**Net tangible liabilities of the Group per share as at 31 March 2016** *HK$* *Note b*	**Unaudited pro forma adjusted net tangible assets of the Restructured Group as at 31 March 2016** *HK$'000* *Note c*	**Unaudited pro forma adjusted net tangible assets of the Restructured Group per share as at 31 March 2016** *HK$* *Note d*
Net tangible (liabilities)/assets attributable to the owners of the Company	(119,455)	(0.34)	2,495,882	0.38

Notes:

a. *The net tangible liabilities of the Group as at 31 March 2016 is based on the consolidated net liabilities attributable to the owners of the Company of HK$119,455,000 as at 31 March 2016.*

b. *The number of shares used for the calculation of the net tangible liabilities of the Group per share is 347,326,000, being the number of shares in issue as at 31 March 2016.*

c. *The unaudited pro forma adjusted net tangible assets of the Restructured Group are arrived at after the adjustments referred to in the preceding paragraphs and calculated on the amount of the unaudited pro forma adjusted net (liabilities)/assets attributable to the owners of the Company as at 31 March 2016, which is extracted from the unaudited pro forma consolidated statement of financial position of the Restructured Group, after excluding intangible assets of approximately HK$29,900,000 and liabilities of the Convertible Bonds and Convertible Note of approximately HK$325,574,000 assuming the Convertible Bonds and Convertible Note are fully converted.*

d. *The number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Restructured Group per share is 6,523,721,287, comprising (i) 347,326,000 Ordinary Shares in issue as at 31 March 2016; (ii) 1,785,714,285 CB Conversion Shares assumed to be converted from the Convertible Bonds as at 31 March 2016; (iii) 1,269,414,575 Ordinary Subscription Shares to be issued and 2,747,909,199 New Conversion Shares assumed to be converted from the Preferred Shares to be issued upon the Subscription Completion; (iv) 373,357,228 CN Conversion Shares assumed to be converted from the Convertible Note to be issued upon the CN Subscription Completion. The above assumes that each of the Subscription and the CN Subscription becomes unconditional and all the Convertible Bonds, Preferred Shares and Convertible Note have been fully converted into Ordinary Shares.*

13 *No adjustment has been made to the unaudited pro forma financial information to reflect any trading results or other transactions of the Restructured Group entered into subsequent to 31 March 2016 in respect of the unaudited pro forma consolidated statement of financial position and the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement.*

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of this Composite Document.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

TO THE DIRECTORS OF SHUN CHEONG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shun Cheong Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 March 2016, the unaudited pro forma consolidated income statement and unaudited pro forma consolidated cash flow statement for the year ended 31 March 2016 and related notes as set out in Part B of Appendix III to the composite document dated 5 August 2016 (the "**Composite Document**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part B of Appendix III to the Composite Document.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the completion of the Subscription, the Acquisition, the CN Subscription, the Divestment and the Transfer (as defined in the section headed "**Definitions**" of the Composite Document, collectively the "**Transactions**") on the Group's financial position as at 31 March 2016 and the Group's financial performance and cash flows for the year ended 31 March 2016 as if the Transactions had taken place at 31 March 2016 and 1 April 2015, respectively. As part of this process, information about the Group's financial position as at 31 March 2016 and the Group's financial performance and cash flows for the year ended 31 March 2016 have been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 March 2016, on which an audit report has been published.

The audit report for the consolidated financial statements of the Company for the year ended 31 March 2016 contain a disclaimer of opinion on the Group's ability to continue as a going concern, as more fully described in the annual report of the Company for the year ended 31 March 2016 published on 26 July 2016. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions at 31 March 2016 or 1 April 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

5 August 2016

D. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA ADJUSTMENT ON FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the pro forma adjustment on financial information of the Group in this Composite Document.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

5 August 2016

The Directors
Shun Cheong Holdings Limited

Dear Sirs,

Shun Cheong Holdings Limited (the "Company") and its subsidiaries (collectively the "Group")

The unaudited pro forma adjustment on financial information of the Group

We refer to the unaudited pro forma adjustment in connection with the impact on profit or loss as a result of the disposal of the Divestment Group (as defined in the composite document of the Company dated 5 August 2016 (the "**Composite Document**")) on financial information of the Group, set forth in Part B, note 2 of Appendix III to the Composite Document (the "**Pro Forma Adjustment**").

The Pro Forma Adjustment is regarded as a profit estimate under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "**Takeovers Code**").

Directors' Responsibilities

The basis of preparation of the Pro Forma Adjustment is set out under the section headed "Introduction to the Unaudited Pro Forma Financial Information of the Restructured Group" and note 2 in Part B of Appendix III to the Composite Document.

The Company's directors are solely responsible for the Pro Forma Adjustment.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by Rule 10.3(b) of the Takeovers Code, on the accounting policies and calculations of the Pro Forma Adjustment based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Pro Forma Adjustment on the basis of preparation as described under the section headed "Introduction to the Unaudited Pro Forma Financial Information of the Restructured Group" and note 2 in Part B of Appendix III to the Composite Document and as to whether the Pro Forma Adjustment is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Pro Forma Adjustment has been properly compiled in accordance with the basis of preparation as described under the section headed "Introduction to the Unaudited Pro Forma Financial Information of the Restructured Group" and note 2 in Part B of Appendix III to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group in preparing the consolidated financial statements of the Company as at and for the year ended 31 March 2016.

Yours faithfully,

KPMG
Certified Public Accountants

Hong Kong

E. REPORT ON REVIEW OF UNAUDITED FINANCIAL INFORMATION BY FINANCIAL ADVISOR

The following is the text of a report, prepared for the purpose of incorporation in this composite document, received from the financial advisor of the Company, REORIENT Financial Markets Limited.

瑞東 REORIENT

5 August 2016

The Board of Directors
Shun Cheong Holdings Limited
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs

SHUN CHEONG HOLDINGS LIMITED (THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

UNCONDITIONAL MANDATORY CASH OFFER BY ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED FOR AND ON BEHALF OF TITAN GAS TECHNOLOGY INVESTMENT LIMITED TO ACQUIRE ALL THE ISSUED ORDINARY SHARES OF SHUN CHEONG HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY TITAN GAS TECHNOLOGY INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT) (THE "OFFER")

We refer to the document dated 29 June 2016 jointly issued by the Company and Titan Gas Technology Investment Limited in connection with the Offer (the "**Document**"). Terms used in this letter shall have the same meanings as defined in the Document unless otherwise stated.

We refer to the gain expected to be recorded by the Group and the basis for calculating such gain as a result of the Divestment (the "**Estimated Gain**") as included as one of the adjustments to the pro forma financial information of the Restructured Group (notes 2 and 3) as set out in Part B of Appendix III to the Document.

We have reviewed the Estimated Gain and have discussed with the Directors the basis and assumptions with reference to notes 2 and 3 to Appendix III, Part B Unaudited Pro Forma Financial Information of the Restructured Group to the Document, which has been prepared by the Directors and reported on by KPMG, the reporting accountants for the unaudited pro forma financial information of the Restructured Group. The preparation of the Estimated Gain is the sole responsibility of, and has been approved by, the Directors.

Based on the above, we are satisfied that the Estimated Gain has been prepared by the Directors after due care and consideration.

Yours faithfully
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

A. COMPETENT EVALUATOR'S REPORT

Reproduced below are (i) the competent evaluator's report, (ii) the report from KPMG relating to the Competent Evaluator's Report and (iii) the report from REORIENT Financial Markets Limited relating to the Competent Evaluator's Report, which are set out in Appendix VIII to the Circular. The Circular is not incorporated by reference herein and does not form part of this Composite Document. Capitalised terms used in this appendix have the same meaning as defined in the Circular.

Gaffney, Cline & Associates (Consultants) Pte. Ltd. has confirmed that on the basis that there has been no material change to Block 212, up to the Latest Practicable Date, there has been no material change to the competent evaluator's report below.

Gaffney,
Cline &
Associates

Gaffney, Cline & Associates
(Consultants) Pte. Ltd.
80 Anson Road
#31-01C Fuji Xerox Towers
Singapore 079907
Telephone: +65 6225 6951

www.gaffney-cline.com

29 June, 2016

Board of Directors
Shun Cheong Holdings Limited
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs,

Valuation Report for Block 212, Uliastai Depression Onshore China

Introduction

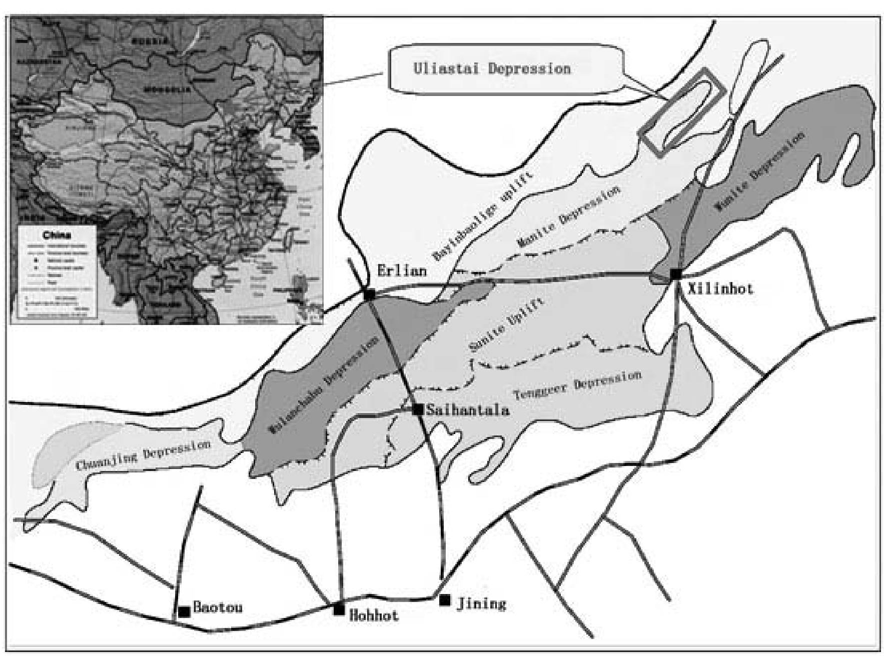
At the request of Shun Cheong Holdings Limited ("**Shun Cheong**" or "**the Client**"), and in accordance with GCA Engagement Letters **YDH/dyn/PS-15-2043.07/L0053**, **YDH/jbi/PS-15–2043.05/L0346** and **YDH/jbi/PS-15–2043.02/L0187**, Gaffney, Cline & Associates ("**GCA**") has prepared a report reviewing the potential value of an 80% Revenue Interest ("**RI**") in the oil Reserves attributable to Xilin Gol League Hongbo Mining Development Co., Ltd. ("**Hongbo**") in Block 212 in the Uliastai Depression of the Erlian Basin, Inner Mongolia ("**Valuation Report**", or "**VR**") as of 31st December 2015.

Block 212, which is about 212.9 km^2 in size, is located in the Uliastai Depression of the Erlian Basin, Inner Mongolia, China (**Figure 1**). Yanchang Petroleum Group ("**Yanchang**"), a State Owned Enterprise of Shaanxi Province secured rights to the block in 2009. Subsequently, Yanchang signed an Oil and Gas Resources Exploration and Exploitation Cooperation Agreement (the "**Cooperation Agreement**") with Hongbo. Under the cooperation agreement, Hongbo became operator of the block with an 80% revenue interest and is responsible for conducting all exploration and exploitation operations. The remaining 20% revenue interest is held by Yanchang.

Shun Cheong, a company listed on the Stock Exchange of Hong Kong Limited ("**HKEx**") (stock code: 00650), entered into an agreement on 22nd June, 2015 to acquire the 100% equity interest in Hongbo ("**Acquisition**"). In connection with the proposed acquisition, Titan Gas Technology Investment Limited ("**Titan Gas**") will invest in Shun Cheong together with some other subscribers and will become the controlling shareholder of Shun Cheong. The proposed acquisition constitutes a Reverse Takeover ("**RTO**") for Shun Cheong under the Rules Governing the Listing of Securities on HKEx (the "**Listing Rules**"). This Valuation Report has been prepared in accordance with the applicable requirements of Chapter 18 of the Listing Rules.

GCA has prepared and issued to Shun Cheong a Competent Person's Report ("**CPR**") for Block 212 with an effective date of 31st December, 2015. This Valuation Report is based on and relates to the Reserves and Resources estimated in that report, although it has based it on oil prices ad future oil price perceptions as of the date of this report.

Figure 1: Block 212 Location Map



(Source: Modified from Hongbo)

This Valuation Report has been prepared for the inclusion in a Circular to Shun Cheong's shareholders once the form and context of its inclusion has been approved by GCA. It may not be distributed or made available, in whole or in part, to any other company or person, or in any other manner or abstraction, without the prior knowledge and written consent of GCA.

Valuation Opinion

It is GCA's opinion that as of 31st December, 2015, and subject to a number of key assumptions or meeting pre-conditions outlined herein, the oil Reserves pertaining to Hongbo's 80% revenue interest in Block 212 are worth between US$120 million and US$130 million.

Notwithstanding the effective date, which governs the date from which Hongbo would be entitled to its share of revenue, the value range has taken into account the actual oil price that would have been received, and market conditions prevailing during the first half of 2016. This time window has exhibited extreme volatility. Having fallen from over US$100 per barrel in the middle of 2014 to under US$50 per barrel in early 2015, oil prices recovered to almost US$70 per barrel by May before sliding dramatically again to under US$30 per barrel in early 2016. Towards the end of the first quarter 2016 they once more improved to hover around the US$45 to US$50 per barrel range for much of May and June. General market sentiment which was very negative for much of the first quarter of 2016 has also improved, although remains cautious and, while there are signs that the number of transactions are increasing, there is no clear and firm trend yet and any valuation still needs to reflect a range of uncertainty in future oil prices. However, this is not considered material in the context of the valuation range given herein.

Section 2 highlights key areas of consideration and risk that are likely to be taken into account in the event of any transaction concerning the Block.

The value is also predicated on securing the exploitation rights under a Production Permit, which are a pre-requisite to fully develop Block 212. The intended development will comprise the workover of 92 wells and the drilling of 99 new producers and 29 water injectors in the next five years as described under the Best Case in the CPR. Such a development does not appear to be particularly technically challenging in its individual component parts, since a total of 135 wells have been drilled in the block to date. However, any delay in securing the exploitation rights may affect the realisation or timing of the workover and drilling plans and directly affect the value of Block 212.

Further, while Hongbo's management has indicated that for the time being it intends to continue with the planned development program, if low oil prices were to return it may defer or adjust plans. GCA has taken the risk of such deferral into account in its valuation.

This opinion should also be read, and is conditioned upon, considerations and assumptions contained or referenced in GCA's CPR for Block 212 dated 29 June, 2016 and which are deemed incorporated in this Valuation Report.

Basis of Opinion

This report has been prepared in accordance with the Reporting Standards for a Petroleum Asset Valuation Report which is listed under Rule 18.34 of Chapter 18 of the Listing Rules. Pursuant to such requirements, the report will conform to the VALMIN Code[1], and will contain GCA's opinion to the Fair Market Value (FMV) of the asset which in this context is taken to be Hongbo's unencumbered 80% revenue interest and operatorship in Block 212.

It should also be noted that the potential value of upstream oil and gas assets is subject to and dependent on the professional judgment of the valuer. In assessing the potential value of such assets, it is important to note that there is no single value that can be considered accurate to the exclusion of all others as a multitude of considerations has to been taken into account. The potential value of the asset should not be confused with the value of an investment proposition in relation to the asset, which would need to take account of the specifics of that investment proposition. Further, any such value would also need to further take into account the particular risks and uncertainties highlighted herein, and how they ultimately are being addressed in that investment.

While contributing to the assessment of value, raw Net Present Values (NPVs) contained herein do not represent, in and of themselves, the value of the interests, but require consideration in the context of a number of other factors. In assessing a likely potential value it is also necessary to take into account factors such as reserves risk (i.e. that Proved and/or Probable Reserves may not be realised in their entirety or may be realised in a timeframe or at a cost different to that currently expected for their exploitation); differing perceptions of economic risk including future oil and gas prices and inflation effects on future capital and operating costs; perceptions of sovereign risk; other benefits, encumbrances or charges that may pertain to the interests; and generally the competitive state of the market at the time.

Further, in the preparation of its opinion in respect of the fair market value as at 31st December, 2015, GCA has taken into account certain information, including plans that have come available or have been updated between 31st December, 2015 and 24th March, 2016. This has primarily affected the perception of securing the exploitation term and oil price assumptions.

Sources of Information

In deriving its opinion GCA has relied on the following sources of information:

1. GCA's CPR (and all information supplied by Hongbo pursuant to preparation of that report).

2. Other publicly available data and information.

[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Export Reports (the VALMIN Code), prepared by the VALMIN Committee which is a joint committee of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists. The VALMIN Code was most recently updated in 2005, although it is currently subject to review for further update.

Discussion

1 Overview of Block 212

A technical and commercial analysis and information on Block 212 can be found in the GCA CPR. However, in summary, the effective 80% revenue interest in Block 212 of Proved plus Probable Reserves will comprise (as at 31st December, 2015) **Table 1** and **Table 2**:

Table 1: Block 212 Proved and Probable Reserves Net to Hongbo's 80% Revenue Interest As At 31st December, 2015

Block 212 Units 2 & 19	Oil Reserves (MMstb) Proved (1P)	Proved plus Probable (2P)
Attributable to an 80% RI	8.1	11.4

Table 2: Block 212 Summary As At 31st December, 2015

Item	Description
Production	• 1,180 barrels of oil per day or approximately 188 cubic meter per day • Production is still in the Development stage from Unit 2 and Unit 19 fault compartment areas • 81 active oil producers and 14 active water injectors • Cumulative production of 2.3 MMstb
Future Production Plans	Approximately 3,000 to 5,000 barrels or 500 to 800 cubic meter per day of peak oil per day in year 2019, before declining based on GCA's Low to High Case Production Forecasts
Future Capital Investments	• Unit 2 and Unit 19 only Totals of US$70 million to US$100 million in the respective GCA 1P, 2P and 3P CAPEX 4 year Development Plans (2016 to 2019) for drilling new wells, water injector and workovers and its associated additional facilities once the Production Permit is granted by Ministry of Land and Resources (MOLR) based on GCA's estimates • Minor Fault Compartments Future appraisal drilling to firm up the submission of "Proved Reserves Report" to MOLR with amounts to be confirmed.

2 Key Considerations and Risks

In reviewing the asset to determine its potential value, GCA has considered various factors such as the current market for upstream assets, the location, nature and state of the asset, the relative value between the reserves and resources, the status of the Production Permit application, the nature of the development proposed, and the experience of the Operator.

Some key considerations or risks which may impact future value include, but are not limited to, the following:

a. Operator Capability

The potential transaction will only change the ownership of Hongbo, from a private limited company to be a subsidiary of a holding company, Shun Cheong, Titan Gas and and other subscribers will be investing into Shun Cheong and Titan Gas will as a result become the controlling shareholder of Shun Cheong.

Within Block 212 Hongbo has shot and processed a 3D seismic survey of 98 km^2, drilled 135 wells, including 106 development wells (producers and injectors) and 29 exploration/appraisal wells. Between 2016 and 2019 it is planning to embark on a campaign to drill between 69 and 124 new wells, between 26 and 35 new water injectors and an average of 23 workovers per year.

Given Hongbo's experience in operating and managing drilling activities in Block 212 to date, GCA sees no reason why Hongbo should not be able to carry out the planned drilling and workover campaign in the future, which is similar in scale.

Hongbo's parent company will be Shun Cheong, a HKEx listed company which will have greater financial strength. While this may impact the nature and the time frame within which investment decisions are made, Hongbo might have greater access to the funds required for future development.

b. Facility and Environmental Liabilities

GCA undertook a site visit to the Block 212 area to examine the facilities and operations, and to assess their condition and state of operability. While the field area is remote, it is road accessible. Operations and equipment are appropriate for the type of operation involved and, with some minor maintenance issues noted, appeared to be well functioning. No major areas of concern were noted. GCA's scope of work did not include evaluating compliance with any applicable regulations in terms of standards, rating, health, safety, and environment.

c. *Risk of securing the Production Permit.*

Block 212 is currently being produced at a development stage which is permitted in the current Exploration Permit under the terms of the cooperation agreement. Production in Block 212 is from 5 major fault blocks (Y2, Y19, Y19-10, Y29, Y32 and Y8) covering areas that are known as Unit 2 and Unit 19. The Block 212 Exploration Permit will expire on 5th March, 2017.

Preparation for an application for the first Production Permit in Block 212 covering Unit 2 and Unit 19 is in progress. The Proved Reserves Report, a pre-requisite to the Production Permit application, for these areas was approved by the Ministry of Land and Resources (MOLR) on 13th August, 2014. Once the Production Permit is granted, the full field development of Unit 2 and Unit 19 will be carried out.

In addition to the current pilot production from Unit 2 and Unit 19, minor oil from other fault blocks (Y13, Y14, Y3 and Y4) in Block 212 is being produced. A Proved Reserves Report on these minor fault block areas is still required for any subsequent application for additional Production Permit(s) for further exploitation in these minor fault block areas in Block 212.

Yanchang is now in the process of preparing for an application to MOLR for a Production Permit for the Unit 2 and Unit 19 fault compartment areas. In order for resource volumes (beyond the minor amounts currently being produced under the Exploration Permit) to be classified as Reserves it requires that, inter alia, there is reasonable expectation that the necessary Production Permit(s) covering Unit 2 and Unit 19 will be granted. The PRC legal counsel to Shun Cheong has advised that it is not aware of any case where the holder of an Exploration Permit has failed to obtain a Production Permit for the same block after the holder received approval of the reserve report from MOLR. On the basis of this advice GCA believes that there is a reasonable expectation that the necessary Production Permit(s) will be granted and has therefore classified the recoverable volumes from these areas as Reserves under the sub-class "Justified for Development". Assuming that this will be awarded for a period of up to 20 years (from application) with expiry in 2035, Yanchang has agreed to extend the term of the cooperation agreement with Hongbo to coincide with the expiration date of the Production Permit(s).

The timing of the Production Permit award will have an impact on Hongbo's ability to carry out future drilling and workover plans in Unit 2 and Unit 19. The award of the first Production Permit in Block 212 should provide comfort that subsequent Production Permit(s) for other fault compartments will be granted in the future.

d. *Development and Production Risks*

By their nature, upstream oil and gas activities carry a certain level of risk which may never be eliminated, although they may be reduced with better understanding of the subsurface from either more data (e.g. seismic, new wells or further studies) and through the experience of the Operator. Estimates of Reserves and Resources are based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional data become available, and should not be considered a guarantee or prediction of results.

The future drilling and workover program in Unit 2 and Unit 19 through 2019 will be mainly on those producing blocks; therefore the performance of the incremental production is expected to be analogous to the way historical production has developed.

In addition to that, future drillings are mostly infill wells and/or step out wells from existing producers. Only some (less than 10%) of the future wells will target other adjacent fault blocks which are non-sealing and estimated to be 200–300 meters from existing wells. Although these other fault blocks have not been flow tested, they appear similar to the producing blocks when compared on geological and petrophysical characteristics. Hence, GCA considers that there should be a relatively low risk with respect to the performance and flowability of those reservoirs.

e. Costs

Cost is not anticipated to be a major risk item with greater competition amongst service providers for projects such as Hongbo's in Block 212 as other operators onshore China scale back activities that are now uneconomic due to the current low oil price environment. Hongbo has drilled 135 wells to date which provides a good set of historical data points for planning and costing new wells more accurately and provides a learning curve for more efficient drilling operations. The design and completion of the new wells planned are relatively simple with infill or step out wells from existing wells will also help minimise the risk of cost overruns.

Costs provided to GCA are in Renminbi ("**RMB**") which, as a result of the recent devaluation of the currency, have reduced in U.S. Dollar equivalent terms. There is a risk that elements of cost that ultimate rely on U.S. Dollar inputs may in due course be subject to greater inflationary pressures.

f. Commodity (oil) price

Crude oil is priced based on a number of factors including supply and demand, political events and expectations, the quality of the crude, transportation costs to the market and the nature of the market into which it is sold.

Two major factors have to date affected the sales price of Block 212 crude oil. The first of these is the global price of oil, which more than halved between June 2014 and January 2015, when it was trading below US$50 per barrel. While the global price of Brent oil had risen back to around US$65 per barrel by the middle of 2015, by the end of September 2015 it had fallen back again to under US$50 per barrel and, by the middle of Q1 2016 had fallen to under US$30 per barrel. At the date of this valuation report the Brent oil price had risen again to around US$50 per barrel.

While the price of oil has a direct impact on value in respect of the revenue that can be expected from selling the oil produced, there is also a secondary effect. The significant fall in the price of oil has caused virtually all oil and gas companies to cut back on previously planned capital expenditures. At present the future price of crude oil is seen as being extremely uncertain, limiting the willingness of companies to commit to funding significant new investments, particularly where they involve commitments that can last several years. While this does not mean that the oil in the ground has disappeared in any way, it does have a potentially significant impact on the timing of the eventual monetisation of such resources, and the willingness of any prospective purchaser to pay up front for value that is dependent upon development activity that may be at risk of being delayed or curtailed. Hongbo's management has indicated that while it intends to continue with the planned development program for the time being, if current low prices were to persist for several more months it may defer or adjust plans.

The second major factor affecting the selling price of Block 212 crude oil is the relationship of this price to world marker prices such as Brent crude. Between July 2012 and June 2014, crude from Block 212 was trading at about a 10% discount to Brent when Brent was around US$100 per barrel. Once Brent had fallen to around US$50 to US$60 per barrel, Block 212 crude traded at parity to Brent, or slightly above. At this stage it is unclear as to whether the sales price of Block 212 crude has established a new, long term relationship to Brent or, after a while, the discount previously observed may resume. This uncertainty also presents a risk to the price received for Block 212 crude oil.

A third factor affecting oil price is that Block 212 crude oil is sold in RMB. In assessing value for the 80% RI, GCA has assumed that the Block 212 crude oil price will track the U.S. Dollar price of oil. However, there is a risk that at some point in future there could be a temporary or long term disconnect between the local sales price and the internationally traded price of crude oil.

g. Timing Adjustments

The assessment has been based on the assumption that all cash flows from oil production, tax payments and payment of invoices for expenditures occur in the middle of the year in which the benefit is realised or cost is incurred. In actual operations, there will be a difference in timing of such cash flows due to the timing of actual crude sales, tax payments and invoice payment terms.

h. Litigation

According to the PRC legal counsel to Shun Cheong, there is the possibility that early exploration and development work in Block 212 could be considered to give rise to legal issues, although counsel considers neither of them pose a material risk. Neither these risks, nor any other legal risk that may be faced by Shun Cheong, has been taken into account in the valuation.

3 Valuation Methodology

Where appropriate data exists the typical approach to assessing the potential value of assets such as those being assessed is to consider the future earnings potential through risk-adjusted discounted cash flow (DCF) analysis, and compare this to value indications from relevant market-based asset transactions (comparable transactions). The final valuation opinion is a balanced conclusion from all sets of inputs.

Block 212 Reserves

In the DCF analysis, NPVs have been generated from a range of different production and cost profiles associated with the different Reserves categories, under the applicable petroleum contract/fiscal regime, and with a set of market-based assumptions on crude oil price, cost escalations and discount rates.

The base assessment of value of discovered petroleum assets typically centers around the perceived future earnings potential of Proved plus Probable (2P) Reserves (commonly referred to as the "most likely" or "P50" Case, where it is assumed that there is an equal probability that the actual volume produced will higher or lower than the estimate). Dependent upon risks and upside potential, the value range may be extended/narrowed to take such other factors into account.

Ordinarily a check on the reasonableness of the valuation range derived from the discounted cash flow analysis is undertaken by assessing the price the market has appeared to be willing to pay for assets of a similar nature. However, in this case GCA has been unable to identify a suitable analog reflecting the current oil price environment.

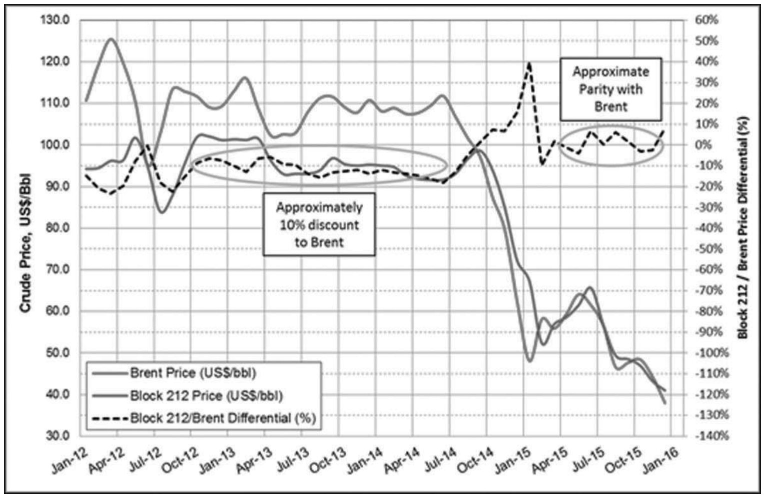
Market and Financial Assumptions

Oil Price

There is no "look up table" of oil price assumptions used by every player in the market, and in valuations oil price assumptions have a degree of subjectivity. Guidance is taken from assessing historical price movements and perceived market sentiments as reflected in published commentary and outlooks of oil companies and analysts, and on the forward price of oil as traded in the futures market, noting that the futures curve is not, in itself, a forecast of future oil prices.

Brent crude price has been used as the marker crude in China and has been used as the benchmark in the analysis. Prior to mid-2014 crude oil from Block 212 had traded at about a 10% discount to Brent. However, after the Brent crude price fell in late 2014, Block 212 crude price has been priced (with a small lag) in a relatively narrow range between approximate parity to a small premium to Brent. While uncertainty remains on the nature of the future relationship, for the purposes of valuation GCA assumed the Block 212 crude oil would trade at parity with Brent crude prices at or below US$60/Bbl, but the discount to Brent would start re-appearing above this price level, reaching (and staying at) 10% once Brent reaches a price of US$100/Bbl. The historical relationship between crude price from Block 212 and Brent crude is shown on **Figure 2**.

Figure 2: Brent vs Block 212 Crude Prices



As the oil price assumption is a key valuation driver, a wide range of oil price sensitivities has been assumed in the valuation analyses, as illustrated in **Figure 3**.

Figure 3: Brent Oil Price Scenarios Evaluated

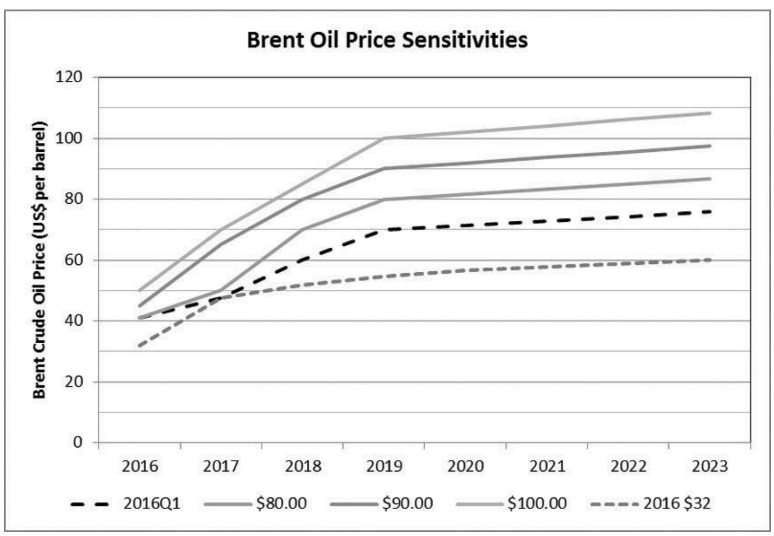


Table 3 shows two of the prices evaluated. The GCA 1Q2016 is the scenario used by GCA for Reserves evaluation in the first Quarter of 2016. The US$90/Bbl scenario assumes Brent oil reaches US$90/Bbl by 2019. Other scenarios include one based on the Brent futures price strip on 22nd March, 2016, and others where Brent reaches US$80/Bbl and US$100/Bbl by 2019.

In addition, at the request of Shun Cheong management, GCA evaluated the impact of two oil price scenarios. The first of these reflects what GCA has been advised as the lowest price that Block 212 crude oil has traded during 2016, US$32/Bbl, assumed thereafter to follow the Brent futures for 2017 through 2020, and escalate at 2% per annum thereafter. US$32/Bbl is advised as the lowest price that Block 212 crude oil has traded during 2016. The second scenario was to reflect the lowest selling price of Brent crude since 1st January 2016, which was recorded as US$26.01/Bbl on 20th January, 2016. This scenario has been evaluated by assuming a constant Brent crude price of US$26/Bbl and no cost escalation for the entire project life.

Table 3: Brent Crude Price Assumptions (US$/BBL)

Year	**GCA 1Q2016**	**US$90/Bbl Case**
2016	40.90	45.00
2017	47.58	65.00
2018	60.00	80.00
2019	70.00	90.00
2020	2% p.a. escalation	2% p.a. escalation

The assumption regarding the future price of oil utilised in the CPR reflects the guidelines pertaining to Reserves estimation, and was set in line with prices likely to be used by companies for planning purposes as of the effective date for the Reserves (in this case, 31st December, 2015). Particularly in times of price volatility it would be normal to expect the market to consider a much broader range of price perceptions when assessing value. The future oil price assumptions used in this Valuation Report are based on GCA's perception of such a range, although in no event does this discount the possibility that actual outcomes may lie outside this range for either short or prolonged periods of time.

Capital and Operating Costs

GCA has utilised cost and escalation assumptions reported in the CPR for the different Reserves categories which considered the cost reductions that Hongbo's management has stated that it believes it can achieve in a low oil price environment. GCA has also examined the impact of continued cost reductions, indicating that a further 10% reduction in costs would improve the NPV by approximately US$2 MM to US$8 MM.

However, while costs have reduced significantly in response to lower prices, they can be expected to increase again as the oil price increases. While an element of the recent cost savings may be preserved as a result of the more efficient structuring of operations, GCA has nevertheless assumed that, overall, costs will respond by returning to a level 10% below where they were prior to the oil price crash once oil price reaches US$90/Bbl.

Discount Rate

In line with discount rates typically used in valuation exercises for oil and gas assets, and the typical Weighted Average Cost of Capital (WACC) of exploration and production companies, discount rates for transactions involving assets of this kind typically range from 8% to 12% for producing and discovered assets, and 12% to 15% (or more) for exploration assets.

Oil and gas companies only very rarely publish the discount rate, or rates, that they apply in oil and gas transactions. The Weighted Average Cost of Capital (WACC) of individual listed companies may be observed from their trading prices on various international stock markets. The WACC incorporates influences of the asset mix, leverage and the management and growth performance of the company. It is not a direct read-out of the different asset classes (producing assets, undeveloped assets, exploration assets) held by the company. As such, for the purposes of this valuation, GCA has selected discount rates in the range that in its experience would be used by oil and gas companies as a whole contemplating transactions of the kind being undertaken here. The range and impact on value from discount rate in this case is substantially less than that derived from the uncertainty over future oil prices.

Exchange Rate

Crude from Block 212 has been sold in the local currency, and the impact of RMB movements in the long term will have an impact on the value of the asset. In this valuation, GCA has assumed a 6.58 RMB/USD exchange rate, constant throughout the life of the cooperation agreement. Overall, GCA's economic analysis indicates that the currency devaluation of the RMB in relation to the USD that has taken place since the transaction was originally agreed (when it was around 6.2 RMB/USD) has had about a 10% positive impact on valuation when no other factors change as result.

Net Cash/Debt and Working Capital Adjustments

GCA's valuation is of an 80% revenue interest in Block 212 Reserves, and has not made any adjustments for any net cash/debt or working capital positions that may be subject to future reconciliation.

4 Comparison and Discussion of Results Based on Different Valuation Approaches

Block 212 Reserves

DCF Analysis

Tables 4 and 5 below represent the NPVs as at 31st December, 2015, at different discount rates, for the Reserves for an 80% revenue interest in Block 212 under two of the oil price scenarios considered for this valuation; the GCA 1Q2016 scenario and the US$90/Bbl scenario.

Table 4: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case

Discount Rates	8%	10%	12%	15%
PDP	40	36	33	29
1P	89	78	69	57
2P	135	117	103	83

Table 5: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — US$90/Bbl Brent Case

Discount Rates	8%	10%	12%	15%
PDP	58	53	48	42
1P	133	117	104	87
2P	194	169	149	124

GCA also examined a scenario where low oil prices caused a delay in drilling, with drilling scheduled for 2016 and thereafter delayed to 2018 and beyond. The results of this for the GCA 1Q 2016 oil price scenario is shown in **Table 6**, reducing the NPV by US$1 MM to US$10 MM, depending upon the Reserves category and discount rate assumed.

Table 6: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case (Delayed Drilling Case)

Discount Rates	8%	10%	12%	15%
PDP	38	35	32	28
1P	85	73	64	52
2P	126	108	93	74

GCA also carried out several additional sets of sensitivities at the request of Shun Cheong's management.

The first of these considered further cost reductions that Hongbo's management has stated that it can achieve in a low oil price environment. GCA's analysis (**Table 7**) indicates that a 10% reduction in costs from current levels improves the NPV by approximately US$2 MM to US$8 MM.

Table 7: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case (10% Cost Reduction and Delayed Drilling Case)

Discount Rates	8%	10%	12%	15%
PDP	38	35	32	28
1P	97	84	74	61
2P	141	121	105	85

Further sensitivities were undertaken using the US$26/Bbl and US$32/Bbl Brent oil price scenarios requested by Shun Cheong management. GCA has evaluated the economics for the US$32/Bbl case with drilling scheduled for 2016 and thereafter delayed to 2018 and beyond using current costs, but also assuming costs are reduced by a further 10%. No other adjustments were made to the assumed development plan. The US$26/Bbl case was also evaluated assuming costs are reduced by a further 10%, but no cost or price escalation was applied and drilling was not delayed.

The results are shown in **Table 8, 9 and 10** indicating that for the US$32/Bbl case, while there is a significant reduction in NPV, ongoing development is viable. The impact of a further 10% cost reduction is more dramatic at this oil price level than under the GCA 1Q 2016 scenario, increasing NPV by up to US$15 MM, depending upon the Reserves case and discount rate assumed.

However, at US$26/Bbl case the results indicate that the Block 212 project would not be economically viable with the oil price being insufficient to justify ongoing capital expenditure, and bringing forward substantially the point in time where existing production reaches its economic limit.

Table 8: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$32/Bbl Lowest Price Case (Delayed and No Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	23	22	20	19
1P	51	44	38	31
2P	81	69	58	46

Table 9: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$32/Bbl Lowest Price Case (Delayed and 10% Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	29	27	25	22
1P	64	55	48	39
2P	96	82	71	57

Table 10: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$26/Bbl Constant Price Case (10% Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	(6)	(5)	(5)	(4)
1P	(24)	(23)	(22)	(21)
2P	(22)	(22)	(22)	(22)

Valuation Analysis

Based on DCF analysis, Block 212 Reserves would typically be valued based on the NPV at a discount rate of between 8% and 12%.

Given market conditions and the high sensitivity to assumptions, GCA has assessed a value range based on a weighting of the NPVs from the GCA 1Q2016 oil price assumption, and the different higher oil price cases, of which the US$90/Bbl Brent case was taken as representative. The value impact from the risk of delay in development due to persistent low oil prices is assumed to be offset by a reduction in costs in the same environment. The overall set of results from considering the broad range of price scenarios shown in **Figure 3** have also been examined, and suggest a valuation in line with that concluded herein. While the US$32/Bbl sensitivity case shows NPVs significantly lower than the bottom end of the valuation range, and the US$26/Bbl sensitivity gives negative NPVs to the point where it is unlikely that the transaction would be considered, GCA does not believe that either represent a Fair Market Value because in GCA's opinion the market would assume higher future oil prices than embedded in these scenarios.

GCA is also of the opinion that, notwithstanding assurances provided by the PRC legal counsel to Shun Cheong, there is still likely to be a market adjustment for risk associated with the approval for the Production Permit(s). This reflects the likelihood that any transaction involving the Hongbo interest would otherwise have the approval of the Production Permit(s) as a condition precedent.

Comparable Transactions

GCA identified and reviewed three transactions involving oil assets in China (see **Appendix I**) that have taken place in the third Quarter of 2014, in order to consider these for comparison to the NPVs derived above. For the purposes of this valuation, GCA is of the opinion that none of those transactions are suitable as not only did they take place in the context of a very different oil price environment, but they also involved only a very small Reserve base, or the assets concerned include assets located offshore China and other countries.

Fair Market Value

It is GCA's opinion that, as of 31st December, 2015, and subject to a number of key assumptions or meeting pre-conditions outlined herein, Hongbo's 80% revenue interest in Block 212 is worth between US$120 million and US$130 million.

Notwithstanding the effective date, which governs the date from which Hongbo would be entitled to its share of revenue, the value range has taken into account the actual oil price that would have been received, and market conditions prevailing during the first half of 2016. This time window has exhibited extreme volatility. Having fallen from over US$100 per barrel in the middle of 2014 to under US$50 per barrel in early 2015, oil prices recovered to almost US$70 per barrel by May before sliding dramatically again to under US$30 per barrel in early 2016. Towards the end of the first quarter 2016 they once more improved to hover around the US$45 to US$50 per barrel range for much of May and June. General market sentiment which was very negative for much of the first quarter of 2016 has also improved, although remains cautious and, while there are signs that the number of transactions are increasing, there is no clear and firm trend yet and any valuation still needs to reflect a range of uncertainty in future oil prices. However, this is not considered material in the context of the valuation range given herein.

Hongbo's management has indicated that while it intends to continue with the planned development program for the time being, and it has been able to take significant advantage of cost reductions resulting from the current market environment, if low prices were to return it may defer or adjust plans. GCA has taken into account in its valuation the benefit of such cost reductions and the risk of such deferral.

Qualifications

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with Shun Cheong. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

This report was prepared by or under the guidance of Mr. Stephen Lane, and approved at a corporate level by Mr. Robert George, Vice President of GCA. Mr. Lane holds a degree in geoscience, and Mr. George a degree in geoscience and an MBA. Both have more than 40 years industry experience in economic analysis and public report preparation.

Notice

This document has been prepared for inclusion in a Circular to Shun Cheong's shareholders once the form and context of its inclusion has been approved by GCA. It may not be distributed nor made available, in whole or in part, for any other purpose. In line with standard contract conditions for work of this kind Shun Cheong has indemnified GCA, its affiliated entities and persons involved in the preparation of this report against any claims that might be made by Shun Cheong or a third party resulting from use of or reliance on this report for any other purpose.

Yours sincerely,
Gaffney, Cline & Associates

Project Manager
Stephen Lane, *Technical Director*
80 Anson Road, 31–01C Fuji Xerox Towers, Singapore 079907
Society of Petroleum Engineers (Membership no. 3416400)

Reviewed by
Robert George, *Vice President*
5555 San Felipe St., Suite 550, Houston, TX 77056, USA
American Association of Petroleum Geologists (Membership no. 137671), Society of Petroleum Engineers (Membership no. 0528182), Association of International Petroleum Negotiators (Membership no. 1171)

Appendix

I. Transactions in China (from August 2014 to Late 2015)

TRANSACTIONS IN CHINA (FROM AUGUST 2014 TO LATE 2015)

Date Announced	Target	Acquirer	Deal Type	Transaction Value (US$ MM)	Net 2P Reserves (MMboe)	Implied 2P US$/boe
3 Aug, 2014	Roc Oil	Fosun	Corporate	442	17.2	26
21 Aug, 2014	MIE — Block Kongnan, Hebei	China Oil HBP	Asset	83	5.1	16
26 Sep, 2014	MIE — Block Miao 3, Jilin	Undisclosed	Asset	25	0.5	46

Notes:

1. *Source: Titan Gas & GCA.*

2. *Fosun — Roc Oil transaction involved offshore assets in China, Malaysia, Australia and UK. No onshore assets in transaction.*

3. *MIE/Block Kongnan transaction Net 2P reserves is less than half of Hongbo's 80% RI 2P reserves (11.6 MMbbl).*

4. *MIE/Block Miao 3 transaction Net 2P reserves are extremely small, and the implied value per boe significantly higher than either of the other two transactions.*

B. REPORT FROM THE REPORTING ACCOUNTANTS ON DISCOUNTED FUTURE CASH FLOWS

The calculations of certain discount cash flow models used by the Competent Evaluator in its valuation of the PRC Target's revenue interest in Block 212, which are regarded as profit forecast for the purposes of Rule 10 under the Takeovers Code have previously been reported on by KPMG, the reporting accountants, in accordance with the Takeovers Code. The Company sets out below the related letter from KPMG date 29 June 2016.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 June 2016

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF AN 80% REVENUE INTEREST IN THE OIL RESERVES ATTRIBUTABLE TO XILIN GOL LEAGUE HONGBO MINING DEVELOPMENT CO., LTD. IN BLOCK 212 IN THE ULIASTAI DEPRESSION OF THE ERLIAN BASIN, INNER MONGOLIA

TO THE DIRECTORS OF SHUN CHEONG HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation (the "**Valuation**") dated 29 June 2016 prepared by Gaffney, Cline & Associates (Consultants) Pte. Ltd. ("**GCA**") in respect of the appraisal of the value of an 80% revenue interest in the oil reserves attributable to Xilin Gol League Hongbo Mining Development Co., Ltd. in Block 212 in the Uliastai Depression of the Erlian Basin, Inner Mongolia (the "**Revenue Interest**") as at 31 December 2015 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 11.1(a) of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "**Takeovers Code**").

Directors' Responsibilities

The directors of Shun Cheong Holdings Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Revenue Interest or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong

C. REPORT FROM REORIENT FINANCIAL MARKETS LIMITED ON THE COMPETENT EVALUATOR'S REPORT

瑞東
REORIENT

5 August 2016

The Board of Directors
Shun Cheong Holdings Limited
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs

SHUN CHEONG HOLDINGS LIMITED (THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

COMPETENT EVALUATOR'S REPORT PREPARED BY GAFFNEY, CLINE & ASSOCIATES ("COMPETENT EVALUATOR") DATED 29 JUNE 2016

Pursuant to an acquisition agreement dated 22 June 2015 (as amended by agreements dated 20 November 2015, 28 January 2016 and 23 March 2016), the Company has acquired the entire equity interest in the PRC Target. We refer to the Competent Evaluator's Report dated 29 June 2016 in respect of the valuation of the potential value of the 80% revenue interest (the "**Revenue Interest**") of Xilin Gol League Hongbo Mining Development Co., Ltd. (the "**PRC Target**") in Unit 2 and Unit 19 of Block 212 in Uliastai Depression of the Erlian Basin, Inner Mongolia, China as of 31 December 2015 (the "**Valuation Range**") as set out in Appendix IV to the composite document dated 5 August 2016 jointly published by the Company and Titan Gas Technology Investment Limited (the "**Document**"). As confirmed by the Competent Evaluator, up to the date of this letter, there is no material change to the Valuation Range. Capitalised terms used in this letter, unless otherwise defined, shall have the same meanings as those defined in the Document.

Our work does not constitute any valuation of the equity interest in the PRC Target or any assets, liabilities or interests of the PRC Target. We understand that the Valuation Range has been independently prepared by the Competent Evaluator based on, among other things, (1) its projections of future oil production in Unit 2 and Unit 19 of Block 212 based on the development plan of the PRC Target and as modified in the Independent Technical Report, as considered therein appropriate in different scenarios and cases covering (i) the proved developed reserves, (ii) proved reserves, and (iii) proved plus probable reserves, (2) its perception of the market outlook for future oil prices and thus the selling prices of any crude oil produced from Unit 2 and Unit 19 of Block 212 under different assumptions, (3) the capital, operating and other cost and expenses in respect of the development and production plan under different scenarios covering (i) the proved developed reserves, (ii) proved reserves, and (iii) proved plus probable reserves, and (4) different discount rates reflecting the different risk characteristics of the different reserves categories. Details of the bases and assumptions of the Valuation are set out in the Competent Evaluator's Report. The Competent Evaluator's Report shall be read in conjunction with the Independent Technical Report, as set out in Appendix VII to the Circular, which sets out the Competent Person's independent assessment of the estimated reserves and resources in Unit 2 and Unit 19 of Block 212 (including the projected level of production under different scenarios) as well as the details of the PRC Target's development plan and the related projected cost and expenses. The Independent Technical Report has been prepared using the definitions of the PRMS and the Valuation Report has been prepared using the VALMIN Code (2005 edition) in accordance with the Listing Rules requirement.

The Competent Evaluator has set out different analyses of the estimated post-tax NPVs of the PRC Target's 80% revenue interest in Unit 2 and Unit 19 of Block 212 in the Competent Evaluator's Report including (1) those under an oil price assumption which assumes an average Brent Crude Price of US$40.90 per barrel in 2016 escalating to US$70.00 per barrel in 2019 and then further escalating by 2% per annum thereafter (the "**GCA 1Q2016 case**"), (2) those under an upside case which assumes an average Brent Crude Price of US$45.00 per barrel in 2016 escalating to US$90.00 per barrel in 2019 and then further escalating by 2% per annum thereafter (the "**US$90 case**"), (3) those under a downside case which assumes an average Brent Crude Price of US$32.00 per barrel in 2016 followed by changes based on the Brent future strip for 2017 up to 2020 and then escalating by 2% per annum thereafter (the "**US$32 case**"), and (4) those under a further downside case which assumes an average Brent Crude Price of US$26.00 per barrel in 2016 and throughout the entire project life (the "**US$26 case**"). We understand that none of those NPV analyses individually represents an opinion of the Competent Evaluator as to the market value of the PRC Target's interest in Block 212.

We understand from the Competent Evaluator that when it considered the Valuation Range, it has substantively weighted its opinion on the assumption that future oil prices will be more reflective of the price assumption under the GCA 1Q2016 case but it has also recognised the potential upside value of the Revenue Interest in a higher crude oil price environment, as illustrated by the US$90 case, by adjusting its valuation opinion upwards to reflect the possibility that such a scenario could occur. It is stated in the Competent Evaluator's Report that while the US$32 case shows NPVs significantly lower than the bottom end of the Valuation Range, the Competent Evaluator does not believe that it represents a fair market value case because in its opinion, the market would assume higher future oil prices than embedded in this scenario. Similarly, the Competent Person does not consider the US$26 case to represent a fair market value case. We are not an oil industry expert and do not express any opinion on future oil prices. We note that the price assumptions of the Competent Evaluator under the GCA 1Q2016 case and the US$90 case are consistent with other available market oil price forecasts in 2016 that we could identify using Bloomberg.

We note that the Competent Evaluator has taken into account the above NPV analyses in arriving at the Valuation Range after considering other subjective factors such as the Competent Evaluator's professional judgement on the effect of potential delays, further cost reduction, nature of competition perceived, and market conditions/sentiment. Accordingly the final Valuation Range does not equate to any particular NPV under any of the scenarios set out in the Competent Evaluator's Report.

As the NPV analyses under the GCA 1Q2016 case and the US$90 case play a significant part in the process of determining the Valuation Range and those NPVs have been prepared based on the discounted cash flow method, they are therefore regarded as a profit forecast under Rule 11.1(a) of the Takeovers Code, which is required to be reported on (as set out below) by us pursuant to the Takeovers Code.

Furthermore, we are also required under Rule 11.1(b) of the Takeovers Code to report on the qualifications and experience of the Competent Evaluator in preparing the Competent Evaluator's Report and this letter also constitutes such report from us.

We have reviewed the Competent Evaluator's Report and discussed with the Competent Person regarding the Independent Technical Report and the Competent Evaluator regarding the Competent Evaluator's Report, including the qualifications, bases and assumptions set out therein. We have also discussed with the Company regarding the qualifications of the Competent Person and the bases and assumptions of the discounted cash flows used in the post-tax NPV analyses under the GCA 1Q2016 case and the US$90 case. We have also considered the letter addressed to the Company from KPMG dated 29 June 2016 as set out in Appendix VIII to the Circular on the calculations of the discounted cash flows used in the post-tax NPV analyses under the GCA 1Q2016 case and the US$90 case and noted that KPMG is of the opinion that, in so far as such calculations are concerned, these have been properly compiled in all material respects in accordance with the bases and assumptions.

In arriving at our views, we have relied on information and materials supplied to us by the Company, the PRC Target and the Competent Evaluator, and the opinions expressed by, and the representations of, the management of the Group, the PRC Target and the Competent Evaluator, which we have assumed to be true, accurate, complete and not misleading and remain so as of the date hereof, and that no material fact or information has been omitted therefrom. Circumstances could have developed or could develop in the future that, if known to us at the time of the issue of this letter, may affect our assessment and our views on the Valuation Range.

With regard to the Competent Evaluator's qualifications and experience, we have conducted reasonable checks to assess its relevant qualifications, and experience, including reviewing the supporting documents on the qualifications and experience of staff members of the Competent Evaluator signing off the Competent Evaluator's Report.

We are acting as the financial advisor to the Company in relation to the Transactions. We and our respective directors and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the Transactions, nor will we, our respective directors and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Transactions.

On the basis of the foregoing and the information comprising the Competent Evaluator's Report, and our discussions with and understanding from the Competent Evaluator, we are of the opinion that the bases and assumptions set out in the Competent Evaluator's Report in respect of the post-tax NPV analyses under the GCA 1Q2016 case and the US$90 case, which are prepared by the Competent Evaluator and duly reviewed and accepted by the directors of the Company (and are considered to be determined by the directors of the Company for the purposes of this report), have been made with due care and consideration as a whole for the purpose of determining the Valuation Range. We are also satisfied that the Competent Evaluator is suitably qualified and experienced to undertake the determination of the Valuation Range competently.

We are not an expert on oil and gas project development or investment. This letter does not represent any opinion by us on any future production and sale levels, the future level of development and production cost and profitability of Unit 2 and Unit 19 of Block 212, the PRC Target or the Group. Further, we would caution that the bases and assumptions underlying the Valuation Range (including, among other things, the estimation of reserves and resources, and the projections of future production, development expenditures, operating expenses and cash flows) are inherently subjected to potentially significant uncertainties and contingencies in respect of business environment, general economy, market competition, and interpretation of geoscience and engineering data, which are beyond the control of the Company, the PRC Target, the Competent Evaluator and us. Accordingly, neither the Independent Technical Report nor the Competent Evaluator's Report shall be construed as a guarantee or prediction of results, and no warranty is implied or expressed that the actual outcome will conform to the outcomes presented therein. Attention should be paid to the risk factors and limitations as explained in the Independent Technical Report and the Competent Evaluator's Report.

We make no representation as to the legal interpretation of the above information as presented in the Circular.

This letter is supplied on the understanding that it is for the sole use of the Company. It must not be made available to any other party or filed with or referred to (either in whole or in part) in the Circular or any other document or otherwise quoted, circulated or used for any other purpose without our prior written consent, except that we understand a copy of this letter will be lodged with the Stock Exchange and the Executive and included in the Circular to be despatched by the Company. For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties are specifically disclaimed, except those of our responsibilities under the Takeovers Code, the Listing Rules or other applicable laws and regulations that cannot be disclaimed.

Yours faithfully
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorized and issued share capital in the Company as at the Latest Practicable Date were as follows:

Authorized Capital

Number of Shares		**Nominal value of the Shares** *(HK$)*
8,000,000,000	Ordinary Shares	80,000,000.00
5,000,000,000	Preferred Shares	50,000,000.00
13,000,000,000		130,000,000.00

Issued Share Capital

Ordinary Shares

Number of Shares		
1,616,740,575	Ordinary Shares in issue as at the Latest Practicable Date	16,167,405.75
1,785,714,285	Ordinary Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds in full *(Note 1)*	17,857,142.85
373,357,228	Ordinary Shares to be issued upon exercise of the conversion rights attaching to the Convertible Note in full *(Note 2)*	3,733,572.28
2,747,909,199	Ordinary Shares to be issued upon exercise of the conversion rights attaching to the Preferred Shares in full *(Note 3)*	27,479,091.99
6,523,721,287		65,237,212.87

Preferred Shares

Number of Shares		Nominal value of the Shares (HK$)
2,747,909,199	Preferred Shares in issue as at the Latest Practicable Date	27,479,091.99

Notes:

1. *These are the maximum number of CB Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, assuming at the CB Conversion Price of HK$0.0672.*

2. *These are the maximum number of CN Conversion Shares which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Note in full, assuming at the initial conversion price of HK$0.6696.*

3. *These are the maximum number of Ordinary Shares which may fall to be issued upon exercise of the conversion rights attaching to the Preferred Shares in full, assuming at the initial conversion price of HK$0.6696 (subject to adjustments).*

The Ordinary Shares rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

The Preferred Shares shall rank pari passu in all respects for return of capital on liquidation, winding up or dissolution of the Company and participation in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue. None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of the Company available for distribution. Save as otherwise provided by all applicable laws, the holder(s) of the Preferred Shares will not be entitled to attend or vote at any general meeting of the Company, unless a resolution is proposed at a general meeting for winding-up the Company or a resolution is proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder(s) thereof the right to receive notice of, and to attend and vote at, the general meeting, save that such holder(s) may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares. In such event, the votes of holders of Preferred Shares shall be counted on an as converted basis provided that only such Preferred Shares that have been fully paid up shall be so counted.

Subject to the Listing Rules (including the minimum public float requirement) being met and the payment in full of the Subscription Price for the Preferred Shares, the Preferred Shares may be convertible by the holder of the Preferred Shares, without the payment of any additional consideration therefor, into such number of fully-paid New Conversion Shares obtained by multiplying the conversion rate then in effect by the number of Preferred Shares being converted.

The Company has issued 1,269,414,575 Ordinary Shares and 2,747,909,199 Preferred Shares since 31 March 2016 (being the end of the last financial year of the Company) and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had in issue the outstanding Convertible Bonds in the principal amount of HK$120,000,000 which were convertible into 1,785,714,285 Ordinary Shares based on the CB Conversion Price (subject to adjustments); the Convertible Note in the principal amount of HK$250,000,000 which was convertible into 373,357,228 Ordinary Shares based on the initial conversion price of HK$0.6696; and 2,747,909,199 Preferred Shares which were convertible into 2,747,909,199 Ordinary Shares (subject to adjustments pursuant to the Subscription Agreement). Save as mentioned above, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares in the Company.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and/or short positions (as applicable) of the Directors in the shares, underlying shares and debentures of the Company or any of the Company's associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to the Company and the Stock Exchange, are as follows:

Name of Director	**Capacity/nature of interest**	**Number of Ordinary Shares or underlying Ordinary Shares** *(Note 1)*	**Percentage of the Company's issued share capital**
MO Tianquan *(Note 4)*	Interest of controlled corporation *(Note 3)*	379,507,486 (L) *(Note 2)*	23.47%

Notes:

1. *The letter "L" represents the individual's long position in the shares.*

2. *The long position in the Ordinary Shares and underlying Ordinary Shares comprise 344,754,077 underlying Ordinary Shares in which Tanisca Investments Limited ("***Tanisca***") has interest as the beneficial owner and 34,753,409 Ordinary Shares in which Upsky Enterprises Limited ("**Upsky**") has interest as the beneficial owner. These interests and short position in the underlying Ordinary Shares represent the derivative interests under the Convertible Bonds. Mr. Mo and Ms. Cao are directors of each of Tanisca and Upsky.

3. *Mr. Mo has control over 100% interests of Tanisca and Upsky. Under the SFO, Mr. Mo is deemed to have interest in the shares in which Tanisca or Upsky has interest.*

4. *Under the SFO, Ms. Cao is deemed to have interest in the shares in which Mr. Mo has interest.*

(b) Substantial shareholders of the Company

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director) had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of part XV of the SFO:

Name	Capacity/ nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Tanisca Investments Limited *(Note 3)*	Beneficial owner	344,754,077 (L) *(Note 2)*	21.32%
Aquarius Growth Investment Limited *(Note 5)*	Beneficial owner	443,369,176 (L) *(Note 4)*	27.42%
ZHAO Ming *(Note 5)*	Interest of a controlled corporation	443,369,176 (L) *(Note 4)*	27.42%
Grand Empire Global Limited *(Note 6)*	Beneficial owner	166,766,230 (L) *(Note 6)*	10.31%

Name	Capacity/ nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Rexwell Holdings Limited *(Note 6)*	Interest of a controlled corporation	166,766,230 (L) *(Note 6)*	10.31%
ZHANG Lu *(Note 6)*	Interest of controlled corporations	166,766,230 (L) *(Note 6)*	10.31%
League Way Ltd. *(Note 7)*	Beneficial owner	373,357,228 (L) *(Note 7)*	23.09%
SHI Jianji *(Note 7)*	Interest of a controlled corporation	373,357,228 (L) *(Note 7)*	23.09%
New Fast Investments Limited *(Note 8)*	Beneficial owner	241,437,675 (L) *(Note 8)*	14.93%
Gate Success Investments Limited *(Note 8)*	Interest of a controlled corporation	241,437,675 (L) *(Note 8)*	14.93%
YU Nan *(Note 8)*	Interest of controlled corporations	241,437,675 (L) *(Note 8)*	14.93%
Real Smart Holdings Limited *(Note 9)*	Beneficial owner	166,766,230 (L) *(Note 9)*	10.31%
True Vision Global Limited *(Note 9)*	Interest of a controlled corporation	166,766,230 (L) *(Note 9)*	10.31%
XU Sa *(Note 9)*	Interest of controlled corporations	166,766,230 (L) *(Note 9)*	10.31%
Sonic Gain Limited *(Note 10)*	Beneficial owner	319,820,786 (L) *(Note 10)*	19.78%
KO Chun Shun, Johnson *(Note 10)*	Interest of a controlled corporation	319,820,786 (L) *(Note 10)*	19.78%
True Success Global Limited *(Note 11)*	Beneficial owner	250,149,340 (L) *(Note 11)*	15.47%

Name	Capacity/ nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
KO Wing Yan, Samantha *(Note 11)*	Interest of a controlled corporation	250,149,340 (L) *(Note 11)*	15.47%
上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.*) *(Note 12)*	Investment manager	140,382,318 (L)	8.68%
華寶 • 境外市場投資2號系列20–6期QDII單一資金信托 (Hwabao.Overseas Investment Series 2 No 20–6 QDII Single Money Trust*) *(Note 12)*	Beneficiary of a trust	93,588,212 (L)	5.79%
華寶信託有限責任公司 (Hwabao Trust Co., Ltd.) *(Note 12)*	Trustee of a trust	140,382,318 (L)	8.68%
寶鋼集團有限公司 (Baosteel Group Corporation*) *(Note 12)*	Interest of a controlled corporation	140,382,318 (L)	8.68%
WANG Ruyuan *(Note 12)*	Interest of a controlled corporation	140,382,318 (L)	8.68%
Titan Gas Technology Investment Limited *(Note 13)*	Beneficial owner	3,682,107,408 (L)	227.75%
Titan Gas Technology Holdings Limited *(Note 13)*	Interest of a controlled corporation	3,682,107,408 (L)	227.75%

Name	Capacity/ nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
Standard Gas Capital Limited *(Note 13)*	Interest of controlled corporations	3,682,107,408 (L)	227.75%
金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.) *(Note 13)*	Interest of controlled corporations	3,682,107,408 (L)	227.75%
WANG Jingbo	Interest of controlled corporations	4,125,476,584 (L) *(Notes 13, 14)*	255.17%
SHONG Hugo	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 15)*	227.75%
LIN Dongliang	Beneficial owner	12,910,000 (L)	0.80%
	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 16)*	227.75%
IDG-Accel China Capital GP II Associates Ltd. *(Note 19)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 17)*	227.75%
IDG-Accel China Capital II Associates L.P. *(Note 20)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 19)*	227.75%
IDG-Accel China Capital II L.P. *(Note 20)*	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 19)*	227.75%
Ho Chi Sing *(Note 19)*	Interest of controlled corporations	3,693,607,408 (L) *(Notes 13, 17, 19)*	228.46%
ZHOU Quan *(Note 19)*	Interest of a controlled corporation	3,693,607,408 (L) *(Notes 13, 17, 19)*	228.46%

Name	Capacity/ nature of interest	Number of Ordinary Shares or underlying Ordinary Shares *(Note 1)*	Percentage of the Company's issued share capital
LUO Yuping	Interest of controlled corporations	3,682,107,408 (L) *(Notes 13, 14, 20)*	227.75%
ZHANG Chunhua	Interest of controlled corporations	127,681,952 (L) *(Note 21)*	7.90%
Rich Harvest Worldwide Ltd.	Beneficial owner	127,681,952 (L) *(Note 21)*	7.90%

Notes:

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

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

3. *Mr. Mo has control over 100% interests of Seller 2 and Seller 1. Under the SFO, Mr. Mo is deemed to have interest in the shares in which Seller 2 and Seller 1 have interest.*

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

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

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

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

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

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

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

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

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

13. *Titan Gas Technology Investment Limited (i.e. the Offeror) is controlled as to 100% 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. Under the SFO, Titan Gas Holdings, Standard Gas, IDG Funds are deemed to have interest in 3,682,107,408 Ordinary Shares in which the Offeror has beneficial interest. Interest in such Ordinary Shares include interest in 2,852,405,830 underlying Ordinary Shares through derivative interests in the Convertible Bonds in the principal amount of HK$96,832,526 and the Preferred Shares that the Offeror has agreed to subscribe for under the Subscription Agreement.*

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

15. *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.

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

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

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

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

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

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

Save as disclosed above, the Directors were not aware, as at the Latest Practicable Date, of any person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

During the Offer Relevant Period and as at the Latest Practicable Date:

(a) the Company and the Directors did not hold, nor had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;

(b) no person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any parties acting in concert with it had dealt for value in the shares of the Company or any convertible securities, warrants, options or derivatives in respect of any shares of the Company;

(c) save as disclosed in the section headed "3. Disclosure of interest" in this Appendix V, none of the Directors was interested in the relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) and had no dealings in the relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code);

(d) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code) and/or had dealt in the relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code);

(e) save for the non-disposal undertaking by the Controlling Shareholders under Rule 10.07 of the Listing Rules, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code. Please refer to section headed "3. Disclosure of Interest" in this Appendix V for the shareholdings of the Controlling Shareholders in the Company;

(f) no securities of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities of the Company;

(g) Mr. Mo, a Director, is interested in the Excluded Shares through Seller 1 and will reject the Offer pursuant to the Excluded Shares Undertaking;

(h) no shares or securities of the Company had been borrowed or lent by any of the Directors or any person acting in concert with the Directors or by the Company;

(i) no benefit (other than statutory compensation) had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;

(j) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Offer or otherwise connected with the Offer;

(k) save for the S&P Agreement, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest; and

(l) save as disclosed under the section headed "Proposed change of Board composition" in the "Letter from Essence Securities" in this Composite Document, there was no agreement, arrangement or understanding (including any compensation agreement) existed between (i) the Offeror or any party acting in concert with it; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer.

5. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or any member of the Group or the PRC Target after the date 2 years before the commencement of the Offer Period and are or may be material:

(a) the deed of amendment dated 3 June 2014 and entered into between the Company and Tanisca pursuant to which the maturity date of the Convertible Bonds is extended to 30 April 2018;

(b) the license agreement dated 22 June 2015 and entered into between Hongbo Investment and the PRC Target pursuant to which the PRC Target was granted a license to use certain trademarks registered by Hongbo Investment for an indefinite term ending on the earlier of the date on which Hongbo Investment ceases to be the registered owner of such trademarks or the expiry of the registration;

(c) the agreement dated 1 July 2015 and entered into between Hongbo Investment and the PRC Target pursuant to which Hongbo Investment agreed to bear all direct loss suffered by the PRC Target caused by any dispute with the Claimant (as defined in the section "8. Claims and litigation" below) and/or related to the agreement between the Claimant and Hongbo Investment dated 15 June 2008;

(d) Subscription Agreement;

(e) Acquisition Agreement;

(f) CN Subscription Agreement;

(g) Divestment Agreement;

(h) the conditional deed of non-competition dated 28 June 2016 entered into by, among others, the controlling shareholders of the Company in favour of the Company; and

(i) option deed dated 28 June 2016, entered into between the Offeror and the Company.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors has entered or proposed to enter into any service agreement with the Company or any of its subsidiaries or associated companies, (i) which have been entered into or amended within 6 months before the commencement of the Offer Period, (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts whose advice, letters or opinions are contained in this Composite Document:

Name	Qualification
REORIENT Financial Markets Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
KPMG	Certified public accountants
Somerley Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Haiwen & Partners	Qualified PRC legal lawyers
Gaffney, Cline & Associates	Independent technical consultant/competent evaluator

Each of REORIENT Financial Markets Limited, KPMG, Somerley Capital Limited, Haiwen & Partners and Gaffney, Cline & Associates has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its advice, report and/or references to its name in the form and context in which it appears.

8. CLAIMS AND LITIGATION

The crude oil exploration permits that the PRC Target relies upon for its crude oil exploration, development and production operations are held by Yanchang. Prior to the crude oil exploration permits being granted to Yanchang, another company (the "**Previous Owner**") owned mineral rights for the relevant area of land. Pursuant to, among other agreements, an agreement between Yanchang and the agent of the Previous Owner (the "**Claimant**") dated 15 June 2008, the Previous Owner transferred its mineral rights to Yanchang. Yanchang subsequently applied for crude oil exploration permits for the relevant area of land, and entered into the EPCC with the PRC Target in 2010.

In September 2011, the Claimant commenced legal action against Hongbo Investment, the PRC Target and Yanchang. The claim made by the Claimant was for Hongbo Investment, the PRC Target and Yanchang to pay it outstanding mineral rights transfer fees of RMB20,000,000, and that it was entitled to the profit and management rights in respect of two oil wells currently operated by the PRC Target, to be selected based on certain criteria. The PRC Target is not a party to any agreement with the Claimant. In relation to this case, the Shaanxi Higher People's Court of the PRC issued a judgment dated 4 April 2014 ((2014) 陝民一終字第00022號), pursuant to which Hongbo Investment was ordered to pay RMB20,000,000 of outstanding mineral rights transfer fees to the Claimant together with penalty interest. The claims for profit and management rights of the two oil wells were dismissed. Hongbo Investment subsequently paid the RMB20,000,000 and penalty interest in 2014, for which it was subsequently reimbursed by the PRC Target as the cooperation right with Yanchang is owned by the PRC Target.

On 10 August 2015, the Supreme People's Court of the PRC issued an order ((2014)民申字第1925號) granting the Claimant leave to have the same case reheard by the Supreme People's Court of the PRC.

On 1 July 2015, Hongbo Investment and the PRC Target executed an agreement pursuant to which Hongbo Investment would be responsible for any direct loss suffered by the PRC Target, including but not limited to damages ordered by a court or arbitral tribunal, caused by any dispute with the Claimant and/or related to the agreement between the Claimant and Hongbo Investment dated 15 June 2008.

As at the Latest Practicable Date, save as mentioned above, the Company and the Group are not currently party to any material legal or administrative proceedings, and the Directors are not aware of any potential material legal claims or administrative proceedings.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Restructured Group, Mr. Mo, the Sellers, the PRC Target, League Way and parties acting in concert with them excluding the Offeror and parties acting in concert with it) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Board) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing price per Ordinary Share as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Offer Relevant Period; (ii) 15 May 2015, being the Last Initial Announcement Trading Day; (iii) 19 June 2015, being the Last Trading Day; and (iv) 3 August 2016, being the Latest Practicable Date.

Date	**Closing price per Ordinary Share** *(HK$)*
2014	
8 December	0.66
31 December	0.65
2015	
30 January	0.58
27 February	0.56
31 March	0.63
30 April	1.45
15 May (Last Initial Announcement Trading Day) *(Note 1)*	2.16
19 June (Last Trading Day) *(Note 2)*	5.90
30 October	2.20
30 November	3.28
31 December	2.83
2016	
29 January	2.37
29 February	2.46
31 March	2.31
29 April	2.07
31 May	1.74
30 June	1.60
29 July	2.05
3 August (Latest Practicable Date)	2.40

Notes:

1. *Trading of the Ordinary Shares was suspended during the period from 18 May 2015 to 8 June 2015.*

2. *Trading of the Ordinary Shares was suspended during the period from 22 June 2015 to 27 October 2015.*

Highest and lowest Ordinary Shares prices

During the Offer Relevant Period,

(i) the highest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK$5.90 per Ordinary Share on 19 June 2015; and

(ii) the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK$0.56 per Ordinary Share on 16 February 2015, 17 February 2015, 18 February 2015, 23 February 2015, 24 February 2015, 25 February 2015, 26 February 2015, 27 February 2015, 2 March 2015 and 3 March 2015.

3. DISCLOSURE OF INTERESTS

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings which is held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury; (v) approximately 0.73% by Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Bryce Wayne Lee. For further details, please refer to the section headed "Information on the Offeror and the Subscribers" in the "Letter from Essence Securities" in this Composite Document.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 1,468,824,575 Ordinary Shares (representing approximately 90.85% of the total number of Ordinary Shares in issue as at the Latest Practicable Date), 2,747,909,199 Preferred Shares and the Sale Bonds with an aggregate principal amount of HK$96,832,526.

4. DEALINGS IN SECURITIES OF THE COMPANY

(a) Save for the acquisition of the Sale Shares and the Sale Bonds pursuant to the S&P Agreement and the subscription of the Subscription Shares pursuant to the Subscription Agreement, none of the Offeror nor parties acting in concert with it (including the Public Shares Subscribers) has dealt in the Ordinary Shares, options, derivatives, warrants or other securities convertible into Ordinary Shares during the Offer Relevant Period.

(b) Save for the S&P Agreement (inclusive of the Undertakings) and the Subscription Agreement, as at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any parties acting in concert with it or associates of the Offeror and any other person.

(c) As at the Latest Practicable Date, no person owning or controlling any shareholding in the Company with whom the Offeror and parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Offer Relevant Period.

(d) As at the Latest Practicable Date and during the Offer Relevant Period, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. OTHER ARRANGEMENTS IN RELATION TO THE OFFER

As at the Latest Practicable Date,

(a) save for the Excluded Shares Undertaking, Excluded Bonds Undertaking and the CN Undertaking provided by Seller 1, Seller 2 and League Way under the S&P Agreement and the CN Subscription Agreement in favour of the Offeror, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had received any irrevocable commitment to accept or reject the Offer;

(b) save as disclosed under the paragraph headed "Intentions of the Offeror in relation to the Restructured Group — Proposed change to the Board composition" set out in the "Letter from Essence Securities" contained in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) existed between the Offeror and parties acting in concert with it, and any Director, recent Director, Shareholders or recent Shareholders which had any connection with or was dependent on the Offer;

(c) save for the S&P Agreement, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;

(d) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and

(e) the Offeror had no intention to transfer, charge or pledge the Ordinary Shares acquired in pursuance with the Offer to any other persons nor had the Offeror entered into any such agreement, arrangement or understanding.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts whose advice, letters or opinions are contained in this Composite Document:

Name	Qualification
Essence Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Essence Securities	a corporation licensed to carry out Type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

Each of Essence Corporate Finance and Essence Securities has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion of its advice, letter/report and/or references to its name in the form and context in which it appears.

7. GENERAL

(a) The Offeror is Titan Gas Technology Investment Limited.

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings which is held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury (Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings); (v) approximately 0.73% by Mr. Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Mr. Bryce Wayne Lee.

The sole director of the Offeror is Mr. Xie Jianping (謝建平).

The registered office of the Offeror is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, the BVI.

The correspondence address of the Offeror is at Flat 2708, 27/F., Tower B, Global Trade Center, Dongcheng District, Beijing, 100013, the PRC.

(b) The principal members of the Offeror's concert group are (i) the Offeror; (ii) IDG Technology; (iii) Mr. Lin; (iv) Mr. Xie Jianping (謝建平); (v) the IDG Funds; (vi) Standard Gas; (vii) Mr. Wang; (viii) Kingsbury; (ix) Aquarius Investment; (x) Mr. Lu Xi (盧熙); (xi) Mr. Fang Chao (房超); (xii) Hwabao 20–6 QDII; (xiii) Hwabao 20–7 QDII; (xiv) New Fast Investments Limited; (xv) Real Smart Holdings Limited; (xvi) Grand Empire Global Limited; (xvii) True Success Global Limited; (xviii) Sonic Gain Limited; (xix) Haitong International Securities Company Limited; (xx) Rich Harvest Worldwide Ltd.; and (xxi) the ExaByte Capital Fund L.P..

(c) IDG Technology is managed by its general partner IDG Technology GP.

Mr. Ho and Mr. Zhou, the managing members of IDG Technology GP, manage IDG Technology GP pursuant to an operating agreement.

The office of IDG Technology is 1209 Orange Street, Wilmington, Delaware 19801, the US.

(d) The IDG Funds are exempted limited partnerships registered in the Cayman Islands and are under common control of their ultimate general partner, IDG-Accel Ultimate GP. IDG-Accel Ultimate GP is an exempted company incorporated in the Cayman Islands with limited liability and is beneficially owned as to 50% by Mr. Ho and 10% each by Mr. Zhou, Mr. Shong Hugo (熊曉鴿), Mr. Guo Yihong (過以宏), Mr. Li Jianguang (李建光) and Mr. Zhang Suyang (章蘇陽), respectively.

Mr. Ho and Mr. Zhou are the directors of IDG-Accel Ultimate GP.

The registered address of IDG-Accel Capital II and IDG-Accel Investors II is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

(e) Standard Gas is a company incorporated in the BVI. As at the Latest Practicable Date, Blazing Success Limited holds all the issued voting shares in Standard Gas, being 2,500,000 shares. Blazing Success Limited is a company incorporated in the BVI and is wholly owned by Mr. Lee Khay Kok, the chief engineer of Titan Gas Holdings. On 8 May 2015, Blazing Success Limited granted an irrevocable power of attorney to the board of directors of Standard Gas, or a person designated by the board of directors of Standard Gas, to exercise all the voting rights attached to the 2,500,000 voting shares in Standard Gas held by Blazing Success Limited. The board of directors of Standard Gas, which comprises Mr. Wang, Mr. Lin and Mr. Shong Hugo (熊曉鴿), designated Mr. Wang as the exclusive attorney-in-fact pursuant to the power of attorney granted by Blazing Success Limited. Further, each of Blazing Success Limited and Mr. Lee (in the capacity as the sole shareholder and sole director of Blazing Success Limited) has also given an irrevocable undertaking that it/he will not exercise its/his rights in respect of the shares in Standard Gas held by Blazing Success Limited.

As at the Latest Practicable Date, the board of directors of Standard Gas comprises Mr. Wang, Mr. Lin and Mr. Shong Hugo (熊曉鴿); and 11,350,000 share options of Standard Gas had been granted under its employee stock option plan.

The board of directors of Standard Gas comprises Mr. Wang, Mr. Lin and Mr. Shong Hugo (熊曉鴿).

The registered address of Standard Gas is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, the BVI.

(f) Kingsbury is a joint stock company incorporated in the PRC. Kingsbury is owned as to approximately 74.80% by Mr. Luo Yuping (羅玉平), 14.15% by Ms. Guo Xihong (郭西紅), 8.75% by Mr. Luo Xinyu (羅信余), 0.7% by Mr. Chen Chang (陳暢), 0.7% by Mr. Zhang Zhi (張智), 0.7% by Mr. Li Kai (李凱), 0.133% by Ms. Zeng Hong (曾紅) and 0.067% by Ms. Gong Mei (龔梅).

On 8 May 2015, Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings. Standard Gas and Kingsbury are both passive investors of Titan Gas Holdings. Pursuant to such arrangement, Standard Gas, Mr. Wang and Kingsbury commercially agreed 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 board of directors of Kingsbury comprises Mr. Luo Yuping (羅玉平), Mr. Luo Xinyu (羅信余), Mr. Chen Chang (陳暢), Mr. Zhang Zhi (張智), Mr. Li Kai (李凱), Mr. Shi Weiguo (石維國) and Mr. Xue Jun (薛軍).

The registered address of Kingsbury is 29/F., Fuzhong International Square, 126 Xinhua Road, Guiyang City, Guizhou Province, 550002, the PRC.

(g) Aquarius Investment is incorporated in the BVI with limited liability and is owned as to 91% by Mr. Zhao Ming (趙明) and 9% by Mr. Wang.

The sole director of Aquarius Investment is Mr. Wang.

The registered address of Aquarius Investment is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, the BVI.

(h) Hwabao 20–6 QDII and Hwabao 20–7 QDII are required to act in accordance with the instructions of Trend Capital. Upon the Subscription Completion, Trend Capital had exercised the voting rights attached to the Subscription Shares subscribed by the two QDII Trusts. As at the Latest Practicable Date, Trend Capital was owned as to 66% by Ms. Wang Ruyuan (王茹遠) and 34% by 上海滙央投資中心(有限合伙) (Shanghai Huiyang Investment Centre (Limited Partnership)*), of which all matters are managed by its executive partner Ms. Wang Ruyuan (王茹遠). The trustee of the above two QDII Trusts is Hwabao Trust Co., Ltd. (華寶信託有限責任公司).

Each of the above two QDII Trusts does not have a board or directors or equivalent decision-making organisation. The sole director of Trend Capital is Ms. Wang Ruyuan (王茹遠).

The registered address of Hwabao 20–6 QDII and Hwabao 20–7 QDII is 59/F., World Financial Centre, 100 Century Avenue, Pudong New District, Shanghai, the PRC.

The registered address of Trend Capital is Room1-107, B Zone of 5/F., 163 Songxing Road, Baoshan District, Shanghai, the PRC.

(i) New Fast Investments Limited is incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Yu Nan (余楠).

The sole director of New Fast Investments Limited is Ms. Yu Nan (余楠).

The registered address of New Fast Investments Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(j) Real Smart Holdings Limited is incorporated in the BVI with limited liability and is ultimately wholly owned by Mr. Xu Sa (徐颯).

The sole director of Real Smart Holdings Limited is Mr. Xu Sa (徐颯).

The registered address of Real Smart Holdings Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(k) Grand Empire Global Limited is incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Zhang Lu (張璐).

The sole director of Grand Empire Global Limited is Ms. Zhang Lu (張璐).

The registered address of Grand Empire Global Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(l) True Success Global Limited is incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Ko Wing Yan Samantha (高穎欣).

The sole director of True Success Global Limited is Ms. Ko Wing Yan Samantha (高穎欣).

The registered address of True Success Global Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(m) Sonic Gain Limited is incorporated in the BVI with limited liability and is ultimately wholly owned by Mr. Ko Chun Shun Johnson (高振順).

The sole director of Sonic Gain Limited is Mr. Ko Chun Shun Johnson (高振順).

The registered address of Sonic Gain Limited is P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, the BVI.

(n) Haitong International Securities Company Limited is incorporated in Hong Kong with limited liability and is indirectly wholly owned by Haitong International Securities Group Limited (stock code: 665), a company listed on the Main Board of the Stock Exchange.

The board of directors of Haitong International Securities Company Limited comprises Mr. Hui Yee, Wilson (許儀), Mr. Zhang Xinjun (張信軍), Mr. Sun Tong (孫彤), Mr. Lo Wai Ho (盧偉浩), Mr. Lo Yam Pui, Eric (盧任培), Mr. Zhang Yibin (章宜斌), Mr. Du Jinsong (杜勁松) and Mr. Sun Jianfeng (孫劍峰).

The board of directors of Haitong International Securities Group Limited comprises Mr. Li Jianguo (李建國), Mr. Lin Yong (林涌), Mr. Hui Yee, Wilson (許儀), Mr. Ji Yuguang (吉宇光), Mr. Poon Mo Yiu (潘慕堯), Mr. Cheng Chi Ming, Brian (鄭志明), Ms. Wang Meijuan (王美娟), Mr. William Chan (曾煒), Mr. Tsui Hing Chuen, William (徐慶全), Mr. Lau Wai Piu (劉偉彪), Mr. Lin Ching Yee, Daniel (林敬義) and Mr. Wei Kuo-chiang (魏國強).

The registered address of Haitong International Securities Company Limited is 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

(o) Rich Harvest Worldwide Ltd. is incorporated in the BVI with limited liability and is ultimately wholly owned by Ms. Zhang Chunhua (張春華).

The sole director of Rich Harvest Worldwide Ltd. is Ms. Zhang Chunhua (張春華).

The registered address of Rich Harvest Worldwide Ltd. Is Trident Chambers, P.O. Box 146, Road Town, Tortola, the BVI.

(p) ExaByte Capital Fund L.P. (the "**ExaByte Fund**") is a limited partnership registered under the laws of the Cayman Islands, which is a Greater China-focused hedge fund with a long-short equity strategy. ExaByte Capital Management (HK) Limited ("**ExaByte Hong Kong**") is the investment adviser of the ExaByte Fund. ExaByte Hong Kong, a company incorporated in Hong Kong with limited liability, is licensed to carry out type 9 (asset management) regulated activity under the SFO.

The ExaByte Fund is a Cayman Islands limited partnership and does not have a board of directors. The board of directors of its investment adviser, ExaByte Hong Kong, comprises Mr. Qian Sam Zhongshan (錢中山) and Ms. Zhong Qiuyue (鐘秋月).

The registered address of the ExaByte Fund is 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

(q) The registered office of Essence Corporate Finance and Essence Securities is at 39/F., One Exchange Square, Central, Hong Kong.

(r) The English text of this Composite Document shall prevail over its Chinese text in the case of inconsistency.

Copies of the following documents are available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day (other than Saturdays, Sundays and public holidays) at the principal office of the Company in Hong Kong at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong; (ii) on the website of the SFC (http://www.sfc.hk); and (iii) on the website of the Company (http://www.irasia.com/listco/hk/shuncheong), from the date of this Composite Document until and including the Closing Date:

(a) the memorandum of association of the Company and the bye-laws of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the letter from Essence Securities as set out on pages 15 to 38 of this Composite Document;

(d) the letter from the Board as set out on pages 39 to 49 of this Composite Document;

(e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out on pages 50 to 51 of this Composite Document;

(f) the letter of advice from the Independent Financial Adviser to the Independent Board Committee as set out on pages 52 to 81 of this Composite Document;

(g) the annual reports of the Company for the three financial years ended 31 March 2014, 2015 and 2016;

(h) the accountants' report on the PRC Target from KPMG as set out in section A of Appendix III of this Composite Document;

(i) the report from KPMG relating to the unaudited pro forma financial information of the Group, the text of which is set out in section C of Appendix III of this Composite Document;

(j) the report from KPMG relating to the unaudited pro forma adjustment on financial information of the Group, the text of which is set out in section D of Appendix III of this Composite Document;

(k) the report from REORIENT Financial Markets Limited relating to the estimated gain from the Divestment, the text of which is set out in section E of Appendix III of this Composite Document;

(l) the competent evaluator's report set out in section A of Appendix IV of this Composite Document;

(m) the report from KPMG relating to the competent evaluator's report in section B of Appendix IV of this Composite Document;

(n) the report from REORIENT Financial Markets Limited relating to the competent evaluator's report set out in section C of Appendix IV of this Composite Document;

(o) copies of the material contracts referred to in the paragraph headed under the section headed "Material contracts" in Appendix V;

(p) the written consents from the experts as referred to under the section headed "Experts' Qualifications and Consents" in Appendix V and the section headed "Experts' Qualifications and Consents" Appendix VI;

(q) the S&P Agreement (inclusive of the Undertakings); and

(r) the legal opinion dated 30 June 2016 prepared by Haiwen & Partners in respect of the PRC Target.