EPI (Holdings) Limited
長盈集團(控股)有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code : 689)

2016
ANNUAL REPORT

CONTENTS

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"ARS"	Argentina Peso
"Board"	Board of Directors of the Company
"Company"	EPI (Holdings) Limited
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"US$"	United States dollars
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Suen Cho Hung, Paul *(Chairman)*
Mr. Sue Ka Lok *(Chief Executive Officer)*
Ms. Chan Yuk Yee
Mr. Yiu Chun Kong
Mr. Chan Shui Yuen

Independent Non-executive Directors

Mr. To Yan Ming, Edmond
Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine

AUDIT COMMITTEE

Mr. To Yan Ming, Edmond *(Chairman)*
Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine

REMUNERATION COMMITTEE

Mr. Pun Chi Ping *(Chairman)*
Mr. To Yan Ming, Edmond
Ms. Leung Pik Har, Christine

NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine *(Chairlady)*
Mr. To Yan Ming, Edmond
Mr. Pun Chi Ping

CORPORATE GOVERNANCE COMMITTEE

Mr. Sue Ka Lok *(Chairman)*
Ms. Chan Yuk Yee
Mr. Chan Shui Yuen

COMPANY SECRETARY

Ms. Chan Yuk Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1108-09, 11th Floor,
Harbour Centre,
25 Harbour Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd., Hong Kong Branch
China Citic Bank International Limited

LEGAL ADVISERS

Troutman Sanders

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

TRADING OF SHARES

Hong Kong Stock Exchange
(Stock Code: 689)

WEBSITE

http://www.epiholdings.com

* *The above information is updated to 24 April 2017, the latest practicable date before printing of this annual report.*

Chairman's Statement

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2016.

RESULTS

During the year ended 31 December 2016, the Group continued to engage in the business of petroleum exploration and production, and has diversified into the businesses of money lending and investment in securities.

The Group reported a loss and total comprehensive expense attributable to owners of the Company of HK$31,079,000, representing a significant reduction of 89% from last year (2015: HK$276,548,000), and basic loss per share of HK0.76 cent (2015: HK27.96 cents). The Group's improved results were mainly attributed to (i) the absence of impairment loss of HK$115,222,000 recognised in respect of exploration and evaluation assets in 2015; (ii) the decrease of net amount of impairment loss, depreciation and depletion recognised in respect of oil and gas properties to HK$2,155,000 (2015: HK$107,866,000); (iii) the absence of effective interest expenses on convertible notes of HK$6,761,000 recognised in 2015 as the convertible notes were redeemed in June 2015; (iv) the decrease of exchange loss to HK$3,187,000 (2015: HK$17,187,000) arising from devaluation of ARS; and (v) the profitable results contributed by the Group's money lending operation.

For the year under review, the Group reported revenue of HK$62,253,000 which represented a decrease of 6% from last year (2015: HK$66,571,000). The decline of the Group's revenue was mainly due to the drop in average selling price and volume of the crude oil produced by the Group, though such decrease in revenue was partly compensated by the revenue attributed to the money lending and investment in securities businesses which were newly commenced during the year.

Overall speaking, the Group's petroleum exploration and production business recorded a small loss of HK$466,000 compared to previous year (2015: HK$205,146,000), the money lending business posted an encouraging profitable result of HK$9,920,000, and the investment in securities business booked a loss of HK$4,099,000 which mainly represented the net unrealised loss on securities investments held by the Group at year end.

PROSPECTS

The Group's petroleum exploration and production operation continued to record loss, though small, of HK$466,000 in 2016 as business conditions of the operation remained challenging where Argentina local oil selling price remained hovering at low levels at an average of about US$57.0 per barrel. This price pattern is expected to continue in 2017 as there are no clear signs that local oil selling price in Argentina will rebound in the near term.

As for the newly commenced money lending business, the Group will continue to develop this business under prudent credit management by allocating sufficient financial resources to it so as to achieve the corporate goal that this business will continue to contribute a stable income stream and favourable returns to the Group in future years.

The investment and stock market in Hong Kong was volatile in 2016 and the Group has taken a more cautious approach in managing its securities investments portfolio, which currently comprises of equity shares listed on the Stock Exchange and equity-linked notes.

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK$501,846,000. The Company had applied the proceeds for repayment of bank borrowings as referred to in the Company's announcement dated 8 November 2016, and for development of its businesses in money lending and investment in securities and as general working capital as intended.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects aiming to enhance value to shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors and all staff members for their contributions and hard work during the past year.

Suen Cho Hung, Paul
Chairman

Hong Kong, 30 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2016, the Group continued to engage in the business of petroleum exploration and production, and has diversified into the money lending and investment in securities businesses during the year.

For the year under review, the Group reported revenue of HK$62,253,000, decreased by 6% from last year (2015: HK$66,571,000) that was mainly due to the drop in average selling price and volume of the crude oil produced by the Group, though such decrease in revenue was partly compensated by the revenue attributed to the money lending and investment in securities businesses which were newly commenced during the year.

Petroleum Exploration and Production

During year ended 31 December 2016, the Group continued to engage in petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the "Concessions") in the Cuyana Basin, Mendoza Province of Argentina. The Group continued to focus on investment to improve production of and had performed maintenance works for the 10 existing producing oil wells. At 31 December 2016, the Group had finished drilling of 10 oil wells in the Chañares Herrados Concession Area in Mendoza. All the 10 oil wells are in production and the Group is entitled to 51% interest on the production of 5 oil wells and 72% interest on the production of the other 5 oil wells.

The contingent oil resources in certain shallow reservoirs in the Concessions as at 31 December 2016 and 31 December 2015 are as follows:

Contingent Oil Resources	Million barrels* **2016**	2015
Category Gross (100%)		
Low Estimate (1C)	**79.4**	80.3
Best Estimate (2C)	**137.7**	138.6
High Estimate (3C)	**236.3**	237.2

* *According to the Technical Review Report issued by Global Resources & Infrastructure Pty Ltd on 30 March 2017 on the Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina*

For the year under review, the Group's petroleum exploration and production business generated revenue of HK$51,320,000 (2015: HK$66,571,000) and recorded a loss of HK$466,000 (2015: HK$205,146,000). The decline of the operation's revenue was partly due to the drop in production volume of crude oil by about 10% when compared with last year, and also due to the decrease in crude oil sales price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from on average US$66.4 per barrel in 2015 to US$57.0 per barrel in 2016. Mainly as a result of the drop in operation's revenue, the business recorded a loss of HK$1,951,000 (before impairment loss) in contrast to the profitable result of HK$2,740,000 (before impairment loss) in 2015. Nevertheless, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties of the Concessions at 31 December 2016 and other tax recoverables and determined that there was no reversal of impairment loss on the exploration and evaluation assets but there was a reversal of impairment loss of HK$2,282,000 on the oil and gas properties of the Concessions and a provision of impairment loss of other tax recoverables of HK$797,000. As a result, the business recorded a small loss of HK$466,000 after including the net reversal of impairment loss mentioned and is in contrast to the significant loss incurred last year which included impairment losses of HK$207,886,000.

Management Discussion and Analysis

As referred to in the announcement of the Company dated 25 August 2016, the Group was notified by the Concessionaire (as defined in the announcement) that the department of hydrocarbons of the government of Mendoza has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 (the "Extension") previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. The Group has been making enquiries with the Concessionaire to understand the situation and seeking legal advice on the matter to assess the impact on the Group's interest in the operations of the Concessions. Up to the date of this report, the Group has not yet received any formal update from the Concessionaire on the government's review of the Extension. The Company will make further announcement(s) when there is any material development on the Extension.

Money Lending

The Group has commenced to engage in money lending business during the year and reported revenue of HK$10,133,000 and encouraging profitable result of HK$9,920,000. The Group had applied part of the new funds raised from the rights issue completed in January 2016 to expand the scale of activities of this operation.

At 31 December 2016, the loans portfolio held by the Group amounted to HK$102,000,000 with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	54.90	8	Within one year
Corporate	45.10	15 – 18	Within one year
	100.00		

Investment in Securities

The Group has also commenced to engage in the business of investment in securities during the year. The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, reference will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

Management Discussion and Analysis

For the year under review, the Group's securities investment operation recorded revenue of HK$800,000 representing dividend income from its investments in equity securities listed on the Stock Exchange. As a whole, the operation reported a loss of HK$4,099,000 which comprised net unrealised loss of HK$3,313,000 on securities held by the Group at year end and net realised loss on disposal of securities of HK$1,031,000. Such loss on securities investments was due primarily to the volatile Hong Kong stock market during 2016 and there were notable price decreases of certain securities held by/disposed of by the Group.

At 31 December 2016, the Group's investment in securities operation held a securities portfolio comprising listed equity securities and unlisted equity-linked notes totalling HK$27,454,000.

Overall Results

As a whole, the Group reported a loss and total comprehensive expense attributable to owners of the Company for the year of HK$31,079,000 which represented a significant reduction of loss by 89% from last year (2015: HK$276,548,000). The Group's improved results were mainly attributed to (i) the absence of impairment loss of HK$115,222,000 recognised in respect of exploration and evaluation assets in 2015; (ii) the decrease of net amount of impairment loss, depreciation and depletion recognised in respect of oil and gas properties to HK$2,155,000 (2015: HK$107,866,000); (iii) the absence of effective interest expenses on convertible notes of HK$6,761,000 recognised in 2015 as the convertible notes were redeemed in June 2015; (iv) the decrease of exchange loss to HK$3,187,000 (2015: HK$17,187,000) arising from devaluation of ARS; and (v) the profitable results contributed by the Group's money lending operation.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK$501,846,000. As referred to in the Company's announcement dated 8 November 2016, the Company had changed the use of such proceeds and had applied approximately HK$191,837,000 for repayment of bank borrowings; with the remaining balance being designated for development of its newly commenced businesses in money lending and investment in securities and as general working capital.

During the year ended 31 December 2016, the Group financed its operation mainly by shareholders' funds and bank borrowings (before the full repayments). At year end, the Group had current assets of HK$325,119,000 (2015: HK$46,459,000) and liquid assets comprising bank balances and cash as well as short-term securities investments totalling HK$209,658,000 (2015: HK$13,230,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$21,892,000 (2015: HK$108,628,000), was at a very strong ratio of about 14.9 (2015: 0.4). The significant improvement in current ratio was mainly due to the proceeds raised by the Company in the rights issue completed in January 2016. At 31 December 2016, the Group's trade and other receivables and prepayments amounted to HK$11,996,000 (2015: HK$26,864,000), which mainly comprised deposit placed as escrow for the petroleum exploration and production operation and interest receivables from debtors of the Group's money lending business.

At 31 December 2016, the net assets of the Group amounted to HK$345,842,000 and is in contrast to the net liabilities position of HK$124,925,000 in last year. The turnaround of Group's financial position was primarily due to the proceeds raised by the Company from the rights issue completed in January 2016. The Group's gearing ratio, calculated on the basis of total liabilities of HK$21,892,000 (2015: HK$217,828,000) divided by total assets of HK$367,734,000 (2015: HK$92,903,000), was at a very low ratio of about 6% (2015: 234%). The finance costs for the year amounted to HK$6,788,000 (2015: HK$16,826,000), representing mainly interests on bank borrowings which had been fully repaid in November 2016. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$ and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. As for the Group's petroleum operation in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 31 December 2016, the Group had no significant contingent liability (2015: nil).

Pledge of Assets

At 31 December 2015, the followings were pledged to secure the Group's bank loan:

(i) the entire issued share capital of EP Energy S.A. ("EP Energy"), an indirect wholly owned subsidiary of the Company;

(ii) the entire issued share capital of Have Result Investments Limited, an indirect wholly owned subsidiary of the Company; and

(iii) the entire issued share capital of two direct wholly owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

At 31 December 2016, the Group had fully repaid the bank loan. As the release of the security charged was still in process, the above were still recorded as pledged assets of the Group.

Capital Commitment

At 31 December 2016, the Group had no significant capital commitment (2015: nil).

Management Discussion and Analysis

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2016, the Group had a total 17 (2015: 33) employees including directors of the Company with 9 (2015: 25) employees in Hong Kong and 8 (2015: 8) employees in Argentina and staff costs (including directors' emoluments) amounted to HK$17,767,000 (2015: HK$21,949,000) for the year. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of petroleum exploration and production, money lending and investment in securities. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

Business Risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of the United States, Mainland China and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's business and to diversify its investments (where possible) within the same business, as in the case of the Group's investment in securities business.

Market Risk

The Group's money lending business is operating in a very competitive environment that put pressure on the revenue and profitability of this business. The management policy to mitigate this risk is to continue to put effort in enlarging the market share and enhancing the market competitiveness of this business by various means.

Environmental Risk

The Group's petroleum exploration and production business is constantly exposed to inherent risks such as pollution, mechanical breakdown of machinery, adverse weather conditions, fire or other calamity. During the petroleum exploration and production, the Group would expose to potential risks such as pollution, adverse weather conditions or earthquake etc. Any of these factors may cause disruptions to the Group's operations. The Group may also be liable for compensation payable as a result which may adversely affect its financial performance.

Financial Risk

The Group is exposed to financial risks relating to interest rate, foreign currency, equity price, credit and liquidity risk in its ordinary course of business. For further details of such risks and relevant management policies, please refer to Note 35 to the consolidated financial statements for details.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2016, there were no significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of e-statements or scanning copies, double-sided printing and copying and setting up of recycle boxes for reducing and disposing of waste. The Group also reduces green-house emissions by switching off idle lightings and other office equipments after normal working hours. When developing the Group's business, the Group strictly complies with the local law, rules and guidance in relation to environmental protection. The Group regularly review its environmental practices for further improvements.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management as at 30 March 2017, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Suen Cho Hung, Paul, *Chairman*

Aged 56, joined the Company as an Executive Director and the Chairman of the Company in October 2016. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. He has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is deemed to be the controlling shareholder of the Company as disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" in the Report of the Directors. Mr. Suen is the chairman and an executive director of Enviro Energy International Holdings Limited (Hong Kong stock code: 1102) ("Enviro Energy"); and the chairman, the managing director and an executive director of ITC Corporation Limited (Hong Kong stock code: 372) ("ITC Corporation"). Both companies are listed on the Main Board of Stock Exchange.

Mr. Sue Ka Lok, *Chief Executive Officer*

Aged 51, joined the Company as an Executive Director and the Chief Executive Officer in October 2016. Mr. Sue is the chairman of the Corporate Governance Committee. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia and a fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of Birmingham International Holdings Limited (Hong Kong stock code: 2309) ("Birmingham International"); an executive director and the company secretary of China Strategic Holdings Limited (Hong Kong stock code: 235) ("China Strategic"); the chairman and an executive director of Courage Marine Group Limited (Hong Kong stock code: 1145 and Singapore stock code: ATL.SI) ("Courage Marine"); an executive director of ITC Corporation; and a non-executive director of Tianli Holdings Group Limited (Hong Kong stock code: 117) ("Tianli Holdings"). All of the aforementioned companies with Hong Kong stock code are listed on the Main Board of the Stock Exchange and Courage Marine is primarily listed on the Main Board of the Stock Exchange and secondarily listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

Biographical Details of Directors and Senior Management

Ms. Chan Yuk Yee

Aged 48, joined the Company as an Executive Director and the Company Secretary in October 2016. Ms. Chan is a member of the Corporate Governance Committee. She is also a director of certain subsidiaries of the Company. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is an associate of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She has extensive experience in corporate administration and company secretarial practice. Ms. Chan is an executive director and the company secretary of Birmingham International; an executive director of Courage Marine; and the company secretary of Enviro Energy, Hailiang International Holdings Limited (Hong Kong stock code: 2336) and ITC Corporation. All of the aforementioned companies with Hong Kong stock code are listed on the Main Board of the Stock Exchange and Courage Marine is primarily listed on the Main Board of the Stock Exchange and secondarily listed on the SGX-ST.

Mr. Yiu Chun Kong

Aged 32, joined the Company as an Executive Director in October 2016. Mr. Yiu is also a director of certain subsidiaries of the Company. He holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University. Mr. Yiu has experience in auditing, accounting and finance. He is an executive director of Birmingham International.

Mr. Zhu Kai

Aged 30, joined the Company as an Executive Director in October 2016. Mr. Zhu holds a Bachelor of Science in Actuarial Science degree from Heriot-Watt University in the United Kingdom. He has experience in business and market research and analysis. Mr. Zhu is an executive director of Birmingham International.

Mr. Chan Shui Yuen

Aged 36, joined the Company as an Executive Director in October 2016. Mr. Chan is a member of the Corporate Governance Committee. He holds a Bachelor of Business Administration (Honours) in Accountancy degree from City University of Hong Kong and a Master of Financial Analysis degree from The University of New South Wales. Mr. Chan is a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the CPA Australia. He has experience in auditing, accounting and finance.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. To Yan Ming, Edmond

Aged 45, joined the Company as an Independent Non-executive Director in October 2016. Mr. To is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He holds a Bachelor of Commerce Accounting degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, a certified practising accountant of the CPA Australia and an associate of the Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, initial public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited. Mr. To is an independent non-executive director of Asian Grocery Distribution Limited (Hong Kong stock code: 8413) ("Asian Grocery"), Birmingham International, China Vanguard Group Limited (Hong Kong stock code: 8156), Courage Marine, SH Group (Holdings) Limited (Hong Kong stock code: 1637) ("SH Group"), Tianli Holdings, Wai Chun Group Holdings Limited (Hong Kong stock code: 1013) and Wai Chun Mining Industry Group Company Limited (Hong Kong stock code: 660). All of the aforementioned companies with Hong Kong stock code are listed on the Main Board/Growth Enterprise Market of the Stock Exchange and Courage Marine is primarily listed on the Main Board of the Stock Exchange and secondarily listed on the SGX-ST.

Mr. Pun Chi Ping

Aged 50, joined the Company as an Independent Non-executive Director in October 2016. Mr. Pun is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He holds a Master of Science in Finance degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Pun is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of Birmingham International and Huajun Holdings Limited (Hong Kong stock code: 377) and the financial controller of Poly Property Group Co., Limited (Hong Kong stock code: 119). All of the aforementioned companies are listed on the Main Board of the Stock Exchange.

Ms. Leung Pik Har, Christine

Aged 47, joined the Company as an Independent Non-executive Director in October 2016. Ms. Leung is the chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Ms. Leung has extensive experience in banking and financial services industries and had worked at several international financial institutions including Citibank, N.A. Hong Kong, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited. She is an independent non-executive director of Birmingham International and Enviro Energy.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Pak Ka Kei, *Financial Controller*

Aged 46, joined the Company as Financial Controller in November 2009. Mr. Pak graduated from City University of Hong Kong with a Bachelor of Arts in Accounting degree. Mr. Pak has extensive experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, he had worked for Ernst & Young, an international accounting firm, and TCL Multimedia Technology Holdings Limited in its finance departments in Hong Kong, Emerging Markets and Europe as deputy internal control director and deputy financial controller.

Mr. Quiroga Daniel Federico, *General Manager, Argentina*

Aged 52, joined the Company as the General Manager of the Argentina operation in December 2010. Mr. Quiroga oversees the Company's oil projects in Argentina. He has extensive experience in operations, exploration and production management of oil field projects in Argentina and Mexico. Mr. Quiroga had been employed by Tecpetrol S.A. since 1991 and the last position held by Mr. Quiroga in 2000 was the head of secondary recovery division. During his work in Tecpetrol S.A., Mr. Quiroga was appointed as operation engineer, production manager, field operation manager and had gained experiences in operations, production management for various oil fields in Argentina. During 2002 to 2006, Mr. Quiroga was the operation superintendent and field manager who was in charge of field operations in oil fields located in Neuquina Basin and S.J. Gulf Basin, Argentina for Pioneer NRA S.A.. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol. Before joining the Company, Mr. Quiroga had worked for Weatherford Regional Mexico as the operation coordinator. He was in charge of field operations for oil field in Mexico. Mr. Quiroga graduated from the National University of Cuyo in Mendoza Province, Argentina majoring in Petroleum Engineer in 1991. Mr. Quiroga was a postgraduate in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 36 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 11 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 110. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 27 and 28 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 37 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company had no reserve available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of approximately HK$581,404,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 92.3% of the total sales for the year and sales to the largest customer accounted for approximately 82.4%. Purchases from the Group's five largest suppliers accounted for 100.0% of the total purchases for the year and purchases from the largest supplier accounted for 100.0%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Suen Cho Hung, Paul (appointed on 18 October 2016)
Mr. Sue Ka Lok (appointed on 18 October 2016)
Ms. Chan Yuk Yee (appointed on 18 October 2016)
Mr. Yiu Chun Kong (appointed on 18 October 2016)
Mr. Zhu Kai (appointed on 18 October 2016)
Mr. Chan Shui Yuen (appointed on 18 October 2016)
Mr. Tse Kwok Fai, Sammy (resigned on 19 October 2016)
Mr. Chan Chi Hung, Anthony (resigned on 19 October 2016)
Mr. Zou Feng (appointed on 7 March 2016 and resigned on 19 October 2016)

Non-Executive Directors

Mr. Ho King Fung, Eric (resigned on 19 October 2016)
Mr. Phen Chun Shing Vincent (appointed on 15 February 2016 and resigned on 19 October 2016)

Independent Non-executive Directors:

Mr. To Yan Ming, Edmond (appointed on 18 October 2016)
Mr. Pun Chi Ping (appointed on 18 October 2016)
Ms. Leung Pik Har, Christine (appointed on 18 October 2016)
Mr. Qian Zhi Hui (resigned on 19 October 2016)
Mr. Teoh Chun Ming (resigned on 19 October 2016)
Mr. Zhu Tiansheng (resigned on 19 October 2016)

In accordance with bye-law 103(B) of the Company's Bye-laws, Mr. Suen Cho Hung, Paul, Mr. Sue Ka Lok, Ms. Chan Yuk Yee, Mr. Yiu Chun Kong, Mr. Zhu Kai, Mr. Chan Shui Yuen, Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine will hold office until the forthcoming annual general meeting of the Company (the "2017 AGM") and, being eligible, offer themselves for re-election at the 2017 AGM.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statutes, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts or otherwise in relation thereto except through their own wilful neglect or default, fraud and dishonesty. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in Note 13 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Suen Cho Hung, Paul has been appointed as an executive director; and the chairman and the managing director of ITC Corporation on 8 March 2017 and 28 March 2017 respectively.

2. Mr. Sue Ka Lok was redesignated as a non-executive director of Tianli Holdings on 8 November 2016; and has been appointed as an executive director of ITC Corporation on 8 March 2017.

3. Ms. Chan Yuk Yee has been appointed as the company secretary of ITC Corporation on 8 March 2017.

4. Mr. To Yan Ming, Edmond has been appointed as an independent non-executive director of SH Group and Asian Grocery on 6 December 2016 and 27 March 2017 respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party disclosures as disclosed in the Note 33 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company:

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	2,535,285,620 *(Note)*	58.05%

Note: These interests were held by Billion Expo International Limited ("Billion Expo"), which was a wholly owned subsidiary of Premier United Group Limited ("Premier United") which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 2,535,285,620 shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Share, Underlying Shares and Debentures" above and in the "Share Option Scheme" disclosure in Note 28 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 28 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	2,535,285,620 *(Note)*	58.05%
Premier United	Interest of controlled corporation	2,535,285,620 *(Note)*	58.05%
Billion Expo	Beneficial owner	2,535,285,620 *(Note)*	58.05%

Note: These interests were held by Billion Expo, which was a wholly owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 2,535,285,620 shares of the Company under the SFO.

The interests of Mr. Suen, Premier United and Billion Expo in 2,535,285,620 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2016 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party disclosures as disclosed in Note 33 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonus.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, none of the directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 28 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued shares is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the 2017 AGM to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

Deloitte Touche Tohmatsu has been appointed as auditor of the Company with effect from 24 December 2015 to fill the casual vacancy arising from the resignation of PricewaterhouseCoopers on 15 December 2015.

Save for the above, there has been no other change of the auditor of the Company in the preceding three years.

On behalf of the Board

Suen Cho Hung, Paul
Chairman

Hong Kong, 30 March 2017

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016, except for the following deviations with reasons as explained:

Appointments, re-election and removal

Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

Prior to 1 November 2016, the non-executive directors of the Company, including the independent non-executive directors of the Company, are not appointed for a specific term but subject to retirement by rotation in accordance with the Company's Bye-laws. However, the aforesaid deviation was rectified and code provision A.4.1 has been complied with commencing from 1 November 2016 as the Company has entered into an appointment letter with each of the existing independent non-executive directors of the Company and according to their respective appointment letter, the term of service of each of the existing independent non-executive directors of the Company be fixed at a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. The directorship of each of the existing independent non-executive directors of the Company is also subject to retirement by rotation in accordance with the Company's Bye-laws.

Responsibilities of directors

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

One independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 22 June 2016 (the "2016 AGM") due to personal reasons. However, there were two executive directors, two non-executive directors and two independent non-executive directors of the Company present at the 2016 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

As at 30 March 2017, the date of this annual report, the Board comprises nine directors, six of which are Executive Directors, namely Mr. Suen Cho Hung, Paul ("Mr. Suen") (Chairman), Mr. Sue Ka Lok ("Mr. Sue") (Chief Executive Officer (the "CEO")), Ms. Chan Yuk Yee ("Ms. Chan"), Mr. Yiu Chun Kong ("Mr. Yiu"), Mr. Zhu Kai ("Mr. Zhu") and Mr. Chan Shui Yuen, and three are Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond ("Mr. To"), Mr. Pun Chi Ping ("Mr. Pun") and Ms. Leung Pik Har, Christine ("Ms. Leung"). The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management"on pages 12 to 15 of this annual report.

BOARD OF DIRECTORS (continued)

As disclosed in that section, Mr. Suen is the controlling shareholder of Birmingham International of which Mr. Sue, Mr. Yiu and Mr. Zhu are executive directors, Ms. Chan is an executive director and the company secretary, and Mr. To, Mr. Pun and Ms. Leung are independent non-executive directors. Mr. Suen is a shareholder of China Strategic of which Mr. Sue is an executive director and the company secretary. Mr. Suen is a substantial shareholder of Courage Marine of which Mr. Sue is the chairman and an executive director, Ms. Chan is an executive director and Mr. To is an independent non-executive director. Mr. Suen is a substantial shareholder, the chairman and an executive director of Enviro Energy of which Ms. Chan is the company secretary and Ms. Leung is an independent non-executive director. Mr. Suen is the controlling shareholder, the chairman, the managing director and an executive director of ITC Corporation of which Mr. Sue is an executive director and Ms. Chan is the company secretary. Mr. Sue is a non-executive director of Tianli Holdings of which Mr. To is an independent non-executive director. Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between Mr. Suen, the Chairman and Mr. Sue, the Chief Executive Officer, and senior management and members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

BOARD OF DIRECTORS (continued)

During the year ended 31 December 2016, four regular Board meetings and 2016 AGM were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	2016 AGM
Executive Directors		
Mr. Suen Cho Hung, Paul (appointed on 18 October 2016)	1/1	N/A
Mr. Sue Ka Lok (appointed on 18 October 2016)	1/1	N/A
Ms. Chan Yuk Yee (appointed on 18 October 2016)	1/1	N/A
Mr. Yiu Chun Kong (appointed on 18 October 2016)	1/1	N/A
Mr. Zhu Kai (appointed on 18 October 2016)	1/1	N/A
Mr. Chan Shui Yuen (appointed on 18 October 2016)	1/1	N/A
Mr. Tse Kwok Fai, Sammy (resigned on 19 October 2016)	3/3	1/1
Mr. Chan Chi Hung, Anthony (resigned on 19 October 2016)	3/3	1/1
Mr. Zou Feng (appointed on 7 March 2016 and resigned on 19 October 2016)	2/3	0/1
Non-executive Directors		
Mr. Ho King Fung, Eric (resigned on 19 October 2016)	3/3	1/1
Mr. Phen Chun Shing Vincent (appointed on 15 February 2016 and resigned on 19 October 2016)	2/3	1/1
Independent Non-executive Directors		
Mr. To Yan Ming, Edmond (appointed on 18 October 2016)	1/1	N/A
Mr. Pun Chi Ping (appointed on 18 October 2016)	1/1	N/A
Ms. Leung Pik Har, Christine (appointed on 18 October 2016)	1/1	N/A
Mr. Qian Zhi Hui (resigned on 19 October 2016)	3/3	1/1
Mr. Teoh Chun Ming (resigned on 19 October 2016)	3/3	1/1
Mr. Zhu Tiansheng (resigned on 19 October 2016)	3/3	0/1

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Mr. Suen Cho Hung, Paul and the position of the CEO is currently held by Mr. Sue Ka Lok.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Mr. Pun Chi Ping is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met one time during the year ended 31 December 2016 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Pun Chi Ping (appointed on 18 October 2016)	1/1
Mr. To Yan Ming, Edmond (appointed on 18 October 2016)	1/1
Ms. Leung Pik Har, Christine (appointed on 18 October 2016)	1/1
Mr. Qian Zhi Hui (resigned on 19 October 2016)	N/A
Mr. Ho King Fung, Eric (resigned on 19 October 2016)	N/A
Mr. Tse Kwok Fai, Sammy (resigned on 19 October 2016)	N/A
Mr. Zhu Tiansheng (resigned on 19 October 2016)	N/A

In addition to the Remuneration Committee meeting, the Remuneration Committee also reviewed and recommended to the Board on the remuneration packages for directors by way of circulation during 2016.

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, including three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine. Ms. Leung Pik Har, Christine is the Chairlady of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Stock Exchange's website.

NOMINATION COMMITTEE (continued)

The Nomination Committee met one time during the year ended 31 December 2016 to review the structure, size and composition of the Board; and review and make recommendation to the Board on the appointment of directors. The attendance of each member is set out as follows:

Members	Number of attendance
Ms. Leung Pik Har, Christine (appointed on 18 October 2016)	N/A
Mr. Pun Chi Ping (appointed on 18 October 2016)	N/A
Mr. To Yan Ming, Edmond (appointed on 18 October 2016)	N/A
Mr. Qian Zhi Hui (resigned on 19 October 2016)	1/1
Mr. Ho King Fung, Eric (resigned on 19 October 2016)	1/1
Mr. Tse Kwok Fai, Sammy (resigned on 19 October 2016)	1/1
Mr. Zhu Tiansheng (resigned on 19 October 2016)	1/1

In addition to the Nomination Committee meeting, the Nomination Committee also reviewed and recommended to the Board on the appointment of directors by way of circulation during 2016.

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the board diversity policy of the Company (the "Board Diversity Policy"). The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2016 is set out in the "Independent Auditor's Report"on pages 40 to 45 of this annual report.

For the year ended 31 December 2016, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK$2,400,000. During the year, HK$282,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Mr. To Yan Ming, Edmond is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 December 2016 and the attendance of each member is set out as follows:

Members	Number of attendance
Mr. To Yan Ming, Edmond (appointed on 18 October 2016)	N/A
Ms. Leung Pik Har, Christine (appointed on 18 October 2016)	N/A
Mr. Pun Chi Ping (appointed on 18 October 2016)	N/A
Mr. Teoh Chun Ming (resigned on 19 October 2016)	2/2
Mr. Qian Zhi Hui (resigned on 19 October 2016)	2/2
Mr. Zhu Tiansheng (resigned on 19 October 2016)	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2015 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2016 and recommended to the Board for approval;

3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed reports from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2015 and their review on the Company's condensed consolidated financial statements for the six months ended 30 June 2016;

5. reviewed the effectiveness of the internal control system of the Group; and

6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

Corporate Governance Report

CORPORATE GOVERNANCE COMMITTEE

The Board has delegated the corporate governance duties to the Corporate Governance Committee. The Corporate Governance Committee has specific written terms of reference that includes the corporate governance functions as set out in the CG Code. As at the date of this annual report, the Corporate Governance Committee comprises three Executive Directors, namely Mr. Sue Ka Lok, Ms. Chan Yuk Yee and Mr. Chan Shui Yuen. Mr. Sue Ka Lok is the Chairman of the Corporate Governance Committee.

The main responsibilities of the Corporate Governance Committee are (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and (v) to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance Report. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Corporate Governance Committee met one time during the year ended 31 December 2016 to review the training and continuous professional development of directors; and the Group's compliance with the CG Code. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Sue Ka Lok (appointed on 18 October 2016)	N/A
Ms. Chan Yuk Yee (appointed on 18 October 2016)	N/A
Mr. Chan Shui Yuen (appointed on 18 October 2016)	N/A
Mr. Ho King Fung, Eric (resigned on 19 October 2016)	1/1
Mr. Chan Chi Hung, Anthony (resigned on 19 October 2016)	1/1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has maintained appropriate and effective risk management and internal control system in order to safeguard the assets of the Group and interests of the shareholders. The Group's risk management and internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage and mitigate, rather than eliminate the risk of failure to achieve business objectives.

Effective risk management is essential in the long-term growth and sustainability of the Group's business. The Board monitored the risk management and internal control systems on an ongoing basis. It has evaluated and determined the nature and extent of the risks it is willing to take in achieving the strategic objectives. An annual review of effectiveness of the Group's risk management and internal control systems has been conducted. The annual review ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The process used to identify, evaluate and manage the significant risks of the Group is embedded in the Group's normal business operations. Organisational structure is well established with clearly defined authorities and responsibilities, and the Group has developed various risk management and internal control policies and procedures for each business unit to follow. Business units are responsible for identifying, assessing and monitoring risks associated with their respective units regularly. The results of assessment are reported to the management which subsequently assesses the likelihood of risk occurrence, provides remedial plan and monitors the progress of rectification with the assistance of the head of the business units. The results and effectiveness of the Group's risk management and internal controls have been reported to the Audit Committee.

Guidelines have been provided to the directors, officers, management and relevant staff in handling and disseminating sensitive and confidential inside information with due care. Only personnel at appropriate level can get reach of the sensitive and confidential inside information.

The Group does not have an internal audit function due to the size of the Group and consideration for cost effectiveness. Instead, the Company has engaged an external consultant to conduct review on the Group's risk management and internal control systems to identify and evaluate significant risks of the business operations. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of evaluation process. The external consultant has conducted an annual review to assess the adequacy and effectiveness of the systems for the year ended 31 December 2016. The review covered all material controls, including financial, operational and compliance controls. After the review, a report of findings and recommendations for improvement in relation to the systems has been provided to the Audit Committee and management. The internal audit report has been endorsed by the Audit Committee and the management is required to establish remedial plans and take required actions to rectify those internal control deficiencies identified (which are all at low to medium risk level) according to the respective risk level and priorities. Subsequent review will be performed by the external consultant to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

COMPANY SECRETARY

Following the resignation of Mr. Tsang Wing Hung as the Company Secretary, Ms. Chan Yuk Yee ("Ms. Chan"), an Executive Director of the Company, has been appointed as the Company Secretary with effect from 19 October 2016. The biographical details of Ms. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15 of this annual report. Ms. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2016.

SHAREHOLDER RIGHTS

Procedures for shareholders to convene a special general meeting

In accordance with the Company's bye-law 64, the Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Companies Act"), and, in default, may be convened by the requisitionists. Pursuant to the Companies Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date in accordance with the provisions of Section 74(3) of the Companies Act.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

(a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

SHAREHOLDER RIGHTS (continued)

Procedures for shareholders to propose a person for election as a director of the Company

According to bye-law 104 of the Company's Bye-laws, no person other than a Director retiring at the general meeting of the Company shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting of the Company unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Rooms 1108-09, 11th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meetings, the annual and interim reports, notices, announcements and circulars and the Company's website at www.epiholdings.com.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The existing Bye-laws of the Company was adopted by a special resolution passed at the 2016 AGM. Summary of the major changes to the Bye-laws are set out in the circular of the Company dated 19 May 2016.

Environmental, Social and Governance Report

This is the first Environment, Social and Governance (hereinafter referred to as "ESG") report prepared by EPI (Holdings) Limited (hereinafter referred to as "EPI" or the "Group" or "we" or "our") for the year ended 31 December 2016. It covers the Group's major businesses which include the petroleum exploration and production, and money lending, operating in Argentina and Hong Kong respectively.

To comply with the disclosure requirements of the Listing Rules and in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide to the Listing Rules (the "ESG Guide"), the Group disclosed the relevant ESG information below for the reporting year beginning on 1 January 2016, information on the governance section is set out in the Corporate Governance Report on pages 23 to 33. During the year ended 31 December 2016, the Company has complied with the "comply and explain" provisions set out in the ESG Guide.

As a responsible and visionary corporate, we hope that the Group develops its business objectives and creates shareholder/investor value, and at the same time, protects the ecological environment by fully utilizing resources. For the sustainable development of the globe, human being and our business, we always balance the relationship between our operations and environment by continuously optimizing our operations management, business strategies and policies on environmental protection, talent development, and community investment.

A. ENVIRONMENTAL PROTECTION

EPI has commenced its petroleum exploration and production business since the end of 2009. The Group acquired the exploitation rights in two oil concessions, Puesto Pozo Cercado concession ("PPC") and Chañares Herrados concession ("CHE") located in Cuyana Basin, Mendoza Province of Argentina, of which Chañares Energy S.A. (hereinafter referred to as "CHESA") is the concessionaire of the exploitation concessions granted by the Government of Argentina. According to the UTE agreements and operation agreement signed between EPI and CHESA, EPI has the right to drill new wells and perform workover on our existing own wells or wells owned by CHESA. CHESA also act as the operator of the concessions. Once EPI has completed the newly drilled well into ready to produce conditions, CHESA will check to confirm the conditions and be responsible for the crude oil production and field operation.

As the concessionaire and operator of the concession, CHESA is responsible to follow the rules and regulations on environmental protection, labour, hydrocarbon, and any other rules and regulations concerning the oil industry in Argentina and to maintain the operation to comply with the abovesaid rules and regulations.

Currently, crude oil after treatment is then delivered to the collection point and sold to our sole customer, YPF S.A. (a state-owned petroleum company). CHESA was handling the above sales process for EPI, EPI paid handling charges to CHESA.

Our daily works in the oilfield mainly include, monitoring and controlling the production process performed by CHESA, and recording the quantity and quality of crude oil produced and sold.

A summary of material ESG issues, which are covered in this report, are analysed below:

1. Emissions

Greenhouse gas emissions are mainly come from energy consumption. Therefore, we focus on carrying out various energy saving measures (refer to "Use of Resources" below for details). Waste management of our operation mainly involves the collection of waste paper for recycling. No hazardous waste and air emission was generated in connection with our business. Our impact of water discharges on the environment is not significant during the reporting year.

In 2016, there were no confirmed non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

2. Use of Resources

The Group conducts its business activities carefully and stays aware of any environmental impacts that might result therefrom.

a. Electricity

All staff members are encouraged to switch off the power of light, air conditioners and computers, personal electronic devices and common office equipment when they are not in use. We endeavor to keep all electronic appliances well-maintained and set to energy saving mode for all computers.

b. Water

We raise staff consciousness in saving water, including potable water by posting "save water" sign in the pantry.

c. Paper

Staff are encouraged to read documents in electronic format, rather than paper copies. Internal memos and announcement are dispatched by emails instead of paper memos and faxes. Internal documents are circulated (if in paper format) or communicated electronically. We remind our employees to do print preview to check space and margin prior to printing and duplex printing is suggested. Single-sided printed copies are collected for printing drafts. To avoid unnecessary wastage and promote effective usage of paper, all staff are educated to implement "think before printing" principle. Recycling bins are provided and clearly labelled to collect waste paper for recycling.

d. Business Travel

Our business travel policies require employees to consider using teleconferencing or emails as alternatives to travelling.

3. Significant Impact on the Environment and Natural Resources

During the reporting year, we have not drilled new well nor performed workover on any existing well and thus does not have any significant impact on the environment.

Environmental, Social and Governance Report

B. SOCIAL

Employment and Labour Practices

1. Employment

We always believe that employees are the greatest assets of our Group and playing key roles in the long-term development. When we formulate human resources strategies, we devote to create an equitable, non-discriminatory and safe work environment. We aim at building harmonious relationship with employees based on mutual respect, trust, impartiality, transparency and truthfulness, dynamism, and teamwork to encourage creativity, flexibility and commitment to accomplish our corporate mission. We provide equal opportunities to employees to capture, promote and retain the talent and promote personal and professional growth by offering them attractive and commensurate remuneration packages, and providing various career development training.

Talent Selection

We devote to build a fair, comprehensive, diverse and equal corporate culture. We select the best qualified candidate by considering various criteria such as education background, relevant work experiences, demonstrated knowledge, competencies and skills, desirable personal traits, physical fitness, and potential during recruitment and promotion. We provide equal opportunities to employees in promotion, training and career development, and they are not discriminated against or denied any opportunity because of their age, sex, race, religion, politics or nationality. Our employees can understand and accept each other and it has positive impact to the Group's sustainable development.

We always comply with the relevant labor laws and regulations actively and strictly and any unethical hiring standards are prohibited, including child labor and forced labor.

Compensation and Welfare

To retain quality staff, we establish competitive remuneration scheme. The remuneration scheme varies from the operations in different nations. Staff salaries are based on their knowledge, skills, experiences and education background relevant to their job requirements. Basic remuneration of staff includes fixed salary, bonuses, paid holidays etc. We pay retirement plan (social insurance in Argentina and mandatory provident fund in Hong Kong) for employees in compliance with local law requirements. We provide in-patient health care for our employees, and offer them to undergo annual medical examination. In addition to national mandatory holidays, employees are entitled to annual leave, marriage leave, funeral leave, examination leave, sick leave, maternity leave, adoption leave, family leave, compensated leave, etc. Those employees who have demonstrable experience in the oil industry, are entitled additional holidays under the laws in Argentina. All staffs are expected to discharge their job responsibilities within a reasonable work hours. We implement five-day work system with 40 working hours per week. We dismiss employees and compensate them in accordance with the relevant national laws and regulations.

Compliance

In 2016, there were no confirmed non-compliance incidents in relation to human rights and labor practices that have a significant impact on the Group.

2. Health and Safety

The Group always puts health and safety of employees as their first priority, prevention is especially important as a part of management practices. We establish strict risk assessment and management policies and procedures to identify and minimize potential hazard that might lead to injury, illness or human loss by providing staff training and planning in advance for the coordinated action in case of emergency. It provides clear and identified guidelines for staff to identify and assess risks, delineates the procedures for handling situations involving security and safety of workers and facilities, carefully planned for business operations (including tools required for eliminating or controlling risks) and promotes good working atmosphere. We believe that good working relationship among staff can minimize hazards within the operation site. We also set up comprehensive contingency plan detailing the handling procedures for different types of contingencies (fires, earthquakes, etc.). A responsible personnel is designated for coordinating and supervising the work necessary during and after the incident. We establish and optimize our occupational health management system to protect our workers and their rights. We provide all site workers with safety protective equipment such as gloves drumstick, shock-proof glasses, hearing protectors, flame-proof overlock, helmet, boots with fingers and ankles protection, working clothes, etc. in sufficient quantity and quality, and also monitor and educate our staff to use and wear them as required. We provide in-patient health care for our employees, and offer them to undergo annual medical check.

We attach great importance to hazard prevention and control, in order to effectively improve the intrinsic safety. Operations department is responsible for monitoring the daily conditions of our own wells, well fluid collection tanks and pipelines, and the works performed by the operator on our own wells. In case of problem detected, they have to report to the operator and managements immediately. Records of works performed on our own wells are properly documented and filed.

In 2016, there were no confirmed non-compliance incidents in relation to occupational health and safety that have a significant impact on the Group.

3. Development and Training

We believe that professional, well-trained and responsible employees contribute mostly to our business steady growth and success. We focus on deploying our human resources effectively by encouraging our people to continue education and training. We developed a training plan, with both internal and external training programs, to enhance their skills and capabilities with an aim to build great teams and offer them career development opportunities. New hires have to participate in induction orientation introducing our corporate culture, business, organisational structure, operational safety, etc.

We provide all staff with environmental, occupational health and safety education to help them understanding of our approach and increase their awareness in these areas. The training topics covered operational procedures, risks assessment and management policies and contingency plan, and they are subsidized to attend physical training whenever necessary to their work.

We arranged English training sessions two times a week to those non-English speaking employees and hope to improve their written and oral English for better internal communication. Financial subsidies are also given to selected staff for further study. For example, our General Manager of Argentina operation is subsidized to study Master of Business Administration during the reporting period.

Environmental, Social and Governance Report

C. OPERATING PRACTICES

1. Supply Chain Management

We establish stringent standards in supply chain management and provided multiple channels for our employees, suppliers and other business parties to report any violations of laws and regulations. During the reporting period, the Group did not involve in any illegal issues.

As abovementioned, EPI has the right to drill new well and perform workover on our own wells or wells owned by CHESA. We are responsible to select and appoint experts including company man, service provider and suppliers, and to monitor the works performed by these experts. The expert must have the necessary qualification and be familiar with the basin where the oilfield located. We have also established strict policy in selecting vendors. Periodic vendor performance evaluation is conducted to better control and assure good quality of parts, components or service. Defect parts or components might lead to oil spill and environmental issues.

In order to establish an efficient and green supply chain, we maintain long-term strategic and co-operative relationships with companies of good credit history, solid reputation, high product or service quality, proven track records of environmental compliance and sound commitment to social responsibility.

2. Product Responsibility

API gravity is a measure of how heavy or light a petroleum liquid is compared to water, and it determines the grade of the crude oil. Crude oil extracted underground are treated through oil/water separation process before selling to the customer. Our sole customer, YPF S.A. (a state-owned petroleum company) checks the API gravity before oil is delivered from the treatment plant of CHESA. So, the quality problem does not exist.

For the money lending business, we handle confidential information of our clients with integrity and discretion and in accordance with applicable laws. Confidential information may be subject to disclosure requirements according to the applicable laws and regulations and shall be exchanged internally and exclusively on a “need-to-know” basis.

During the reporting period, there were neither concluded legal cases regarding our products brought against us nor complaints received concerning breaches of customer privacy and loss of data.

3. Anti-corruption

We always attach importance to creating a harmonious and honest working environment and we commit in achieving and maintaining high integrity and accountability standards with great emphasis in corporate governance, moral culture and staff quality. All employees should act in upright, impartial and honest manner, strictly follow the Group's policies and procedures and applicable laws and regulations. For employees who violate the code of conduct, disciplinary actions or dismissal will be inflicted as punishment. We provide different channels for reporting employee illegal acts in obtaining personal benefits, briberies, extortion, frauds and money laundering and so forth, with strict confidence. Employees who hide traces, evidence or avoid investigation of suspicious transactions may be considered as illegal. We will keep on improving our whistle-blowing system. By all means, we are determined against corruption and contribute in building a clean society.

During the reporting period, the Group and our employees did not involve in any litigation cases of corruptions.

D. COMMUNITY

Community Investment

Ever since our establishment of the Argentina operation we are a responsible tax payer and employer. We offer job opportunities to ease the local employment pressure. We establish good practices in running our business, and actively promote green energy-saving and environmental friendly concepts with a hope to be the role model within the industry. To a certain extent, we have contributed to social stability and building a harmonious community.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 109, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of oil and gas properties	
We identified the impairment of oil and gas properties as a key audit matter due to the significant judgement involved. The carrying value of oil and gas properties reported under property, plant and equipment as at 31 December 2016 was HK$37,393,000 (Note 18 to the consolidated financial statements). As detailed in Note 4 to the consolidated financial statements, the determination of an impairment is highly subjective as significant judgement is required by the directors of the Company in determining the recoverable amounts of the oil and gas properties in the oil field in Mendoza, Argentina. The recoverable amount was determined using a value in use calculation based on the cash flow projections in which key assumptions such as discount rate used, future oil price and the estimated oil to be produced can significantly affect the cash flow projection. The Group relies on experts to assess the geological prospects for the discovery of oil in the oil field and estimates the value of oil to be produced in the future at a suitable discount rate in order to calculate the present value. The management of the Group determines that there was a reversal of impairment loss being recognised in profit or loss amounting to HK$2,282,000 on the oil and gas properties during the year ended 31 December 2016.	Our procedures in relation to impairment of oil and gas properties included: • Understanding the Group's impairment assessment process, including the valuation model adopted, assumptions used and involvement of independent valuer appointed by the Group; • Working with independent component auditor in Argentina to evaluate the cash flow projections prepared by the management, and assess the validity of the geological prospects for the discovery of oil in the oil field prepared by the Group's internal experts and the value of oil to be produced in the future with reference to the local and international oil prices study based on market research at a reasonable discount rate; • Evaluating the historical accuracy of the cash flow projections prepared by the management by comparing the historical cash flow projections with the actual performance; and • Assessing the extent of disclosure of impairment assessment in the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of loan receivables	
We identified the recoverability of loan receivables as a key audit matter due to the estimation uncertainty on whether the loan receivables can be recovered in the future. As detailed in Note 4 to the consolidated financial statements, in determining the recoverability of the loan receivables, the assessment includes evaluation of collectability and ageing analysis of accounts, including the current creditworthiness and past collection history of interest receivables of each borrower. The Group also considers any change in the credit quality of the loan receivables from the date of credit initially granted up to the reporting date, including assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. The carrying amount of the loan receivables is HK$102,000,000 as at 31 December 2016 (consolidated statement of financial position and Note 21 thereto). The management of the Group determined that there was no impairment on the loan receivables during the year ended 31 December 2016.	Our procedures in relation to recoverability of loan receivables included: • Understanding the Group's policy on granting loans to its borrowers and the related credit control including loan monitoring process; • Checking the ageing of outstanding loan receivables against the loan agreement for term of loan to identify any significant past due loan receivables; and • Assessing the information in respect of the current creditworthiness and checking the past collection history and subsequent settlement of interest and loan receivables of each borrower provided by the management of the Group to assess the recoverability of loan receivables.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of other tax recoverables	
We identified the recoverability of other tax recoverables as a key audit matter due to the estimation uncertainty on whether the other tax recoverables can be recovered in the future. As detailed in Note 4 to the consolidated financial statements, significant judgement is involved in determining the recoverable amount of the value-added tax by the Group based on the future revenue which the Group expects will be generated from sales of petroleum, with reference to the current oil production from existing wells and the future oil price. The aggregate carrying amount of the other tax recoverables is HK$5,896,000 as at 31 December 2016 (consolidated statement of financial position and Note 19 thereto). The management of the Group determines that an impairment loss of HK$797,000 was recognised in profit or loss on the other tax recoverables during the year ended 31 December 2016.	Our procedures in relation to recoverability of other tax recoverables included: • Obtaining an understanding of basis of the estimation of the other tax recoverables prepared by the management and evaluating its underlying assumptions such as reasonableness of the future revenue to be generated from sales of petroleum and the future oil price; and • Working with independent component auditor in Argentina to evaluate the key assumptions such as reasonableness of the future revenue to be generated and the future oil price with reference to the local and international oil prices study based on market research and the recoverability of other tax recoverables.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yen Sau Yin, Emily.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**62,253**	66,571
Purchases, processing and related expenses		**(39,820)**	(39,146)
Other losses, net	7	**(3,083)**	(15,617)
Wages, salaries and other benefits		**(17,767)**	(21,949)
Depreciation and depletion		**(4,730)**	(17,118)
Reversal (provision) of impairment losses	8	**1,485**	(215,686)
Net (loss) gain on financial assets at fair value through profit or loss	9	**(4,344)**	12,351
Expenses incurred in exploring potential investment opportunities		**(276)**	(330)
Other expenses		**(17,918)**	(28,798)
Finance costs	10	**(6,788)**	(16,826)
Loss before tax		**(30,988)**	(276,548)
Income tax expense	11	**(91)**	–
Loss and total comprehensive expense for the year attributable to owners of the Company	12	**(31,079)**	(276,548)
			(Restated)
Loss per share attributable to owners of the Company	16		
– Basic		**HK(0.76) cent**	HK(27.96) cents
– Diluted		**HK(0.76) cent**	HK(28.78) cents

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Exploration and evaluation assets	17	**–**	–
Property, plant and equipment	18	**38,184**	38,723
Other tax recoverables	19	**4,431**	7,721
Total non-current assets		**42,615**	46,444
Current assets			
Trade and other receivables and prepayments	20	**11,996**	26,864
Loan receivables	21	**102,000**	–
Other tax recoverables	19	**1,465**	6,365
Financial assets at fair value through profit or loss	22	**27,454**	62
Bank balances and cash	23	**182,204**	13,168
Total current assets		**325,119**	46,459
Current liabilities			
Trade and other payables	24	**21,801**	34,028
Income tax payable		**91**	–
Borrowings	25	**–**	74,600
Total current liabilities		**21,892**	108,628
Net current assets (liabilities)		**303,227**	(62,169)
Total assets less current liabilities		**345,842**	(15,725)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Capital and reserves			
Share capital	27	**43,671**	7,279
Reserves		**302,171**	(132,204)
Total equity (capital deficiency)		**345,842**	(124,925)
Non-current liabilities			
Borrowings	25	**–**	109,200
		345,842	(15,725)

The consolidated financial statements on pages 46 to 109 together with the Company's statement of financial position set out in Note 37 to the consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Suen Cho Hung, Paul
Director

Sue Ka Lok
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000 (Note (i))	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	485,236	4,181,798	60,322	125,826	(4,822,497)	30,685
Loss and total comprehensive expense for the year	–	–	–	–	(276,548)	(276,548)
Share consolidation	(480,383)	–	480,383	–	–	–
Capital reorganisation *(Note (i))*	–	(4,181,798)	(540,705)	–	4,722,503	–
Share consolidation and capital reorganisation expenses	–	(387)	–	–	–	(387)
Issue of shares upon open offer *(Note (ii))*	2,426	118,883	–	–	–	121,309
Transaction costs attributable to issue of shares upon open offer	–	(2,546)	–	–	–	(2,546)
Recognition of equity-settled share-based payments	–	–	–	2,562	–	2,562
At 31 December 2015	7,279	115,950	–	128,388	(376,542)	(124,925)
Loss and total comprehensive expense for the year	–	–	–	–	(31,079)	(31,079)
Issue of shares upon rights issue *(Note (iii))*	36,392	473,105	–	–	–	509,497
Transaction costs attributable to issue of shares upon rights issue *(Note (iii))*	–	(7,651)	–	–	–	(7,651)
At 31 December 2016	**43,671**	**581,404**	**–**	**128,388**	**(407,621)**	**345,842**

Notes:

(i) The contributed surplus reserve represents the credit arising from the capital reduction in 2006 and the credit transferred from the share premium account of the Company together with the application to set off the accumulated losses of the Company in May 2015 (Note 27 (i)).

(ii) During the year ended 31 December 2015, the Company completed an open offer by which a total of 242,617,879 shares of the Company were issued. Details of the open offer are set out in Note 27 (ii).

(iii) During the year ended 31 December 2016, the Company completed a rights issue by which a total of 3,639,268,185 shares of the Company were issued. Details of the rights issue are set out in Note 27 (iii).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Loss before tax		**(30,988)**	(276,548)
Adjustments for:			
Depreciation and depletion of property, plant and equipment		**4,730**	17,118
Provision of impairment loss of exploration and evaluation assets	8	**–**	115,222
(Reversal) provision of impairment loss of property, plant and equipment	8	**(2,282)**	91,093
Provision of impairment loss of other tax recoverables	8	**797**	1,571
Provision of impairment loss of other receivables	8	**–**	7,800
Loss on disposal of property, plant and equipment		**16**	–
Net loss (gain) on financial assets at fair value through profit or loss	9	**4,344**	(12,351)
Bank and other interest income		**(57)**	(234)
Interest expense		**6,788**	16,769
Equity-settled share-based payment expense	28	**–**	2,562
Operating cash flows before movements in working capital		**(16,652)**	(36,998)
Decrease in trade and other receivables and prepayments		**14,924**	11,370
Decrease in other tax recoverables		**7,393**	18,046
Decrease in trade and other payables		**(10,644)**	(9,993)
Increase in loan receivables		**(102,000)**	–
Increase in financial assets at fair value through profit or loss		**(31,736)**	–
Net cash outflow from operating activities		**(138,715)**	(17,575)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,925)**	(8,512)
Bank and other interest received		**1**	234
Net cash outflow from investing activities		**(1,924)**	(8,278)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Cash flows from financing activities			
Other loans raised	25	**–**	20,000
Repayment of borrowings	25	**(183,800)**	(54,600)
Proceeds from issue of shares	27	**509,497**	121,309
Transaction costs attributable to issue of shares	27	**(7,651)**	(2,546)
Expenses of share consolidation and capital reorganisation		**–**	(387)
Redemption of convertible notes		**–**	(60,000)
Interest paid		**(8,371)**	(13,320)
Net cash inflow from financing activities		**309,675**	10,456
Net increase (decrease) in cash and cash equivalents		**169,036**	(15,397)
Cash and cash equivalents at beginning of the year		**13,168**	28,565
Cash and cash equivalents at end of the year, represented by bank balances and cash		**182,204**	13,168

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 1108-09, 11/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 36.

In November 2016, the directors of the Company determined that the functional currency of the Company has changed from United States dollars ("US$") to Hong Kong dollars ("HK$") as the Company's source of income and funds are primarily transacted in HK$, which is also adopted as the Group's presentation currency in the preparation of the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendements[1]
HKFRS 16	Leases[2]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. 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, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial instruments" (continued)

- 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 attributable to a financial liability's 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 is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. In addition, the excepted credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 "Revenue from contracts with customers" (continued)

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- 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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact in the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group shall recognise an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$1,911,000 as disclosed in Note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The Directors do not anticipate that the application of the other new and amendments to HKFRSs will have material impact on the results and financial position of the Group.

3. 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period, 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 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to 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.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in joint operations (continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income

Interest income from a financial asset excluding financial assets at fair value through profit or loss 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend and interest income

Dividend income from investments 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 income can be measured reliably).

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.

Arrangement fee income

Arrangement fee income on loan receivables is recognised when loan is granted to the borrower.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within construction in progress under property, plant and equipment. When development is completed on a specific field, it is transferred to oil and gas properties. No depreciation and depletion is charged during the development phase.

Oil and gas production properties are aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves.

Oil and gas properties are depreciated and depleted using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered to be part of production once they have been measured through metres at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Property, plant and equipment, including oil and gas properties, are stated at historical cost less depreciation, depletion and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Construction in progress

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress is stated in the consolidated statement of financial position at cost less any recognised impairment loss. Construction in process in respect of exploratory wells is classified to oil and gas properties when production of oil starts. Construction in progress in respect of other assets is classified to the appropriate category of property, plant and equipment when construction is completed and the asset is ready for intended use. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment

Property, plant and equipment other than oil and gas properties and construction in progress are stated in the consolidated statement of financial position at cost less, subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than oil and gas properties and construction in progress less their 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.

An item of 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.

Exploration and evaluation assets

Oil and gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised within exploration and evaluation assets until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to profit or loss.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to construction in progress under property, plant and equipment. No depreciation or depletion is charged during the exploration and evaluation phase.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Exploration and evaluation assets are tested for impairment when reclassified to construction in progress, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. Recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 "Impairment of assets" and whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible assets other than exploration and evaluation asses (see the accounting policy in respect of exploration and evaluation assets above)

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 to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets other than exploration and evaluation asses (see the accounting policy in respect of exploration and evaluation assets above) (continued)

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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to reduce the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised 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 and 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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-for-trading investments and loans and receivables. The classification depends on the nature and purpose of the financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading, or it is designated as at FVTPL.

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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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 'net gain (loss) on financial assets at fair value through profit or loss'. Fair value is determined in the manner described in respective notes.

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 and other receivables, loan receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policies in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of 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 where 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 financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a 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 assets, such as trade and other receivables and loan 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 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and loan 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 an item of trade and other receivables or loan receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities 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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

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.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

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 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 each 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 differences 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 other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint operations, 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate 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.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Schemes ("MPF Schemes") are recognised as an expense when employees have rendered service entitling them to the contributions.

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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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.

For the purposes of presenting the consolidated financial statements in Hong Kong dollars, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, 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 translation reserve.

Change in functional currency

Functional currency of a group entity is changed only if there is a change to the underlying transactions, events and conditions relevant to the entity. The entity applied the translation procedures applicable to the new functional currency prospectively. At the date of change, the entity translates all items into the new functional currency using the exchange rate prevailing at that date and the resulting translated amounts for non-monetary items are treated as the historical cost. Exchange differences arising from the translation of foreign operations recognised in translation reserve are not recognised in profit or loss until the disposal of the foreign operation.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 on-going 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.

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.

Estimation of petroleum reserves

Estimates of petroleum reserves are key elements in the Group's investment decision-making process. They are also an important element in determining the amount of depreciation and depletion for oil and gas properties and for impairment testing of oil and gas properties and exploration and evaluation assets. Changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depletion and depreciation recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depletion and depreciation charges (assuming constant production) and reduce net profit or increase net loss. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Impairment assessment of oil and gas properties

The carrying amounts of the oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amounts of the oil and gas properties may exceed their recoverable amounts. The Group's determination as to whether they are impaired requires an estimation of the recoverable amount of the assets. The Group relies on experts to assess the geological prospects for the discovery of oil in the oil field and engaged an independent valuer to estimate the value of oil to be produced in the future with reference to the local and international oil prices study based on market research at a suitable discount rate in order to calculate the present value. The carrying value of oil and gas properties as at 31 December 2016 was HK$37,393,000 (2015: HK$37,646,000).

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions such as discount rate, future oil price and oil production volume, which can significantly affect the cash flow projection and therefore the results of the impairment review. Details of the key assumptions adopted and the corresponding impact are set out in Note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Recoverability of loan receivables

Management regularly reviews the recoverability of the loan receivables. Appropriate impairment loss for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

In determining the recoverability of loan receivables, in particular the timing and quantum of future cash flows, the Group has set different credit limits granted to each borrower according to their creditability. As this business is new to the Group, limited past collection history can be obtained to assess the recoverability of loan receivables. The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness and past collection history of interest receivables of each borrower.

In addition, the Group considers any change in the credit quality of the loan receivables from the date of credit initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions. Specific provision is only made for the loan receivables that are unlikely to be collected. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of loan receivables is HK$102,000,000 (2015: nil) and no impairment was made as at 31 December 2016 (2015: nil).

Recoverability of other tax recoverables

The other tax recoverables are assessed for impairment when facts and circumstances suggest that the carrying amount of the other tax recoverables, i.e. value-added tax recoverable, may exceed its recoverable amount. The Group's determination as to whether it is impaired requires an estimation of the recoverable amount of the asset. The management estimated the recoverable amount of the value-added tax based on the future revenue which the Group expects would be generated from sales of petroleum and the future oil price, with reference to the current oil production from existing wells. The carrying amount of other tax recoverables is HK$5,896,000 (2015: HK$14,086,000) as at 31 December 2016 net of HK$797,000 (2015: HK$1,571,000) which was impaired during the year ended 31 December 2016.

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions such as future oil price and oil production volume, which can significantly affect the cash flow projection and therefore the results of the impairment review. Details of key assumptions adopted are set out in Note 19.

Current and deferred tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purpose. The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities is set out in respective notes.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of petroleum	**51,320**	66,571
Interest income from money lending business	**10,083**	–
Arrangement fee income from money lending business	**50**	–
Dividend income from securities investments	**800**	–
	62,253	66,571

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on the information reported to the chief operating decision maker representing the Board of the Company, for the purposes of resource allocation and assessment of segment performance. This is also the basis upon which the Group is arranged and organised. During the current year, the Group commenced to engage in money lending and investment in securities businesses with their results presented as new reportable and operating segments.

6. SEGMENT INFORMATION (continued)

The Group's reportable segments under HKFRS 8 "Operating segments" are as follows:

(i) Petroleum exploration and production

(ii) Money lending

(iii) Investment in securities

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2016

	Petroleum exploration and production *HK$'000*	Money lending *HK$'000*	Investment in securities *HK$'000*	Total *HK$'000*
Segment revenue				
External sales/sources	51,320	10,133	800	62,253
Results				
Segment results before reversal of impairment losses	(1,951)	9,920	(4,099)	3,870
Reversal of impairment losses	1,485	–	–	1,485
Segment results	(466)	9,920	(4,099)	5,355
Other losses, net				(3,158)
Corporate expenses				(26,397)
Finance costs				(6,788)
Loss before tax				(30,988)
Income tax expense				(91)
Loss for the year				(31,079)
Other information				
Depreciation and depletion	4,455	127	148	4,730
Reversal of impairment loss of property, plant and equipment	(2,282)	–	–	(2,282)
Provision of impairment loss of other tax recoverables	797	–	–	797

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For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2015

	Petroleum exploration and production HK$'000	Money lending HK$'000	Investment in securities HK$'000	Total HK$'000
Segment revenue				
External sales	66,571	–	–	66,571
Results				
Segment results before provision of impairment losses	2,740	–	–	2,740
Provision of impairment losses	(207,886)	–	–	(207,886)
Segment results	(205,146)	–	–	(205,146)
Other losses, net				(16,411)
Corporate expenses				(38,165)
Finance costs				(16,826)
Loss for the year				(276,548)
Other information				
Depreciation and depletion	17,118	–	–	17,118
Provision of impairment loss of exploration and evaluation assets	115,222	–	–	115,222
Provision of impairment loss of property, plant and equipment	91,093	–	–	91,093
Provision of impairment loss of other tax recoverables	1,571	–	–	1,571
Provision of impairment loss of other receivables	7,800	–	–	7,800

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss incurred/profit earned by each segment without allocation of certain other losses, net, corporate expenses, finance costs and income tax expense.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2016 HK$'000	2015 HK$'000
Segment assets		
Petroleum exploration and production	**50,653**	64,282
Money lending	**115,479**	–
Investment in securities	**28,149**	–
Total segment assets	**194,281**	64,282
Property, plant and equipment	**482**	760
Bank balances and cash	**171,555**	11,324
Other unallocated assets	**1,416**	16,537
Consolidated assets	**367,734**	92,903
Segment liabilities		
Petroleum exploration and production	**5,807**	951
Money lending	**91**	–
Investment in securities	**5,000**	–
Total segment liabilities	**10,898**	951
Other payables	**10,994**	33,077
Borrowings	**–**	183,800
Consolidated liabilities	**21,892**	217,828

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables and borrowings.

6. SEGMENT INFORMATION (continued)

Revenue from major products and services

The Group's revenue is arising from petroleum exploration and production, money lending and investment in securities businesses.

Geographical information

The Group's operations are located in Argentina and Hong Kong.

Information about the Group's revenue from external customers/sources is presented based on the location of customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources Year ended 31 December		**Non-current assets** *(Note)* **As at 31 December**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Argentina	**51,320**	66,571	**37,702**	37,963
Hong Kong	**10,933**	–	**482**	760
	62,253	66,571	**38,184**	38,723

Note: Non-current assets excluded other tax recoverables.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A[1]	**51,320**	66,571

[1] Revenue from petroleum exploration and production business.

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For the year ended 31 December 2016

7. OTHER LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**57**	1
Other interest income	**–**	233
	57	234
Exchange losses, net	**(3,187)**	(17,187)
Loss on disposal of property, plant and equipment	**(16)**	–
Others	**63**	1,336
	(3,083)	(15,617)

8. (REVERSAL) PROVISION OF IMPAIRMENT LOSSES

	2016	2015
	HK$'000	*HK$'000*
Provision of impairment loss of exploration and evaluation assets	**–**	115,222
(Reversal) provision of impairment loss of property, plant and equipment	**(2,282)**	91,093
Provision of impairment loss of other tax recoverables *(Note 19)*	**797**	1,571
Provision of impairment loss of other receivables	**–**	7,800
	(1,485)	215,686

9. NET (LOSS) GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Net unrealised (loss) gain on financial assets at FVTPL	**(3,313)**	10
Net realised (loss) gain on disposal of financial assets at FVTPL	**(1,031)**	106
Net gain on modification of terms of convertible notes	**–**	12,480
Amortisation of deferred loss on conversion component of convertible notes	**–**	(380)
Gain on new derivative component recognised in profit or loss	**–**	135
	(4,344)	12,351

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**6,626**	9,341
Interest on other loans	**162**	667
Interest on convertible notes *(Note 26)*	**–**	6,761
Total interest expense	**6,788**	16,769
Loan arrangement fee	**–**	57
	6,788	16,826

11. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong	**91**	–

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for both years.

Argentina income tax was calculated at 35% of assessable profit for the year. No provision for Argentina income tax was made as there was no assessable profit arising for both years.

11. INCOME TAX EXPENSE (continued)

The tax charge 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 **HK$'000**	2015 *HK$'000*
Loss before tax	**(30,988)**	(276,548)
Tax at the applicable rates of 16.5% (2015: 16.5%)	**(5,113)**	(45,630)
Tax effect of income not taxable for tax purpose	**(8,553)**	(4,038)
Tax effect of expenses not deductible for tax purpose	**11,681**	91,751
Tax effect of deductible temporary difference not recognised	**(10,850)**	(26,879)
Tax effect of tax losses not recognised	**14,049**	18,943
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,123)**	(34,147)
Income tax expense	**91**	–

At 31 December 2016, the Group had unused tax losses of HK$75,732,000 (2015: HK$164,756,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$29,793,000 (2015: HK$76,335,000) that will expire within 5 years. All other tax losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2016 **HK$'000**	2015 *HK$'000*
Staff costs		
– directors' emoluments *(Note 13)*	**5,989**	8,244
– other staff's retirement benefits costs (excluding directors)	**78**	189
– other staff costs	**11,700**	13,516
Total staff costs	**17,767**	21,949
Auditor's remuneration	**2,400**	2,400
Minimum lease payments under operating leases in respect of office properties and buildings	**3,279**	3,208
Professional and consultancy fees	**12,347**	5,991

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seventeen (2015: six) directors, disclosed pursuant to the applicable Listing Rules and CO, were as follows:

2016

Name	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors					
Mr. Tse Kwok Fai, Sammy	(iv)	–	1,830	15	1,845
Mr. Chan Chi Hung, Anthony	(iv)	–	1,200	15	1,215
Mr. Zou Feng	(ii) (iv)	1,171	–	–	1,171
Mr. Suen Cho Hung, Paul	(iii)	–	87	4	91
Mr. Sue Ka Lok	(iii)	–	65	3	68
Ms. Chan Yuk Yee	(iii)	–	43	2	45
Mr. Yiu Chun Kong	(iii)	–	22	1	23
Mr. Zhu Kai	(iii)	–	22	1	23
Mr. Chan Shui Yuen	(iii)	–	43	2	45
Non-executive directors					
Mr. Ho King Fung, Eric	(iv)	800	–	–	800
Mr. Phen Chun Shing Vincent	(i) (iv)	102	–	–	102
Independent non-executive directors					
Mr. Qian Zhi Hui	(iv)	167	–	–	167
Mr. Teoh Chun Ming	(iv)	167	–	–	167
Mr. Zhu Tiansheng	(iv)	167	–	–	167
Mr. To Yan Ming, Edmond	(iii)	20	–	–	20
Mr. Pun Chi Ping	(iii)	20	–	–	20
Ms. Leung Pik Har, Christine	(iii)	20	–	–	20
Total		2,634	3,312	43	5,989

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

2015

Name	Fees	Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Tse Kwok Fai, Sammy	–	2,646	–	18	2,664
Mr. Chan Chi Hung, Anthony	–	1,440	677	18	2,135
Non-executive director					
Mr. Ho King Fung, Eric	960	–	1,885	–	2,845
Independent non-executive directors					
Mr. Qian Zhi Hui	200	–	–	–	200
Mr. Teoh Chun Ming	200	–	–	–	200
Mr. Zhu Tiansheng	200	–	–	–	200
Total	1,560	4,086	2,562	36	8,244

The emoluments of the Chief Executive Officer of the Company, Mr. Tse Kwok Fai, Sammy (resigned on 19 October 2016) and Mr. Sue Ka Lok (appointed on 19 October 2016), disclosed above include those for services rendered by each of them as the Chief Executive Officer.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

Notes:

(i) Being appointed on 15 February 2016

(ii) Being appointed on 7 March 2016

(iii) Being appointed on 18 October 2016

(iv) Resigned on 19 October 2016

During the year, no emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both years.

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14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2015: three) of them are directors whose emoluments are included in Note 13. The emoluments of the remaining two (2015: two) individuals are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and other benefits	**3,617**	3,290
Retirement benefits scheme contributions	**15**	18
	3,632	3,308

Their emoluments are within the following band:

	Number of employees **2016**	2015
HK$1,500,001 to HK$2,000,000	**2**	2

15. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting periods.

16. LOSS PER SHARE

Loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 **HK$'000**	2015 HK$'000
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share	**(31,079)**	(276,548)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes	**–**	2,625
Net gain on modification of terms of convertible notes	**–**	(12,480)
Amortisation of deferred loss on conversion component of convertible notes	**–**	380
Loss for the year attributable to the owners of the Company for the purpose of calculating diluted loss per share	**(31,079)**	(286,023)

16. LOSS PER SHARE (continued)

	2016 '000	2015 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**4,098,651**	989,034
Effect of dilutive potential ordinary shares:		
Convertible notes	**–**	4,871
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**4,098,651**	993,905

The denominator for the purpose of calculating basic loss per share for the year ended 31 December 2015 has been adjusted to reflect the additional shares of the rights issue completed on 27 January 2016 on the basis of five offer shares for every one share.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2016, the Company has no dilutive potential ordinary share (2015: had dilutive potential ordinary shares from warrants, convertible notes and share options).

During the year ended 31 December 2015, the 2013 CN (as defined in Note 26) was assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the related gain/loss and expenses stated above for that year. However, the dilutive potential ordinary shares from the New 2013 CN (as defined in Note 26), outstanding warrants and share options were anti-dilutive and were not assumed to have been converted into ordinary shares because the exercise of the New 2013 CN would result in a decrease in loss per share and the exercise prices of the warrants and share options were higher than the average market price for shares.

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17. EXPLORATION AND EVALUATION ASSETS

	2016 ***HK$'000***	2015 *HK$'000*
Cost		
At 1 January and 31 December	**3,778,574**	3,778,574
Impairment		
At 1 January	**3,778,574**	3,663,352
Recognised in profit or loss	**–**	115,222
At 31 December	**3,778,574**	3,778,574
Carrying values		
At 1 January	**–**	115,222
At 31 December	**–**	–

The balance relates to exploration and evaluation assets in respect of oil exploration rights through the participating interest in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the "Concessions") in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40.0 square kilometres, respectively.

The Concessions were awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire. The terms of these oil exploration and production concessions are 25 years commencing from 26 June 1992 and 24 September 1992, respectively, with the possibility of obtaining a 10-year extension under certain conditions.

In 2011, Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions under a Decree dated 30 June 2011 issued by the Executive of the Province of Mendoza.

At 31 December 2015, based on prevailing available information on oil price forecast, investment costs and operating costs, the Group reconsidered its future development for the Argentina investment plan using methods of breakeven analysis and investment return analysis and concluded that it was not economically feasible to drill any new wells. Given the nature of the Group's activities, information on the fair value of the exploration and evaluation assets is usually difficult to obtain unless negotiation with potential purchasers are taking place. Accordingly, no reliable fair value information in the market could be found. Therefore, in the opinion of the directors of the Company, the exploration and evaluation assets were fully impaired and an impairment loss of HK$115,222,000 was recognised in profit or loss during the year ended 31 December 2015.

At 31 December 2016, the Group reconsidered the future development for the Argentina investment plan and concluded that no well drilling programme will be relaunched.

18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2015	487,136	3,473	490,609
Additions	8,494	18	8,512
Disposals	–	(29)	(29)
At 31 December 2015	495,630	3,462	499,092
Additions	1,902	23	1,925
Disposals	–	(332)	(332)
At 31 December 2016	**497,532**	**3,153**	**500,685**
Depletion, depreciation, and impairment			
At 1 January 2015	350,118	2,069	352,187
Provided for the year	16,773	345	17,118
Impairment loss	91,093	–	91,093
Eliminated on disposals	–	(29)	(29)
At 31 December 2015	457,984	2,385	460,369
Provided for the year	4,437	293	4,730
Reversal of impairment loss	(2,282)	–	(2,282)
Eliminated on disposals	–	(316)	(316)
At 31 December 2016	**460,139**	**2,362**	**462,501**
Carrying values			
At 31 December 2016	**37,393**	**791**	**38,184**
At 31 December 2015	37,646	1,077	38,723

The above items of property, plant and equipment, except for oil and gas properties are depreciated on a straight-line basis, and after taking into account their estimated residual value, as follows:

Oil and gas properties	Unit-of-production basis over the total proved reserves
Others	20% – $33\frac{1}{3}$%

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2016, the Group carried out a review of the recoverable amount of its oil and gas properties, having regard to the operating results in its developed oil and gas properties. During the year ended 31 December 2016, there was a reversal of impairment loss of HK$2,282,000 (2015: provision of impairment loss of HK$91,093,000) on the oil and gas properties recognised in profit or loss. The recoverable amount of the oil and gas properties was determined based on the discounted cash flow projections derived from production reserves covering the current term of the concessions period until 2027 and the estimated future oil prices with a discount rate of 18.55% (2015: 19.57%), which is categorised as 'Level 3' in the fair value hierarchy under fair value measurement. Significant unobservable inputs include the pre-tax discount rate, production decline rates and expected changes in future oil prices. The expected future oil prices for the petroleum exploration and production in Argentina for the next five years will be ranged from US$49.50 to US$80.80 (2015: maintained at US$58.50) per barrel.

Should the expected oil price be further decreased by 12% (2015: 3%), the Group would have recognised provision of impairment loss of HK$5,415,000 (2015: HK$96,177,000) in respect of oil and gas properties.

Should the discount rate used in the value in use calculation for oil and gas properties had been one percentage point (2015: one percentage point) higher, reversal of impairment loss of HK$1,316,000 (2015: provision of impairment loss of HK$91,930,000) would have been recognised.

19. OTHER TAX RECOVERABLES

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future sales of petroleum which the Group expects with reference to the current oil production from existing wells. During the year ended 31 December 2016, a provision of impairment loss on value-added tax of HK$797,000 (2015: HK$1,571,000) was recognised in profit or loss (Note 8). The directors of the Company expects that an amount of HK$4,431,000 (2015: HK$7,721,000) will be recovered from the sales of petroleum after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

20. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(Note (i))*	**1,100**	1,645
Deposits and prepayments	**1,374**	2,864
Deposits held for petroleum exploration and production operation	**5,264**	8,722
Interest receivables *(Note (ii))*	**3,556**	–
Others *(Note (iii))*	**702**	13,633
	11,996	26,864

Notes:

(i) The oil selling price for the Argentina operation is quoted in US$ and converted into Argentina Peso ("ARS") for invoicing. The Group allows an average credit period of 30 to 60 days. The trade receivables of HK$1,100,000 (2015: HK$1,645,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Receivables that were neither past due nor impaired related to a customer with no recent history of default.

(ii) The amount mainly represents interest receivables from the loans to third party borrowers of the money lending business.

(iii) The amount includes HK$696,000 (2015: HK$13,628,000) placed with securities brokers for trading securities in Hong Kong.

Included in trade and other receivables are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2016	2015
	HK$'000	*HK$'000*
ARS	**6,384**	10,388
HK$	**–**	16,475

21. LOAN RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Fixed-rate unsecured loan receivables	**102,000**	–

At 31 December 2016, the range of interest rate on the Group's loan receivables is 8% to 18% per annum (2015: nil).

Before granting loans to outsiders, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and ageing analysis of accounts and on management's judgment, including the current creditworthiness and past collection history of interest receivables of each borrower.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, and current market conditions.

At the end of each year, the Group's loan receivables were individually assessed for impairment. As at 31 December 2016, no impairment loss was identified.

No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of money lending.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **HK$'000**	2015 HK$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	**22,454**	62
Unlisted investment, at fair value:		
– Debt securities	**5,000**	–
	27,454	62

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.01% to 1.30% (2015: 0.01% to 1.25%) per annum.

In addition, included in the bank balances and cash are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2016	2015
	HK$'000	*HK$'000*
ARS	**631**	1,808
HK$	**–**	2,649

24. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**977**	389
Interest payables on borrowings	**–**	1,583
Other tax payables	**2,447**	19,228
Accrued professional fees	**8,605**	8,020
Payable for acquisition of financial assets at FVTPL	**5,000**	–
Other payables and accruals	**4,772**	4,808
	21,801	34,028

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**451**	389
31 – 60 days	**20**	–
61 – 120 days	**40**	–
121 – 365 days	**466**	–
	977	389

The average credit period on purchases of goods is 30 days.

24. TRADE AND OTHER PAYABLES (continued)

All of the other payables are unsecured, interest-free and expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2016	2015
	HK$'000	*HK$'000*
ARS	**5,780**	20,146
HK$	**–**	12,596

25. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Bank loan, secured *(Note (i))*	**–**	163,800
Other loan, unsecured *(Note (ii))*	**–**	20,000
	–	183,800
Carrying amount repayable:		
Within one year	**–**	74,600
In more than one year, but not more than two years	**–**	54,600
In more than two years, but not more than five years	**–**	54,600
	–	183,800
Less: Amounts due within one year shown under current liabilities	**–**	(74,600)
	–	109,200

Notes:

(i) On 3 November 2011, the Company entered into a loan agreement with a bank for a term loan facility of US$40,000,000 (approximately HK$312,000,000) for the purpose of funding the project in connection with the petroleum exploration and production in the Areas (Note 29) or to refinance any debt incurred by the Group for the purpose of this project.

At 31 December 2015, the bank loan was interest-bearing at variable rate with the effective interest rate of 4.57% per annum. It was secured by the share capital of certain subsidiaries of the Group, the share capital and instruments of certain companies in which a former substantial shareholder of the Company had financial interests and undertakings pursuant to the loan agreement.

At 31 December 2016, the bank loan had been fully repaid.

25. BORROWINGS (continued)

Notes: (continued)

(ii) At 31 December 2015, other loan represented a short-term loan from an independent third party, which was interest-bearing at a fixed interest rate of 20% per annum, repayable within three months from the drawdown date and secured by personal guarantee of a former substantial shareholder of the Company.

At 31 December 2016, the other loan had been fully repaid.

Included in borrowings are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2016	2015
	HK$'000	*HK$'000*
HK$	–	20,000

26. CONVERTIBLE NOTES

On 11 April 2013, the Company completed a subscription agreement pursuant to which the Company issued 8% convertible notes in an aggregate principal amount of HK$100,000,000 (the "2013 CN") which could be converted into ordinary shares of HK$0.10 each of the Company at an initial conversion price of HK$0.19 per share (subject to anti-dilutive adjustments). As a result of the capital reorganisation of the Company effective on 14 May 2015 (Note 27 (i)), the conversion price of the outstanding 2013 CN was adjusted to HK$1.90 per share. Furthermore, as a result of the open offer of shares of the Company effective on 17 June 2015 (Note 27 (ii)), the conversion price was further adjusted to HK$1.62 per share.

The 2013 CN was denominated in HK$, maturing on the second anniversary of the issue date of 11 April 2013 (the "2013 Maturity Date"). The Company should redeem all the 2013 CN on the 2013 Maturity Date at 110% of the principal amount outstanding. With the convertible notes holder's agreement, the Company might at any time and from time to time purchase the outstanding 2013 CN at such price as might be agreed between the Company and the holder thereof. On 20 June 2014, the Company early redeemed 40% of the 2013 CN at the principal amount of HK$40,000,000.

On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the 2013 Maturity Date for one year, from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by shareholders of the Company at the special general meeting approving the amendment deed. Details of these are set out in the announcements of the Company dated 8 January 2015 and 17 February 2015. The extension of the 2013 Maturity Date caused modification of the terms of the 2013 CN.

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26. CONVERTIBLE NOTES (continued)

The modification of the terms was determined to be substantial and hence resulted in the extinguishment of the original liability and conversion option derivative components of the 2013 CN and the recognition of new liability and conversion option derivative components (the "New 2013 CN"). The fair value of the new liability component immediately following the modification was HK$57,887,000. The liability component was determined using an effective interest rate of 23.92%. The difference between the fair value of the New 2013 CN and the sum of the carrying amounts of the original liability and derivative component, amounting to HK$12,480,000, was recognised as a gain in profit or loss during the year ended 31 December 2015 under the 'net gain on financial assets at fair value through profit or loss' line item.

On 19 June 2015, the Company had early redeemed the remaining balance of the New 2013 CN at the principal amount of HK$60,000,000.

During the year ended 31 December 2015, none of the 2013 CN or the New 2013 CN was converted into ordinary shares of the Company.

The movements of the components of the 2013 CN/New 2013 CN during the current and prior years are set out below:

	Liability component *HK$'000*	**Conversion component** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	62,877	5,917	68,794
Amortisation of deferred loss on conversion component	–	380	380
Derecognition of original liability/conversion component upon modification of terms	(65,502)	(6,297)	(71,799)
Recognition of new liability/conversion component upon modification of terms	57,887	1,432	59,319
Gain on new derivative component recognised in profit or loss	–	(135)	(135)
Redemption during the year	(58,703)	(1,297)	(60,000)
Interest charge *(Note 10)*	6,761	–	6,761
Interest paid	(3,320)	–	(3,320)
At 31 December 2015 and **2016**	**–**	**–**	**–**

27. SHARE CAPITAL

	Number of ordinary shares *'000*	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.1 at 1 January 2015	10,000,000	1,000,000
Sub-division of shares *(Note (i)(c))*	90,000,000	–
Ordinary shares of HK$0.01 at 31 December 2015 and **2016**	**100,000,000**	**1,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.1 at 1 January 2015	4,852,358	485,236
Share consolidation and capital reduction *(Note (i)(a) and (i)(b))*	(4,367,122)	(480,383)
	485,236	4,853
Issue of shares upon open offer *(Note (ii))*	242,618	2,426
Ordinary shares of HK$0.01 at 31 December 2015	727,854	7,279
Issue of shares upon rights issue *(Note (iii))*	3,639,268	36,392
Ordinary shares of HK$0.01 at 31 December 2016	**4,367,122**	**43,671**

Notes:

(i) At the special general meeting of the Company held on 13 May 2015, special resolution in respect of the reorganisation of the Company's share capital (the "Capital Reorganisation") involving the share consolidation, capital reduction, share subdivision, share premium reduction and application of credit arising from capital reduction and share premium reduction were approved by the shareholders of the Company. The Capital Reorganisation became effective on 14 May 2015. Its effects were as follows:

(a) the share consolidation whereby every ten shares of nominal value of HK$0.10 each in the issued share capital of the Company were consolidated into one consolidated share of nominal value of HK$1.00 and any fractional consolidated share in the issued share capital of the Company arising from the share consolidation was cancelled;

(b) the capital reduction whereby the nominal value of all the issued consolidated shares were reduced from HK$1.00 each to HK$0.01 each by cancelling paid-up capital to the extent of HK$0.99 on each consolidated share so as to form an adjusted share of HK$0.01, and the credit arising from the capital reduction be credited to the contributed surplus account of the Company;

(c) the sub-division of each of the authorised but unissued shares of HK$0.10 into ten adjusted shares of HK$0.01 each;

(d) the cancellation of all amounts standing to the credit of the share premium account of the Company with the credit arising therefrom credited to the contributed surplus account of the Company; and

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27. SHARE CAPITAL (continued)

Notes: (continued)

(i) *(continued)*

(e) the application of the amounts in the contributed surplus account of the Company to set off the accumulated losses of the Company.

Details of Capital Reorganisation are set out, among other things, in the announcements of the Company dated 31 March 2015 and 13 May 2015, and the circular of the Company dated 20 April 2015.

(ii) On 17 June 2015, the Company completed an issue and allotment of 242,617,879 offer shares at the subscription price of HK$0.50 per offer share, on the basis of one offer share for every two ordinary shares of HK$0.01 each in the share capital of the Company upon the Capital Reorganisation of the Company became effective. The net proceeds from the open offer, after deducting directly attributable costs of HK$2,546,000 from gross proceeds of HK$121,309,000, were approximately HK$118,763,000. Details of these are set out in the announcements of the Company dated 31 March 2015, 17 April 2015 and 16 June 2015, and the offering circular of the Company dated 26 May 2015.

(iii) On 27 January 2016, the Company completed an issue and allotment of 3,639,268,185 rights shares at a subscription price of HK$0.14 per rights share by way of a rights issue on the basis of five rights shares for every one share. The net proceeds from the rights issue, after deducting directly attributable costs of HK$7,651,000 from gross proceeds of HK$509,497,000, were approximately HK$501,846,000. Details of these are set out in the announcements of the Company dated 12 November 2015, 18 December 2015, 21 December 2015 and 26 January 2016, the circular of the Company dated 2 December 2015 and the prospectus of the Company dated 31 December 2015.

(iv) As part of the placing agreement for placing of shares completed in March 2013 (the "March 2013 Placing Shares"), the Company issued non-listed warrants (the "Warrants") on the basis of five Warrants for each of the March 2013 Placing Shares issued, at no initial price. The exercise price of the Warrant was at HK$0.20 each and could be exercised at any time for a period of three years from the issue date.

Upon the completion of the Capital Reorganisation on 14 May 2015 (see (i) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 625,000,000 shares to 62,500,000 shares and the exercise price of the Warrant was adjusted from HK$0.20 per share to HK$2.00 per share.

Upon the completion of the open offer of the Company on 17 June 2015 (see (ii) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 62,500,000 shares to 73,529,411 shares and the exercise price of the Warrant was adjusted from HK$2.00 per share to HK$1.70 per share.

Upon the completion of the rights issue of the Company on 27 January 2016 (see (iii) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 73,529,411 shares to 162,337,662 shares and the exercise price of the Warrant was adjusted from HK$1.70 per share to HK$0.77 per share.

During the years ended 31 December 2016 and 2015, no shares were issued as a result of the exercise of the Warrants. All outstanding Warrants expired on 29 February 2016. As at 31 December 2016, the Company had no Warrants outstanding.

All shares issued by the Company during both years rank pari passu with the then existing ordinary shares in all respects.

28. SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 22 June 2016 and the previous share option scheme of the Company adopted on 6 November 2006 (the "Old Share Option Scheme") was terminated on the same date. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to the participants as incentives or rewards for their contribution to the Group or any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Share Option Scheme include any employee of any member of the Group or any Invested Entity; any directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any consultant or adviser of any member of the Group or any Invested Entity; and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The offer of a grant of share options shall remain open for acceptance by the participant concerned for a period of fifteen (15) business days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share. The exercise period of the share options granted is determined by the Board but in any event, no longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

28. SHARE OPTION SCHEME (continued)

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of the approval of the refreshed Scheme Mandate Limit as the case maybe.

No share options has been granted under the Share Option Scheme since its adoption and up to the date of this annual report. The total number of shares of the Company available for issue under the Share Option Scheme is 436,712,182 shares, representing 10% of the issued shares of the Company as at the date of adoption of the Share Option Scheme and representing approximately 10% of the issued shares of the Company as at the date of this annual report.

Details of the Old Share Option Scheme are set out in the Company's 2015 Annual Report. Details of the movements in the number of share options during the year ended 31 December 2016 under the Old Share Option Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price *HK$* *Note (ii)*	Outstanding at 1 January 2016	Adjusted during the year *Note (ii)*	Lapsed during the year	Outstanding at 31 December 2016
Suppliers and others:							
H	11 April 2013	11 April 2013 – 10 April 2016	1.5459	15,025,920	6,087,000	(21,112,920)	–
O	25 November 2013	25 February 2014 – 24 November 2016	1.3277	7,512,960	3,043,500	(10,556,460)	–
				22,538,880	9,130,500	(31,669,380)	–

Notes:

(i) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(ii) Upon the completion of the rights issue of the Company on 27 January 2016, the number of shares that can be subscribed for upon exercise of the outstanding share options and the exercise price of the share options were adjusted. Details of these are set out in the announcement of the Company dated 26 January 2016.

28. SHARE OPTION SCHEME (continued)

Details of the movements in the number of share options during the year ended 31 December 2015 under the Old Share Option Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$ Note (iv)	Outstanding at 1 January 2015	Adjusted during the year Note (iv)	Forfeited during the year	Cancelled during the year Note (v)	Outstanding at 31 December 2015
Employees:								
N	25 November 2013	25 November 2013 – 24 November 2016	1.8656	57,000,000	991,230	(51,300,000)	(6,691,230)	–
R	17 July 2014	17 July 2014 – 16 July 2017	1.7037	3,000,000	52,170	(2,700,000)	(352,170)	–
				60,000,000	1,043,400	(54,000,000)	(7,043,400)	–
Directors:								
J	11 April 2013 *(Note (i))*	3 July 2013 – 10 April 2016	2.1722	88,000,000	1,530,320	(79,200,000)	(10,330,320)	–
K	30 July 2013 *(Note (ii))*	16 September 2013 – 29 July 2016	1.7548	147,500,000	2,565,025	(132,750,000)	(17,315,025)	–
L	30 July 2013 *(Note (ii))*	16 September 2014 – 29 July 2016	1.7548	73,750,000	1,282,512	(66,375,000)	(8,657,512)	–
M	30 July 2013 *(Note (ii))*	16 September 2015 – 29 July 2016	1.7548	73,750,000	1,282,512	(66,375,000)	(8,657,512)	–
				383,000,000	6,660,369	(344,700,000)	(44,960,369)	–
Suppliers and others:								
H	11 April 2013	11 April 2013 – 10 April 2016	2.1722	128,000,000	2,225,920	(115,200,000)	–	15,025,920
N	25 November 2013	25 November 2013 – 24 November 2016	1.8656	32,000,000	556,480	(28,800,000)	(3,756,480)	–
O	25 November 2013	25 February 2014 – 24 November 2016	1.8656	64,000,000	1,112,960	(57,600,000)	–	7,512,960
P	4 June 2014	4 June 2014 – 3 June 2017	1.6100	70,000,000	1,217,300	(63,000,000)	(8,217,300)	–
Q	17 July 2014	17 July 2014 – 16 July 2017	1.7037	467,000,000	8,121,130	(420,300,000)	(54,821,130)	–
				761,000,000	13,233,790	(684,900,000)	(66,794,910)	22,538,880
				1,204,000,000	20,937,559	(1,083,600,000)	(118,798,679)	22,538,880

The Group did not recognise any expense (2015: HK$2,562,000 recognised as an expense which was related to services provided by the directors and employees of the Company) during the year ended 31 December 2016 in relation to the share options granted by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. SHARE OPTION SCHEME (continued)

Notes:

(i) Approved by shareholders on 3 July 2013.

(ii) Approved by shareholders on 16 September 2013.

(iii) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(iv) Upon the completion of the Capital Reorganisation on 14 May 2015 and the completion of the open offer of the Company on 17 June 2015, the number of shares can be subscribed for upon exercise of the outstanding share options and the exercise price of the share options were adjusted. Details of these are set out in the announcements of the Company dated 13 May 2015 and 16 June 2015.

(v) On 20 November 2015, the Company agreed with holders of outstanding (and unexercised) share options carrying rights to subscribe for an aggregate of 118,798,679 ordinary shares of the Company of HK$0.01 each to cancel their options with immediate effect in accordance with the rules of the Old Share Option Scheme. No consideration is paid or payable for such cancellation.

29. JOINT OPERATIONS

Chañares entered into a joint venture agreement (“JV Agreement”) with a third party (“Third Party”) on 14 November 2007 in connection with the development of incremental hydrocarbons production in the “Puesto Pozo Cercado” area and “Chañares Herrados” area (together, “Areas”), through the investments made by the Third Party. Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploration and production of the works performed thereunder, shall be distributed in the following proportion: 28% for Chañares and 72% for the Third Party.

A wholly-owned subsidiary of the Company, Have Result Investments Limited (“Have Result”), entered into an agreement “Assignment of Rights, Investment and Technical Cooperation” with the Third Party dated 24 November 2007, as amended and/or supplemented by (i) a deed of undertaking executed by the Third Party on 12 December 2007; (ii) a supplementary deed of undertaking executed by the Third Party on 28 December 2007; and (iii) a document entitled “Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation” executed by and between the Third Party and Have Result, dated 19 December 2008 (the “Assignment Agreement”). Under the Assignment Agreement, the Third Party assigned in favour of Have Result 51% of its rights on the future production as a consequence of new drillings and the operation of new wells in the Areas. The incremental hydrocarbon production derived from the new wells in the Areas will first cover the operating costs and thereafter is shared by the proportion of 51% to Have Result, 21% to the Third Party and 28% to Chañares. As from the date the wells drilled under the terms of the Assignment Agreement go into production, the Third Party shall also reimburse Have Result for 21% of the aggregate investments made by Have Result in the Areas.

29. JOINT OPERATIONS (continued)

On 2 December 2010, Have Result sent a letter to the Third Party acknowledging the notice of the termination of the JV Agreement ("Termination") while as advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remains entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Areas (the "Existing Wells"), provided that Have Result continues to pay the relevant operating costs as required by the production allocated to it.

On 2 December 2010, another wholly-owned subsidiary of the Company, Southstart Limited ("Southstart"), and Chañares entered into a new joint venture agreement ("New JV Agreement"), pursuant to which, EP Energy S.A. ("EP Energy"), a wholly-owned subsidiary of Southstart, is entitled to share 72% of hydrocarbon production from the wells drilled by EP Energy in the current and future years until the end of the Concessions period and paid US$6,000,000 (equivalent to approximately HK$46,800,000) to Chañares in consideration for the oil exploration and production right in the Areas during the current term of the Concessions.

Pursuant to the New JV Agreement, the total consideration for the oil exploration and production right is subject to adjustment with reference to whether or not Chañares can obtain the extension of the term of Concessions (the "Extension") by 31 December 2011. On 14 July 2011, the Company was informed by Chañares that the Executive of the Province of Mendoza has issued a Decree, pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions until 2027 (Note 17). EP Energy paid an aggregate amount of US$4,000,000 (equivalent to approximately HK$31,200,000) to Chañares in consideration for the oil exploration and production right in the Areas during the extended term of the Concessions. A sum of US$1,404,000 (equivalent to approximately HK$10,952,000) was paid in 2011 and the remaining balance of US$2,596,000 (equivalent to approximately HK$20,248,000) was paid in 2012.

According to the New JV Agreement, EP Energy is obliged to drill a minimum of five production wells per year during the five consecutive years from 2012, and two production wells per year for the following years until the seventh year before the expiration of the extended term of the Concessions. Failure to meet the minimum drilling requirements may render the New JV Agreement to be terminated and EP Energy will be forfeited any rights to continue drilling but it will not be forfeited any right in respect of the wells already drilled.

On 5 June 2012, EP Energy, Have Result and Chañares entered into an operation agreement (the "Operation Agreement").

Pursuant to the Operation Agreement, Chañares agreed to release EP Energy from the above commitment. EP Energy, however, retains the right to drill and invest in the Areas during the life of the Concessions awarded with respect to the Areas and any extension thereof. If five or more new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 72% and Chañares shall be entitled to 28% of the hydrocarbon production of the new wells; and if less than five new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 65% and Chañares shall be entitled to 35% of the hydrocarbon production of the new wells. The Operation Agreement confirms that the hydrocarbon production of the existing five wells drilled by EP Energy shall continue to be distributed in accordance with the New JV Agreement (i.e., 72% to EP Energy and 28% to Chañares). On the other hand, Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Areas.

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29. JOINT OPERATIONS (continued)

The Operation Agreement reconfirms that Have Result has the right to receive 51% of the hydrocarbon production obtained from the Existing Wells until the termination of the Concessions held in respect of the Areas and any extension thereof.

The aggregate amount of assets and liabilities, revenue and expenses recognised in the consolidated financial statements in relation to the Group's interest in the joint operations are as follows:

	2016	2015
	HK$'000	*HK$'000*
Assets	**50,653**	64,282
Liabilities	**5,807**	951
Revenue	**51,320**	66,571
Expenses	**57,390**	251,150

30. PLEDGE OF ASSETS

At 31 December 2015, the following assets were pledged to secure the Group's bank loan (Note 25):

(a) the entire issued share capital of EP Energy, an indirect wholly owned subsidiary of the Company;

(b) the entire issued share capital of Have Result, an indirect wholly owned subsidiary of the Company; and

(c) the entire issued share capital of two direct wholly owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

At 31 December 2016, the Group had repaid the bank loan. As the release of the security charged was still in process, the above assets were still recorded as pledged assets of the Group.

31. OPERATING LEASE COMMITMENTS

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**1,785**	2,977
In the second to fifth year, inclusive	**126**	1,968
	1,911	4,945

The Group leases certain of its office properties and buildings under operating lease arrangements. Leases for properties are negotiated for terms of three years.

32. RETIREMENT BENEFITS SCHEMES

The Group contributes to MPF Schemes for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the MPF Schemes by the Group and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs recognised in profit or loss represent contributions payable by the Group to the funds. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds.

The Group also participates in the employees' pension schemes of the respective municipal governments in the countries where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

33. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Short-term employee benefits	**8,656**	10,158
Post-employment benefits	**78**	90
Equity-settled share-based payments *(Note 28)*	**–**	2,562
	8,734	12,810

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the competence, performance and experience of individuals and prevailing market terms.

34. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

35. FINANCIAL INSTRUMENTS

Financial risk management objectives

The financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include trade and other receivables, loan receivables, financial assets at FVTPL, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**290,305**	29,333
Financial assets at FVTPL	**27,454**	62
	317,759	29,395
Financial liabilities		
Amortised cost	**6,481**	186,074

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's borrowings and short-term deposits placed in banks that are interest-bearing at market interest rates. The fair value interest rate risk relates primarily to the fixed-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances and variable-rate borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances and borrowings had been 50 basis points higher/lower and all other variables were held constant, loss after tax for the year ended 31 December 2016 of the Group would decrease/increase by HK$911,000 (2015: increase/decrease by HK$618,000).

The management considers that the fair value interest rate risk is insignificant as the Group had no fixed-rate borrowings due more than one year.

35. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

Several subsidiaries of the Company have assets and liabilities denominated in foreign currencies which expose the Group to foreign currency risk. Since the HK$ is pegged to US$, the management considers that the exchange rate fluctuation between the HK$ and US$ is not significant and therefore has not been included in the sensitivity analysis. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities, at the reporting date are as follows:

	Assets		**Liabilities**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
ARS	**1,751**	3,475	**(1,153)**	(357)

Foreign currency sensitivity

The following table details the Group's sensitivity to 10% increase against the relevant foreign currency. Sensitivity rate of 10% is used for ARS when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis represents the trade payables, trade receivables and bank balances where the denomination are in ARS, the major foreign currency risk.

If US$ had been strengthened/weakened against ARS and all other variables were held constant, loss after tax for the year ended 31 December 2016 of the Group would decrease/increase by HK$39,000 (2015: HK$203,000).

In management's opinion, the sensitivity analysis reflects the exposure at the year end, but not the exposure during the year.

Other price risk

The Group is exposed to equity price risk from investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 20% higher/lower, loss after tax for the year ended 31 December 2016 would decrease/increase by HK$4,585,000 (2015: HK$10,000) as a result of the change in fair value of financial assets at FVTPL.

35. FINANCIAL INSTRUMENTS (continued)

Credit risk

As at 31 December 2016 and 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk for trade receivables by geographical locations is mainly in Argentina, which accounted for 100% of the total trade receivables as at 31 December 2016 and 2015. For the year ended 31 December 2016, approximately 82% (2015: 100%) of the Group's revenue was derived from one customer.

The Group had concentration of credit risk as 100% of the trade receivables was attributable to the Group's only customer as at 31 December 2016 and 2015. The Group's only trade receivable is from a state-owned enterprise oil company based in Argentina and with good creditability. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group had concentration of credit risk as 100% (2015: nil) of the total loans as at 31 December 2016 was due from four borrowers (2015: nil). The balance due from these four borrowers is in an aggregate amount of HK$102,000,000 (2015: nil) as at 31 December 2016.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For 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 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.

35. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

In addition, the following tables show details of the non-derivative financial liabilities of the Group. The tables have 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 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.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month *HK$'000*	1 to 6 months *HK$'000*	7 months to 1 year *HK$'000*	1 to 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
As at 31 December 2016							
Non-derivative financial liabilities							
Trade payables	**–**	**977**	**–**	**–**	**–**	**977**	**977**
Other payables	**–**	**5,504**	**–**	**–**	**–**	**5,504**	**5,504**
		6,481	**–**	**–**	**–**	**6,481**	**6,481**
As at 31 December 2015							
Non-derivative financial liabilities							
Trade payables	–	389	–	–	–	389	389
Other payables	–	1,885	–	–	–	1,885	1,885
Borrowings							
– variable-rate	4.57	–	–	62,086	116,686	178,772	163,800
– fixed-rate	20.00	–	20,500	–	–	20,500	20,000
		2,274	20,500	62,086	116,686	201,546	186,074

35. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how that fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	2016	2015			
	HK$'000	*HK$'000*			
Financial assets at FVTPL					
Listed equity securities	**22,454**	62	Level 1	Quoted bid prices in an active market	N/A
Unlisted debt securities	**5,000**	–	Level 2	Fair value derived from observable market value of underlying asset which is quoted by the Stock Exchange	N/A

There were no transfers between Level 1, 2 and 3 in the current and prior years.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2016 and 2015, are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
EP Energy S.A.	Argentina	ARS303,600	–	100% (2015: 100%)	Petroleum exploration and production
Have Result Investments Limited	British Virgin Islands/ Argentina	US$10,000	–	100% (2015: 100%)	Petroleum exploration and production
Have Result Finance Limited	Hong Kong	HK$100	–	100% (2015: 100%)	Money lending
EPI Management Limited *(Note)*	Hong Kong	HK$1	–	100% (2015: N/A)	Investment in securities and management

Note: This company was incorporated on 24 October 2016.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**479**	754
Interests in subsidiaries – unlisted	**8**	8
Total non-current assets	**487**	762
Current assets		
Other receivables, prepayment and deposits	**1,286**	16,187
Amounts due from subsidiaries	**325,064**	41,969
Financial assets at fair value through profit or loss	**8,254**	–
Bank balances and cash	**483**	883
Total current assets	**335,087**	59,039
Current liabilities		
Other payables	**10,938**	33,074
Amounts due to subsidiaries	**95,042**	90,750
Borrowings	**–**	74,600
Total current liabilities	**105,980**	198,424
Net current assets (liabilities)	**229,107**	(139,385)
Total assets less current liabilities	**229,594**	(138,623)
Capital and reserves		
Share capital	**43,671**	7,279
Reserves *(Note)*	**185,923**	(255,102)
Total equity (capital deficiency)	**229,594**	(247,823)
Non-current liabilities		
Borrowings	**–**	109,200
	229,594	(138,623)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium *HK$'000*	Contributed surplus reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2015	4,181,798	60,322	125,826	(4,830,854)	(462,908)
Loss and total comprehensive expense for the year	–	–	–	(391,089)	(391,089)
Share consolidation	–	480,383	–	–	480,383
Capital reorganisation	(4,181,798)	(540,705)	–	4,722,503	–
Share consolidation and capital reorganisation expenses	(387)	–	–	–	(387)
Issue of shares upon open offer	118,883	–	–	–	118,883
Transaction costs attributable to issue of shares upon open offer	(2,546)	–	–	–	(2,546)
Recognition of equity-settled share-based payments	–	–	2,562	–	2,562
At 31 December 2015	115,950	–	128,388	(499,440)	(255,102)
Loss and total comprehensive expense for the year	–	–	–	(24,429)	(24,429)
Issue of shares upon rights issue	473,105	–	–	–	473,105
Transaction costs attributable to issue of shares upon rights issue	(7,651)	–	–	–	(7,651)
At 31 December 2016	**581,404**	**–**	**128,388**	**(523,869)**	**185,923**

Five-Year Financial Summary

RESULTS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue	**62,253**	66,571	85,689	89,853	80,854
Loss before tax	**(30,988)**	(276,548)	(180,233)	(665,113)	(3,343,544)
Income tax expense	**(91)**	–	–	–	(10,351)
Loss for the year from continuing operations	**(31,079)**	(276,548)	(180,233)	(665,113)	(3,353,895)
Discontinued operation					
(Loss) profit for the year from discontinued operation	**–**	–	(200,910)	(14,058)	1,855
Loss for the year	**(31,079)**	(276,548)	(381,143)	(679,171)	(3,352,040)

ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	367,734	92,903	361,892	676,343	1,136,707
Total liabilities	(21,892)	(217,828)	(331,207)	(458,157)	(463,105)
Equity attributable to owners of the Company	345,842	(124,925)	30,685	218,186	673,602