A. COMPETENT EVALUATOR'S REPORT

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Board of Directors
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Dear Sirs,

Valuation Report for Block 212, Uliastai Depression Onshore China

Introduction

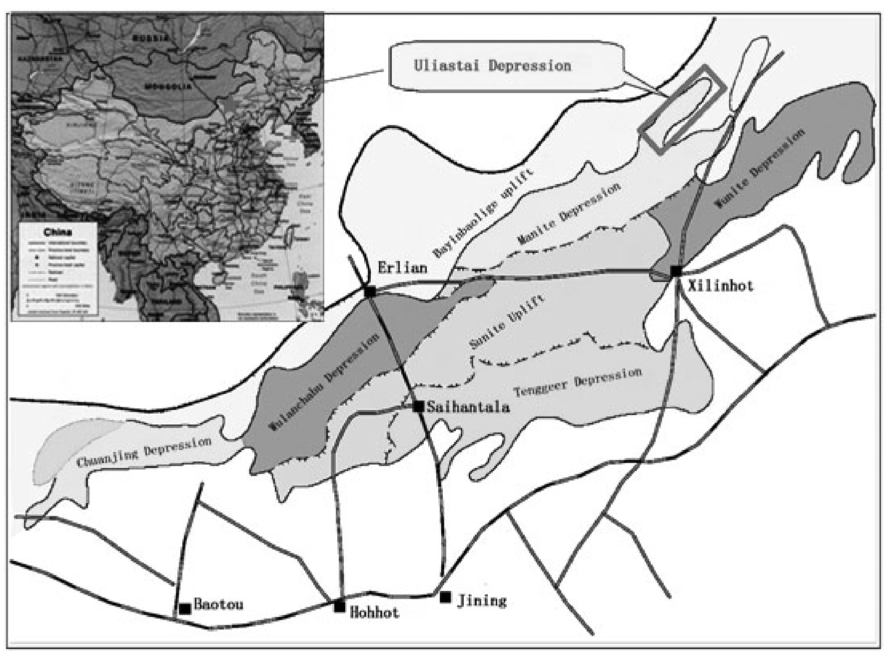
At the request of Shun Cheong Holdings Limited ("**Shun Cheong**" or "**the Client**"), and in accordance with GCA Engagement Letters **YDH/dyn/PS-15-2043.07/L0053**, **YDH/jbi/PS-15–2043.05/L0346** and **YDH/jbi/PS-15–2043.02/L0187**, Gaffney, Cline & Associates ("**GCA**") has prepared a report reviewing the potential value of an 80% Revenue Interest ("**RI**") in the oil Reserves attributable to Xilin Gol League Hongbo Mining Development Co., Ltd. ("**Hongbo**") in Block 212 in the Uliastai Depression of the Erlian Basin, Inner Mongolia ("**Valuation Report**", or "**VR**") as of 31st December 2015.

Block 212, which is about 212.9 km^2 in size, is located in the Uliastai Depression of the Erlian Basin, Inner Mongolia, China (**Figure 1**). Yanchang Petroleum Group ("**Yanchang**"), a State Owned Enterprise of Shaanxi Province secured rights to the block in 2009. Subsequently, Yanchang signed an Oil and Gas Resources Exploration and Exploitation Cooperation Agreement (the "**Cooperation Agreement**") with Hongbo. Under the cooperation agreement, Hongbo became operator of the block with an 80% revenue interest and is responsible for conducting all exploration and exploitation operations. The remaining 20% revenue interest is held by Yanchang.

Shun Cheong, a company listed on the Stock Exchange of Hong Kong Limited ("**HKEx**") (stock code: 00650), entered into an agreement on 22nd June, 2015 to acquire the 100% equity interest in Hongbo ("**Acquisition**"). In connection with the proposed acquisition, Titan Gas Technology Investment Limited ("**Titan Gas**") will invest in Shun Cheong together with some other subscribers and will become the controlling shareholder of Shun Cheong. The proposed acquisition constitutes a Reverse Takeover ("**RTO**") for Shun Cheong under the Rules Governing the Listing of Securities on HKEx (the "**Listing Rules**"). This Valuation Report has been prepared in accordance with the applicable requirements of Chapter 18 of the Listing Rules.

GCA has prepared and issued to Shun Cheong a Competent Person's Report ("**CPR**") for Block 212 with an effective date of 31st December, 2015. This Valuation Report is based on and relates to the Reserves and Resources estimated in that report, although it has based it on oil prices ad future oil price perceptions as of the date of this report.

Figure 1: Block 212 Location Map



(Source: Modified from Hongbo)

This Valuation Report has been prepared for the inclusion in a Circular to Shun Cheong's shareholders once the form and context of its inclusion has been approved by GCA. It may not be distributed or made available, in whole or in part, to any other company or person, or in any other manner or abstraction, without the prior knowledge and written consent of GCA.

Valuation Opinion

It is GCA's opinion that as of 31st December, 2015, and subject to a number of key assumptions or meeting pre-conditions outlined herein, the oil Reserves pertaining to Hongbo's 80% revenue interest in Block 212 are worth between US$120 million and US$130 million.

Notwithstanding the effective date, which governs the date from which Hongbo would be entitled to its share of revenue, the value range has taken into account the actual oil price that would have been received, and market conditions prevailing during the first half of 2016. This time window has exhibited extreme volatility. Having fallen from over US$100 per barrel in the middle of 2014 to under US$50 per barrel in early 2015, oil prices recovered to almost US$70 per barrel by May before sliding dramatically again to under US$30 per barrel in early 2016. Towards the end of the first quarter 2016 they once more improved to hover around the US$45 to US$50 per barrel range for much of May and June. General market sentiment which was very negative for much of the first quarter of 2016 has also improved, although remains cautious and, while there are signs that the number of transactions are increasing, there is no clear and firm trend yet and any valuation still needs to reflect a range of uncertainty in future oil prices. However, this is not considered material in the context of the valuation range given herein.

Section 2 highlights key areas of consideration and risk that are likely to be taken into account in the event of any transaction concerning the Block.

The value is also predicated on securing the exploitation rights under a Production Permit, which are a pre-requisite to fully develop Block 212. The intended development will comprise the workover of 92 wells and the drilling of 99 new producers and 29 water injectors in the next five years as described under the Best Case in the CPR. Such a development does not appear to be particularly technically challenging in its individual component parts, since a total of 135 wells have been drilled in the block to date. However, any delay in securing the exploitation rights may affect the realisation or timing of the workover and drilling plans and directly affect the value of Block 212.

Further, while Hongbo's management has indicated that for the time being it intends to continue with the planned development program, if low oil prices were to return it may defer or adjust plans. GCA has taken the risk of such deferral into account in its valuation.

This opinion should also be read, and is conditioned upon, considerations and assumptions contained or referenced in GCA's CPR for Block 212 dated 29 June, 2016 and which are deemed incorporated in this Valuation Report.

Basis of Opinion

This report has been prepared in accordance with the Reporting Standards for a Petroleum Asset Valuation Report which is listed under Rule 18.34 of Chapter 18 of the Listing Rules. Pursuant to such requirements, the report will conform to the VALMIN Code[1], and will contain GCA's opinion to the Fair Market Value (FMV) of the asset which in this context is taken to be Hongbo's unencumbered 80% revenue interest and operatorship in Block 212.

[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Export Reports (the VALMIN Code), prepared by the VALMIN Committee which is a joint committee of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists. The VALMIN Code was most recently updated in 2005, although it is currently subject to review for further update.

It should also be noted that the potential value of upstream oil and gas assets is subject to and dependent on the professional judgment of the valuer. In assessing the potential value of such assets, it is important to note that there is no single value that can be considered accurate to the exclusion of all others as a multitude of considerations has to been taken into account. The potential value of the asset should not be confused with the value of an investment proposition in relation to the asset, which would need to take account of the specifics of that investment proposition. Further, any such value would also need to further take into account the particular risks and uncertainties highlighted herein, and how they ultimately are being addressed in that investment.

While contributing to the assessment of value, raw Net Present Values (NPVs) contained herein do not represent, in and of themselves, the value of the interests, but require consideration in the context of a number of other factors. In assessing a likely potential value it is also necessary to take into account factors such as reserves risk (i.e. that Proved and/or Probable Reserves may not be realised in their entirety or may be realised in a timeframe or at a cost different to that currently expected for their exploitation); differing perceptions of economic risk including future oil and gas prices and inflation effects on future capital and operating costs; perceptions of sovereign risk; other benefits, encumbrances or charges that may pertain to the interests; and generally the competitive state of the market at the time.

Further, in the preparation of its opinion in respect of the fair market value as at 31st December, 2015, GCA has taken into account certain information, including plans that have come available or have been updated between 31st December, 2015 and 24th March, 2016. This has primarily affected the perception of securing the exploitation term and oil price assumptions.

Sources of Information

In deriving its opinion GCA has relied on the following sources of information:

1. GCA's CPR (and all information supplied by Hongbo pursuant to preparation of that report).

2. Other publicly available data and information.

Discussion

1 Overview of Block 212

A technical and commercial analysis and information on Block 212 can be found in the GCA CPR. However, in summary, the effective 80% revenue interest in Block 212 of Proved plus Probable Reserves will comprise (as at 31st December, 2015) **Table 1** and **Table 2**:

Table 1: Block 212 Proved and Probable Reserves
Net to Hongbo's 80% Revenue Interest
As At 31st December, 2015

	Oil Reserves (MMstb)	
Block 212		**Proved plus**
Units 2 & 19	**Proved (1P)**	**Probable (2P)**
Attributable to an 80% RI	8.1	11.4

Table 2: Block 212 Summary
As At 31st December, 2015

Item	**Description**
Production	• 1,180 barrels of oil per day or approximately 188 cubic meter per day • Production is still in the Development stage from Unit 2 and Unit 19 fault compartment areas • 81 active oil producers and 14 active water injectors • Cumulative production of 2.3 MMstb
Future Production Plans	Approximately 3,000 to 5,000 barrels or 500 to 800 cubic meter per day of peak oil per day in year 2019, before declining based on GCA's Low to High Case Production Forecasts
Future Capital Investments	• Unit 2 and Unit 19 only Totals of US$70 million to US$100 million in the respective GCA 1P, 2P and 3P CAPEX 4 year Development Plans (2016 to 2019) for drilling new wells, water injector and workovers and its associated additional facilities once the Production Permit is granted by Ministry of Land and Resources (MOLR) based on GCA's estimates • Minor Fault Compartments Future appraisal drilling to firm up the submission of "Proved Reserves Report" to MOLR with amounts to be confirmed.

2 Key Considerations and Risks

In reviewing the asset to determine its potential value, GCA has considered various factors such as the current market for upstream assets, the location, nature and state of the asset, the relative value between the reserves and resources, the status of the Production Permit application, the nature of the development proposed, and the experience of the Operator.

Some key considerations or risks which may impact future value include, but are not limited to, the following:

a. Operator Capability

The potential transaction will only change the ownership of Hongbo, from a private limited company to be a subsidiary of a holding company, Shun Cheong, Titan Gas and and other subscribers will be investing into Shun Cheong and Titan Gas will as a result become the controlling shareholder of Shun Cheong.

Within Block 212 Hongbo has shot and processed a 3D seismic survey of 98 km^2, drilled 135 wells, including 106 development wells (producers and injectors) and 29 exploration/appraisal wells. Between 2016 and 2019 it is planning to embark on a campaign to drill between 69 and 124 new wells, between 26 and 35 new water injectors and an average of 23 workovers per year.

Given Hongbo's experience in operating and managing drilling activities in Block 212 to date, GCA sees no reason why Hongbo should not be able to carry out the planned drilling and workover campaign in the future, which is similar in scale.

Hongbo's parent company will be Shun Cheong, a HKEx listed company which will have greater financial strength. While this may impact the nature and the time frame within which investment decisions are made, Hongbo might have greater access to the funds required for future development.

b. Facility and Environmental Liabilities

GCA undertook a site visit to the Block 212 area to examine the facilities and operations, and to assess their condition and state of operability. While the field area is remote, it is road accessible. Operations and equipment are appropriate for the type of operation involved and, with some minor maintenance issues noted, appeared to be well functioning. No major areas of concern were noted. GCA's scope of work did not include evaluating compliance with any applicable regulations in terms of standards, rating, health, safety, and environment.

c. Risk of securing the Production Permit.

Block 212 is currently being produced at a development stage which is permitted in the current Exploration Permit under the terms of the cooperation agreement. Production in Block 212 is from 5 major fault blocks (Y2, Y19, Y19-10, Y29, Y32 and Y8) covering areas that are known as Unit 2 and Unit 19. The Block 212 Exploration Permit will expire on 5th March, 2017.

Preparation for an application for the first Production Permit in Block 212 covering Unit 2 and Unit 19 is in progress. The Proved Reserves Report, a pre-requisite to the Production Permit application, for these areas was approved by the Ministry of Land and Resources (MOLR) on 13th August, 2014. Once the Production Permit is granted, the full field development of Unit 2 and Unit 19 will be carried out.

In addition to the current pilot production from Unit 2 and Unit 19, minor oil from other fault blocks (Y13, Y14, Y3 and Y4) in Block 212 is being produced. A Proved Reserves Report on these minor fault block areas is still required for any subsequent application for additional Production Permit(s) for further exploitation in these minor fault block areas in Block 212.

Yanchang is now in the process of preparing for an application to MOLR for a Production Permit for the Unit 2 and Unit 19 fault compartment areas. In order for resource volumes (beyond the minor amounts currently being produced under the Exploration Permit) to be classified as Reserves it requires that, inter alia, there is reasonable expectation that the necessary Production Permit(s) covering Unit 2 and Unit 19 will be granted. The PRC legal counsel to Shun Cheong has advised that it is not aware of any case where the holder of an Exploration Permit has failed to obtain a Production Permit for the same block after the holder received approval of the reserve report from MOLR. On the basis of this advice GCA believes that there is a reasonable expectation that the necessary Production Permit(s) will be granted and has therefore classified the recoverable volumes from these areas as Reserves under the sub-class "Justified for Development". Assuming that this will be awarded for a period of up to 20 years (from application) with expiry in 2035, Yanchang has agreed to extend the term of the cooperation agreement with Hongbo to coincide with the expiration date of the Production Permit(s).

The timing of the Production Permit award will have an impact on Hongbo's ability to carry out future drilling and workover plans in Unit 2 and Unit 19. The award of the first Production Permit in Block 212 should provide comfort that subsequent Production Permit(s) for other fault compartments will be granted in the future.

d. Development and Production Risks

By their nature, upstream oil and gas activities carry a certain level of risk which may never be eliminated, although they may be reduced with better understanding of the subsurface from either more data (e.g. seismic, new wells or further studies) and through the experience of the Operator. Estimates of Reserves and Resources are based on professional engineering judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional data become available, and should not be considered a guarantee or prediction of results.

The future drilling and workover program in Unit 2 and Unit 19 through 2019 will be mainly on those producing blocks; therefore the performance of the incremental production is expected to be analogous to the way historical production has developed.

In addition to that, future drillings are mostly infill wells and/or step out wells from existing producers. Only some (less than 10%) of the future wells will target other adjacent fault blocks which are non-sealing and estimated to be 200–300 meters from existing wells. Although these other fault blocks have not been flow tested, they appear similar to the producing blocks when compared on geological and petrophysical characteristics. Hence, GCA considers that there should be a relatively low risk with respect to the performance and flowability of those reservoirs.

e. Costs

Cost is not anticipated to be a major risk item with greater competition amongst service providers for projects such as Hongbo's in Block 212 as other operators onshore China scale back activities that are now uneconomic due to the current low oil price environment. Hongbo has drilled 135 wells to date which provides a good set of historical data points for planning and costing new wells more accurately and provides a learning curve for more efficient drilling operations. The design and completion of the new wells planned are relatively simple with infill or step out wells from existing wells will also help minimise the risk of cost overruns.

Costs provided to GCA are in Renminbi ("**RMB**") which, as a result of the recent devaluation of the currency, have reduced in U.S. Dollar equivalent terms. There is a risk that elements of cost that ultimate rely on U.S. Dollar inputs may in due course be subject to greater inflationary pressures.

f. Commodity (oil) price

Crude oil is priced based on a number of factors including supply and demand, political events and expectations, the quality of the crude, transportation costs to the market and the nature of the market into which it is sold.

Two major factors have to date affected the sales price of Block 212 crude oil. The first of these is the global price of oil, which more than halved between June 2014 and January 2015, when it was trading below US$50 per barrel. While the global price of Brent oil had risen back to around US$65 per barrel by the middle of 2015, by the end of September 2015 it had fallen back again to under US$50 per barrel and, by the middle of Q1 2016 had fallen to under US$30 per barrel. At the date of this valuation report the Brent oil price had risen again to around US$50 per barrel.

While the price of oil has a direct impact on value in respect of the revenue that can be expected from selling the oil produced, there is also a secondary effect. The significant fall in the price of oil has caused virtually all oil and gas companies to cut back on previously planned capital expenditures. At present the future price of crude oil is seen as being extremely uncertain, limiting the willingness of companies to commit to funding significant new investments, particularly where they involve commitments that can last several years. While this does not mean that the oil in the ground has disappeared in any way, it does have a potentially significant impact on the timing of the eventual monetisation of such resources, and the willingness of any prospective purchaser to pay up front for value that is dependent upon development activity that may be at risk of being delayed or curtailed. Hongbo's management has indicated that while it intends to continue with the planned development program for the time being, if current low prices were to persist for several more months it may defer or adjust plans.

The second major factor affecting the selling price of Block 212 crude oil is the relationship of this price to world marker prices such as Brent crude. Between July 2012 and June 2014, crude from Block 212 was trading at about a 10% discount to Brent when Brent was around US$100 per barrel. Once Brent had fallen to around US$50 to US$60 per barrel, Block 212 crude traded at parity to Brent, or slightly above. At this stage it is unclear as to whether the sales price of Block 212 crude has established a new, long term relationship to Brent or, after a while, the discount previously observed may resume. This uncertainty also presents a risk to the price received for Block 212 crude oil.

A third factor affecting oil price is that Block 212 crude oil is sold in RMB. In assessing value for the 80% RI, GCA has assumed that the Block 212 crude oil price will track the U.S. Dollar price of oil. However, there is a risk that at some point in future there could be a temporary or long term disconnect between the local sales price and the internationally traded price of crude oil.

g. Timing Adjustments

The assessment has been based on the assumption that all cash flows from oil production, tax payments and payment of invoices for expenditures occur in the middle of the year in which the benefit is realised or cost is incurred. In actual operations, there will be a difference in timing of such cash flows due to the timing of actual crude sales, tax payments and invoice payment terms.

h. Litigation

According to the PRC legal counsel to Shun Cheong, there is the possibility that early exploration and development work in Block 212 could be considered to give rise to legal issues, although counsel considers neither of them pose a material risk. Neither these risks, nor any other legal risk that may be faced by Shun Cheong, has been taken into account in the valuation.

3 Valuation Methodology

Where appropriate data exists the typical approach to assessing the potential value of assets such as those being assessed is to consider the future earnings potential through risk-adjusted discounted cash flow (DCF) analysis, and compare this to value indications from relevant market-based asset transactions (comparable transactions). The final valuation opinion is a balanced conclusion from all sets of inputs.

Block 212 Reserves

In the DCF analysis, NPVs have been generated from a range of different production and cost profiles associated with the different Reserves categories, under the applicable petroleum contract/fiscal regime, and with a set of market-based assumptions on crude oil price, cost escalations and discount rates.

The base assessment of value of discovered petroleum assets typically centers around the perceived future earnings potential of Proved plus Probable (2P) Reserves (commonly referred to as the "most likely" or "P50" Case, where it is assumed that there is an equal probability that the actual volume produced will higher or lower than the estimate). Dependent upon risks and upside potential, the value range may be extended/narrowed to take such other factors into account.

Ordinarily a check on the reasonableness of the valuation range derived from the discounted cash flow analysis is undertaken by assessing the price the market has appeared to be willing to pay for assets of a similar nature. However, in this case GCA has been unable to identify a suitable analog reflecting the current oil price environment.

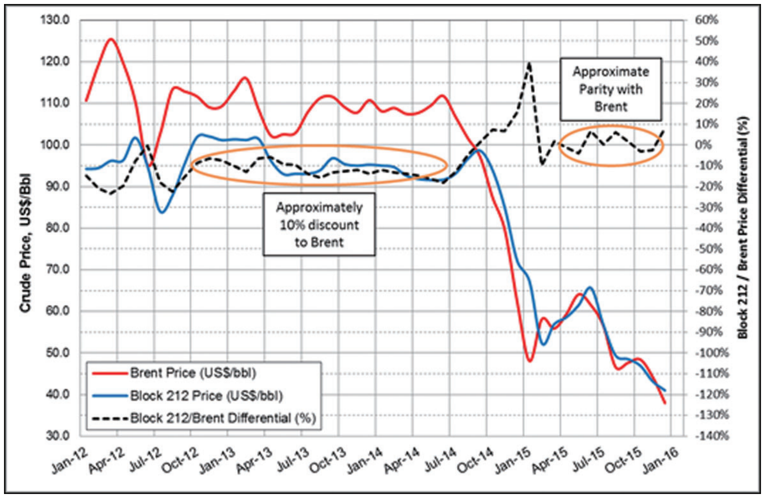
Market and Financial Assumptions

Oil Price

There is no "look up table" of oil price assumptions used by every player in the market, and in valuations oil price assumptions have a degree of subjectivity. Guidance is taken from assessing historical price movements and perceived market sentiments as reflected in published commentary and outlooks of oil companies and analysts, and on the forward price of oil as traded in the futures market, noting that the futures curve is not, in itself, a forecast of future oil prices.

Brent crude price has been used as the marker crude in China and has been used as the benchmark in the analysis. Prior to mid-2014 crude oil from Block 212 had traded at about a 10% discount to Brent. However, after the Brent crude price fell in late 2014, Block 212 crude price has been priced (with a small lag) in a relatively narrow range between approximate parity to a small premium to Brent. While uncertainty remains on the nature of the future relationship, for the purposes of valuation GCA assumed the Block 212 crude oil would trade at parity with Brent crude prices at or below US$60/Bbl, but the discount to Brent would start re-appearing above this price level, reaching (and staying at) 10% once Brent reaches a price of US$100/Bbl. The historical relationship between crude price from Block 212 and Brent crude is shown on **Figure 2**.

Figure 2: Brent vs Block 212 Crude Prices



As the oil price assumption is a key valuation driver, a wide range of oil price sensitivities has been assumed in the valuation analyses, as illustrated in **Figure 3**.

Figure 3: Brent Oil Price Scenarios Evaluated

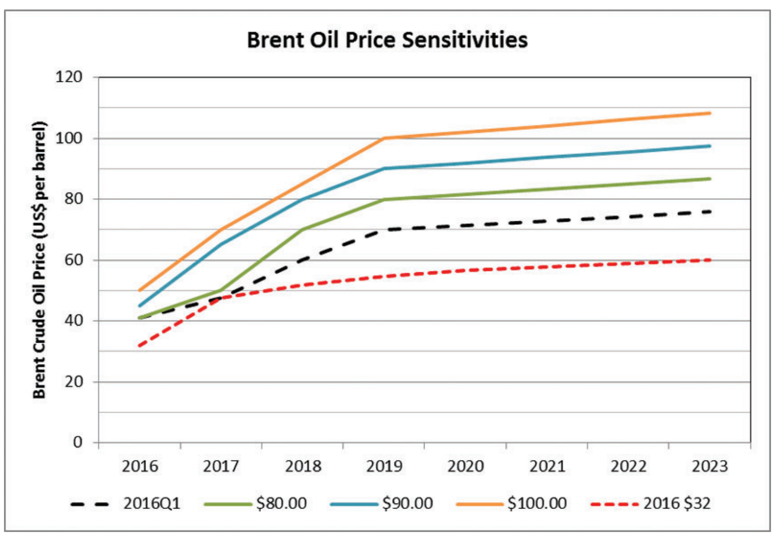


Table 3 shows two of the prices evaluated. The GCA 1Q2016 is the scenario used by GCA for Reserves evaluation in the first Quarter of 2016. The US$90/Bbl scenario assumes Brent oil reaches US$90/Bbl by 2019. Other scenarios include one based on the Brent futures price strip on 22nd March, 2016, and others where Brent reaches US$80/Bbl and US$100/Bbl by 2019.

In addition, at the request of Shun Cheong management, GCA evaluated the impact of two oil price scenarios. The first of these reflects what GCA has been advised as the lowest price that Block 212 crude oil has traded during 2016, US$32/Bbl, assumed thereafter to follow the Brent futures for 2017 through 2020, and escalate at 2% per annum thereafter. US$32/Bbl is advised as the lowest price that Block 212 crude oil has traded during 2016. The second scenario was to reflect the lowest selling price of Brent crude since 1st January 2016, which was recorded as US$26.01/Bbl on 20th January, 2016. This scenario has been evaluated by assuming a constant Brent crude price of US$26/Bbl and no cost escalation for the entire project life.

Table 3: Brent Crude Price Assumptions (US$/BBL)

Year	GCA 1Q2016	US$90/Bbl Case
2016	40.90	45.00
2017	47.58	65.00
2018	60.00	80.00
2019	70.00	90.00
2020	2% p.a. escalation	2% p.a. escalation

The assumption regarding the future price of oil utilised in the CPR reflects the guidelines pertaining to Reserves estimation, and was set in line with prices likely to be used by companies for planning purposes as of the effective date for the Reserves (in this case, 31st December, 2015). Particularly in times of price volatility it would be normal to expect the market to consider a much broader range of price perceptions when assessing value. The future oil price assumptions used in this Valuation Report are based on GCA's perception of such a range, although in no event does this discount the possibility that actual outcomes may lie outside this range for either short or prolonged periods of time.

Capital and Operating Costs

GCA has utilised cost and escalation assumptions reported in the CPR for the different Reserves categories which considered the cost reductions that Hongbo's management has stated that it believes it can achieve in a low oil price environment. GCA has also examined the impact of continued cost reductions, indicating that a further 10% reduction in costs would improve the NPV by approximately US$2 MM to US$8 MM.

However, while costs have reduced significantly in response to lower prices, they can be expected to increase again as the oil price increases. While an element of the recent cost savings may be preserved as a result of the more efficient structuring of operations, GCA has nevertheless assumed that, overall, costs will respond by returning to a level 10% below where they were prior to the oil price crash once oil price reaches US$90/Bbl.

Discount Rate

In line with discount rates typically used in valuation exercises for oil and gas assets, and the typical Weighted Average Cost of Capital (WACC) of exploration and production companies, discount rates for transactions involving assets of this kind typically range from 8% to 12% for producing and discovered assets, and 12% to 15% (or more) for exploration assets.

Oil and gas companies only very rarely publish the discount rate, or rates, that they apply in oil and gas transactions. The Weighted Average Cost of Capital (WACC) of individual listed companies may be observed from their trading prices on various international stock markets. The WACC incorporates influences of the asset mix, leverage and the management and growth performance of the company. It is not a direct read-out of the different asset classes (producing assets, undeveloped assets, exploration assets) held by the company. As such, for the purposes of this valuation, GCA has selected discount rates in the range that in its experience would be used by oil and gas companies as a whole contemplating transactions of the kind being undertaken here. The range and impact on value from discount rate in this case is substantially less than that derived from the uncertainty over future oil prices.

Exchange Rate

Crude from Block 212 has been sold in the local currency, and the impact of RMB movements in the long term will have an impact on the value of the asset. In this valuation, GCA has assumed a 6.58 RMB/USD exchange rate, constant throughout the life of the cooperation agreement. Overall, GCA's economic analysis indicates that the currency devaluation of the RMB in relation to the USD that has taken place since the transaction was originally agreed (when it was around 6.2 RMB/USD) has had about a 10% positive impact on valuation when no other factors change as result.

Net Cash/Debt and Working Capital Adjustments

GCA's valuation is of an 80% revenue interest in Block 212 Reserves, and has not made any adjustments for any net cash/debt or working capital positions that may be subject to future reconciliation.

4 Comparison and Discussion of Results Based on Different Valuation Approaches

Block 212 Reserves

DCF Analysis

Tables 4 and 5 below represent the NPVs as at 31st December, 2015, at different discount rates, for the Reserves for an 80% revenue interest in Block 212 under two of the oil price scenarios considered for this valuation; the GCA 1Q2016 scenario and the US$90/Bbl scenario.

Table 4: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case

Discount Rates	**8%**	**10%**	**12%**	**15%**
PDP	40	36	33	29
1P	89	78	69	57
2P	135	117	103	83

Table 5: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — US$90/Bbl Brent Case

Discount Rates	**8%**	**10%**	**12%**	**15%**
PDP	58	53	48	42
1P	133	117	104	87
2P	194	169	149	124

GCA also examined a scenario where low oil prices caused a delay in drilling, with drilling scheduled for 2016 and thereafter delayed to 2018 and beyond. The results of this for the GCA 1Q 2016 oil price scenario is shown in **Table 6**, reducing the NPV by US$1 MM to US$10 MM, depending upon the Reserves category and discount rate assumed.

Table 6: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case (Delayed Drilling Case)

Discount Rates	**8%**	**10%**	**12%**	**15%**
PDP	38	35	32	28
1P	85	73	64	52
2P	126	108	93	74

GCA also carried out several additional sets of sensitivities at the request of Shun Cheong's management.

The first of these considered further cost reductions that Hongbo's management has stated that it can achieve in a low oil price environment. GCA's analysis (**Table 7**) indicates that a 10% reduction in costs from current levels improves the NPV by approximately US$2 MM to US$8 MM.

Table 7: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December, 2015 US$MM — GCA 1Q2016 PRMS Forecast Case (10% Cost Reduction and Delayed Drilling Case)

Discount Rates	8%	10%	12%	15%
PDP	38	35	32	28
1P	97	84	74	61
2P	141	121	105	85

Further sensitivities were undertaken using the US$26/Bbl and US$32/Bbl Brent oil price scenarios requested by Shun Cheong management. GCA has evaluated the economics for the US$32/Bbl case with drilling scheduled for 2016 and thereafter delayed to 2018 and beyond using current costs, but also assuming costs are reduced by a further 10%. No other adjustments were made to the assumed development plan. The US$26/Bbl case was also evaluated assuming costs are reduced by a further 10%, but no cost or price escalation was applied and drilling was not delayed.

The results are shown in **Table 8, 9 and 10** indicating that for the US$32/Bbl case, while there is a significant reduction in NPV, ongoing development is viable. The impact of a further 10% cost reduction is more dramatic at this oil price level than under the GCA 1Q 2016 scenario, increasing NPV by up to US$15 MM, depending upon the Reserves case and discount rate assumed.

However, at US$26/Bbl case the results indicate that the Block 212 project would not be economically viable with the oil price being insufficient to justify ongoing capital expenditure, and bringing forward substantially the point in time where existing production reaches its economic limit.

Table 8: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$32/Bbl Lowest Price Case (Delayed and No Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	23	22	20	19
1P	51	44	38	31
2P	81	69	58	46

Table 9: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$32/Bbl Lowest Price Case (Delayed and 10% Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	29	27	25	22
1P	64	55	48	39
2P	96	82	71	57

Table 10: NPV of 80% RI in Block 212 Proved and Probable Reserves as at 31st December 2015 US$MM — US$26/Bbl Constant Price Case (10% Cost Reduction Case)

Discount Rates	8%	10%	12%	15%
PDP	(6)	(5)	(5)	(4)
1P	(24)	(23)	(22)	(21)
2P	(22)	(22)	(22)	(22)

Valuation Analysis

Based on DCF analysis, Block 212 Reserves would typically be valued based on the NPV at a discount rate of between 8% and 12%.

Given market conditions and the high sensitivity to assumptions, GCA has assessed a value range based on a weighting of the NPVs from the GCA 1Q2016 oil price assumption, and the different higher oil price cases, of which the US$90/Bbl Brent case was taken as representative. The value impact from the risk of delay in development due to persistent low oil prices is assumed to be offset by a reduction in costs in the same environment. The overall set of results from considering the broad range of price scenarios shown in **Figure 3** have also been examined, and suggest a valuation in line with that concluded herein. While the US$32/Bbl sensitivity case shows NPVs significantly lower than the bottom end of the valuation range, and the US$26/Bbl sensitivity gives negative NPVs to the point where it is unlikely that the transaction would be considered, GCA does not believe that either represent a Fair Market Value because in GCA's opinion the market would assume higher future oil prices than embedded in these scenarios.

GCA is also of the opinion that, notwithstanding assurances provided by the PRC legal counsel to Shun Cheong, there is still likely to be a market adjustment for risk associated with the approval for the Production Permit(s). This reflects the likelihood that any transaction involving the Hongbo interest would otherwise have the approval of the Production Permit(s) as a condition precedent.

Comparable Transactions

GCA identified and reviewed three transactions involving oil assets in China (see **Appendix I**) that have taken place in the third Quarter of 2014, in order to consider these for comparison to the NPVs derived above. For the purposes of this valuation, GCA is of the opinion that none of those transactions are suitable as not only did they take place in the context of a very different oil price environment, but they also involved only a very small Reserve base, or the assets concerned include assets located offshore China and other countries.

Fair Market Value

It is GCA's opinion that, as of 31st December, 2015, and subject to a number of key assumptions or meeting pre-conditions outlined herein, Hongbo's 80% revenue interest in Block 212 is worth between US$120 million and US$130 million.

Notwithstanding the effective date, which governs the date from which Hongbo would be entitled to its share of revenue, the value range has taken into account the actual oil price that would have been received, and market conditions prevailing during the first half of 2016. This time window has exhibited extreme volatility. Having fallen from over US$100 per barrel in the middle of 2014 to under US$50 per barrel in early 2015, oil prices recovered to almost US$70 per barrel by May before sliding dramatically again to under US$30 per barrel in early 2016. Towards the end of the first quarter 2016 they once more improved to hover around the US$45 to US$50 per barrel range for much of May and June. General market sentiment which was very negative for much of the first quarter of 2016 has also improved, although remains cautious and, while there are signs that the number of transactions are increasing, there is no clear and firm trend yet and any valuation still needs to reflect a range of uncertainty in future oil prices. However, this is not considered material in the context of the valuation range given herein.

Hongbo's management has indicated that while it intends to continue with the planned development program for the time being, and it has been able to take significant advantage of cost reductions resulting from the current market environment, if low prices were to return it may defer or adjust plans. GCA has taken into account in its valuation the benefit of such cost reductions and the risk of such deferral.

Qualifications

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with Shun Cheong. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

This report was prepared by or under the guidance of Mr. Stephen Lane, and approved at a corporate level by Mr. Robert George, Vice President of GCA. Mr. Lane holds a degree in geoscience, and Mr. George a degree in geoscience and an MBA. Both have more than 40 years industry experience in economic analysis and public report preparation.

Notice

This document has been prepared for inclusion in a Circular to Shun Cheong's shareholders once the form and context of its inclusion has been approved by GCA. It may not be distributed nor made available, in whole or in part, for any other purpose. In line with standard contract conditions for work of this kind Shun Cheong has indemnified GCA, its affiliated entities and persons involved in the preparation of this report against any claims that might be made by Shun Cheong or a third party resulting from use of or reliance on this report for any other purpose.

Yours sincerely,
Gaffney, Cline & Associates

Project Manager
Stephen Lane, *Technical Director*
80 Anson Road, 31–01C Fuji Xerox Towers, Singapore 079907
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Appendix

I. Transactions in China (from August 2014 to Late 2015)

TRANSACTIONS IN CHINA (FROM AUGUST 2014 TO LATE 2015)

Date Announced	Target	Acquirer	Deal Type	Transaction Value (US$ MM)	Net 2P Reserves (MMboe)	Implied 2P US$/boe
3 Aug, 2014	Roc Oil	Fosun	Corporate	442	17.2	26
21 Aug, 2014	MIE — Block Kongnan, Hebei	China Oil HBP	Asset	83	5.1	16
26 Sep, 2014	MIE — Block Miao 3, Jilin	Undisclosed	Asset	25	0.5	46

Notes:

1. Source: Titan Gas & GCA.

2. Fosun — Roc Oil transaction involved offshore assets in China, Malaysia, Australia and UK. No onshore assets in transaction.

3. MIE/Block Kongnan transaction Net 2P reserves is less than half of Hongbo's 80% RI 2P reserves (11.6 MMbbl).

4. MIE/Block Miao 3 transaction Net 2P reserves are extremely small, and the implied value per boe significantly higher than either of the other two transactions.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON DISCOUNTED FUTURE CASH FLOWS

The following is the text of a report received from the reporting accountant, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this circular.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 June 2016

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF AN 80% REVENUE INTEREST IN THE OIL RESERVES ATTRIBUTABLE TO XILIN GOL LEAGUE HONGBO MINING DEVELOPMENT CO., LTD. IN BLOCK 212 IN THE ULIASTAI DEPRESSION OF THE ERLIAN BASIN, INNER MONGOLIA

TO THE DIRECTORS OF SHUN CHEONG HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation (the "**Valuation**") dated 29 June 2016 prepared by Gaffney, Cline & Associates (Consultants) Pte. Ltd. ("**GCA**") in respect of the appraisal of the value of an 80% revenue interest in the oil reserves attributable to Xilin Gol League Hongbo Mining Development Co., Ltd. in Block 212 in the Uliastai Depression of the Erlian Basin, Inner Mongolia (the "**Revenue Interest**") as at 31 December 2015 is based. The Valuation is prepared based in part on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Rule 11.1(a) of the Code on Takeovers and Mergers issued by the Securities and Futures Commission (the "**Takeovers Code**").

Directors' Responsibilities

The directors of Shun Cheong Holdings Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Revenue Interest or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and Rule 10.3(b) of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong

C. REPORT FROM REORIENT FINANCIAL MARKETS LIMITED ON THE COMPETENT EVALUATOR'S REPORT

The following is the text of a report received from the financial advisor to the Company, REORIENT Financial Markets Limited, for inclusion in this circular.

瑞東
REORIENT

29 June 2016

The Board of Directors
Shun Cheong Holdings Limited
Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

Dear Sirs

SHUN CHEONG HOLDINGS LIMITED (THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")

COMPETENT EVALUATOR'S REPORT PREPARED BY GAFFNEY, CLINE & ASSOCIATES ("COMPETENT EVALUATOR") DATED 29 JUNE 2016 AS SET OUT IN THE COMPANY'S CIRCULAR DATED 29 JUNE 2016 (THE "CIRCULAR")

We refer to the Competent Evaluator's Report dated 29 June 2016 in respect of the valuation of the potential value of the 80% revenue interest (the "**Revenue Interest**") of Xilin Gol League Hongbo Mining Development Co., Ltd. (the "**PRC Target**") in Unit 2 and Unit 19 of Block 212 in Uliastai Depression of the Erlian Basin, Inner Mongolia, China as of 31 December 2015 (the "**Valuation Range**") as set out in Appendix VIII to the Circular. Pursuant to an acquisition agreement dated 22 June 2015 (as amended by agreements dated 20 November 2015, 28 January 2016 and 23 March 2016), the Company has conditionally agreed to acquire the entire equity interest in the PRC Target. Capitalised terms used in this letter, unless otherwise defined, shall have the same meanings as those defined in the Circular.

Our work does not constitute any valuation of the equity interest in the PRC Target or any assets, liabilities or interests of the PRC Target. We understand that the Valuation Range has been independently prepared by the Competent Evaluator based on, among other things, (1) its projections of future oil production in Unit 2 and Unit 19 of Block 212 based on the development plan of the PRC Target and as modified in the Independent Technical Report, as considered therein appropriate in different scenarios and cases covering (i) the proved developed reserves, (ii) proved reserves, and (iii) proved plus probable reserves, (2) its perception of the market outlook for future oil prices and thus the selling prices of any crude oil produced from Unit 2 and Unit 19 of Block 212 under different assumptions, (3) the capital, operating and other cost and expenses in respect of the development and production plan under different scenarios covering (i) the proved developed reserves, (ii) proved reserves, and (iii) proved plus probable reserves, and (4) different discount rates reflecting the different risk characteristics of the different reserves categories. Details of the bases and assumptions of the Valuation are set out in the Competent Evaluator's Report. The Competent Evaluator's Report shall be read in conjunction with the Independent Technical Report, as set out in Appendix VII to the Circular, which sets out the Competent Person's independent assessment of the estimated reserves and resources in Unit 2 and Unit 19 of Block 212 (including the projected level of production under different scenarios) as well as the details of the PRC Target's development plan and the related projected cost and expenses. The Independent Technical Report has been prepared using the definitions of the PRMS and the Valuation Report has been prepared using the VALMIN Code (2005 edition) in accordance with the Listing Rules requirement.

The Competent Evaluator has set out different analyses of the estimated NPVs of the PRC Target's 80% revenue interest in Unit 2 and Unit 19 of Block 212 in the Competent Evaluator's Report including (1) those under an oil price assumption which assumes an average Brent Crude Price of US$40.90 per barrel in 2016 escalating to US$70.00 per barrel in 2019 and then further escalating by 2% per annum thereafter (the "**GCA 1Q2016 case**"), (2) those under an upside case which assumes an average Brent Crude Price of US$45.00 per barrel in 2016 escalating to US$90.00 per barrel in 2019 and then further escalating by 2% per annum thereafter (the "**US$90 case**"), (3) those under a downside case which assumes an average Brent Crude Price of US$32.00 per barrel in 2016 followed by changes based on the Brent future strip for 2017 up to 2020 and then escalating by 2% per annum thereafter (the "**US$32 case**"), and (4) those under a further downside case which assumes an average Brent Crude Price of US$26.00 per barrel in 2016 and throughout the entire project life (the "**US$26 case**"). We understand that none of those NPV analyses individually represents an opinion of the Competent Evaluator as to the market value of the PRC Target's interest in Block 212.

We understand from the Competent Evaluator that when it considered the Valuation Range, it has substantively weighted its opinion on the assumption that future oil prices will be more reflective of the price assumption under the GCA 1Q2016 case but it has also recognised the potential upside value of the Revenue Interest in a higher crude oil price environment, as illustrated by the US$90 case, by adjusting its valuation opinion upwards to reflect the possibility that such a scenario could occur. It is stated in the Competent Evaluator's Report that while the US$32 case shows NPVs significantly lower than the bottom end of the Valuation Range, the Competent Evaluator does not believe that it represents a fair market value case because in its opinion, the market would assume higher future oil prices than embedded in this scenario. Similarly, the Competent Person does not consider the US$26 case to represent a fair market value case. We are not an oil industry expert and do not express any opinion on future oil prices. We note that the price assumptions of the Competent Evaluator under the GCA 1Q2016 case and the US$90 case are consistent with other available market oil price forecasts in 2016 that we could identify using Bloomberg.

We note that the Competent Evaluator has taken into account the above NPV analyses in arriving at the Valuation Range after considering other subjective factors such as the Competent Evaluator's professional judgement on the effect of potential delays, further cost reduction, nature of competition perceived, and market conditions/sentiment. Accordingly the final Valuation Range does not equate to any particular NPV under any of the scenarios set out in the Competent Evaluator's Report.

As the NPV analyses under the GCA 1Q2016 case and the US$90 case play a significant part in the process of determining the Valuation Range and those NPVs have been prepared based on the discounted cash flow method, they are therefore regarded as a profit forecast under Rule 11.1(a) of the Takeovers Code, which is required to be reported on (as set out below) by us pursuant to the Takeovers Code.

Furthermore, we are also required under Rule 11.1(b) of the Takeovers Code to report on the qualifications and experience of the Competent Evaluator in preparing the Competent Evaluator's Report and this letter also constitutes such report from us.

We have reviewed the Competent Evaluator's Report and discussed with the Competent Person regarding the Independent Technical Report and the Competent Evaluator regarding the Competent Evaluator's Report, including the qualifications, bases and assumptions set out therein. We have also discussed with the Company regarding the qualifications of the Competent Person and the bases and assumptions of the discounted cash flows used in the NPV analyses under the GCA 1Q2016 case and the US$90 case. We have also considered the letter addressed to the Company from KPMG dated 29 June 2016 as set out in Appendix VIII to the Circular on the calculations of the discounted cash flows used in the NPV analyses under the GCA 1Q2016 case and the US$90 case and noted that KPMG is of the opinion that, in so far as such calculations are concerned, these have been properly compiled in all material respects in accordance with the bases and assumptions.

In arriving at our views, we have relied on information and materials supplied to us by the Company, the PRC Target and the Competent Evaluator, and the opinions expressed by, and the representations of, the management of the Group, the PRC Target and the Competent Evaluator, which we have assumed to be true, accurate, complete and not misleading and remain so as of the date hereof, and that no material fact or information has been omitted therefrom. Circumstances could have developed or could develop in the future that, if known to us at the time of the issue of this letter, may affect our assessment and our views on the Valuation Range.

With regard to the Competent Evaluator's qualifications and experience, we have conducted reasonable checks to assess its relevant qualifications, and experience, including reviewing the supporting documents on the qualifications and experience of staff members of the Competent Evaluator signing off the Competent Evaluator's Report.

We are acting as the financial advisor to the Company in relation to the Transactions. We and our respective directors and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the Transactions, nor will we, our respective directors and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Transactions.

On the basis of the foregoing and the information comprising the Competent Evaluator's Report, and our discussions with and understanding from the Competent Evaluator, we are of the opinion that the bases and assumptions set out in the Competent Evaluator's Report in respect of the NPV analyses under the GCA 1Q2016 case and the US$90 case, which are prepared by the Competent Evaluator and duly reviewed and accepted by the directors of the Company (and are considered to be determined by the directors of the Company for the purposes of this report), have been made with due care and consideration as a whole for the purpose of determining the Valuation Range. We are also satisfied that the Competent Evaluator is suitably qualified and experienced to undertake the determination of the Valuation Range competently.

We are not an expert on oil and gas project development or investment. This letter does not represent any opinion by us on any future production and sale levels, the future level of development and production cost and profitability of Unit 2 and Unit 19 of Block 212, the PRC Target or the Group. Further, we would caution that the bases and assumptions underlying the Valuation Range (including, among other things, the estimation of reserves and resources, and the projections of future production, development expenditures, operating expenses and cash flows) are inherently subjected to potentially significant uncertainties and contingencies in respect of business environment, general economy, market competition, and interpretation of geoscience and engineering data, which are beyond the control of the Company, the PRC Target, the Competent Evaluator and us. Accordingly, neither the Independent Technical Report nor the Competent Evaluator's Report shall be construed as a guarantee or prediction of results, and no warranty is implied or expressed that the actual outcome will conform to the outcomes presented therein. Attention should be paid to the risk factors and limitations as explained in the Independent Technical Report and the Competent Evaluator's Report.

We make no representation as to the legal interpretation of the above information as presented in the Circular.

This letter is supplied on the understanding that it is for the sole use of the Company. It must not be made available to any other party or filed with or referred to (either in whole or in part) in the Circular or any other document or otherwise quoted, circulated or used for any other purpose without our prior written consent, except that we understand a copy of this letter will be lodged with the Stock Exchange and the Executive and included in the Circular to be despatched by the Company. For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties are specifically disclaimed, except those of our responsibilities under the Takeovers Code, the Listing Rules or other applicable laws and regulations that cannot be disclaimed.

Yours faithfully
For and on behalf of
REORIENT Financial Markets Limited
Allen Tze
Managing Director