



金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

INTERIM REPORT
2017





Corporate Information

Board of Directors

Executive Directors

Ms. Gloria Chang Wong (*Chairman*)
Mr. Zong Hao (*Chief Executive Officer*)
Mr. Xu Zhuliang
Mr. Benjamin Clark Danielson
Ms. He Qing

Independent Non-Executive Directors

Mr. Chiu Sui Keung
Mr. Lu Binghui
Mr. Lee Ping
Mr. Liu Shengming

Audit Committee

Mr. Chiu Sui Keung (*Chairman*)
Mr. Lu Binghui
Mr. Lee Ping

Remuneration Committee

Mr. Chiu Sui Keung (*Chairman*)
Mr. Xu Zhuliang
Mr. Lu Binghui

Nomination Committee

Ms. Gloria Chang Wong (*Chairman*)
Mr. Chiu Sui Keung
Mr. Lu Binghui

Authorised Representatives

Mr. Zong Hao
Mr. Lee Tao Wai

Company Secretary

Mr. Lee Tao Wai

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Legal Adviser

Michael Li & Co.
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

Registered Office & Principal Place Of Business in Hong Kong

Unit 7603, 76/F, The Center
99 Queen's Road Central
Hong Kong

Share Registrar

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

Company Website

<http://www.663hk.com>

Stock Code

00663



Operating Mines

Capital Expenditure

The capital expenditure for development and mining production activities was approximately HK\$0.3 million during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$0.6 million).

Fujian Leixin Silver Mines

Fu'an Silver Mine (the West Mine)

Name	Fu'an City Leixin Mining Company Limited
Location	Fu'an City, Fujian
Licensed area	2.1 km ²
Mining rights validity	2010–2020
Designed capacity	198,000 tons per annum
Status	Operating

Zherong Silver Mine (the East Mine)

Name	Zherong County Leixin Mining Company Limited
Location	Zherong County, Fujian
Licensed area	4.97 km ²
Exploration rights validity	2017–2018
Designed capacity	660,000 tons per annum
Status	Under construction



Operating Mines *(continued)*

Fujian Leixin Silver Mines *(continued)*

	The West Mine	The East Mine
As at 30 November 2013		
Inferred resources (million tons)	1.71	1.73
Indicated resources (million tons)	0.87	6.35
Probable ore reserves (million tons)	0.82	5.95
Ore grade (g/t)	211.4	128.6
Silver metal (tons)	173	765
Actual output in 2013 (million tons)	-	-
Actual output in 2014 (million tons)	(0.01)	-
Actual output in 2015 (million tons)	(0.06)	-
Actual output in 2016 (million tons)	(0.01)	-
Actual output in the 6-month period ended 30 June 2017 (million tons)	-	-
	(0.08)	-
As at 30 June 2017		
Inferred resources (million tons)	1.63	1.73
Indicated resources (million tons)	0.79	6.35
Probable ore reserves (million tons)	0.74	5.95

Note: The above information are extracted from technical report issued by SRK Consulting China Limited dated 10 March 2014 after deduction of actual output up to 30 June 2017 based on Leixin's record.



Operating Mines *(continued)*

Craton Oil and Gas Fields

	Natural gas (million cubic feet)	Natural gas liquid (NGL) (thousand bbl)	Oil (thousand bbl)
As at 1 January 2015			
Proved reserves	16,986.89	449.67	191.67
Probable reserves	19,621.22	519.40	225.02
Possible reserves	31,342.41	829.67	359.46
	67,950.52	1,798.74	776.15
Adjustments based on acreage held			
Proved reserves	(3,611.92)	(95.61)	(41.42)
Probable reserves	(11,455.36)	(303.24)	(131.37)
Possible reserves	(22,534.33)	(596.51)	(258.44)
	(37,601.61)	(995.36)	(431.23)
Actual output in year 2015	(688.36)	(23.62)	(8.52)
Actual output in year 2016	(389.71)	(14.08)	(4.49)
Actual output in the 6-month period ended 30 June 2017	(133.34)	(5.57)	(1.44)
	(1,211.41)	(43.27)	(14.45)
As at 30 June 2017			
Proved reserves	12,163.56	310.79	135.80
Probable reserves	8,165.86	216.16	93.65
Possible reserves	8,808.08	233.16	101.02
	29,137.50	760.11	330.47

Note: The above information are extracted from reserve report issued by Cawley, Gillespie & Associates Inc. on 3 March 2015 after adjustments based on acreage held and deduction of actual output up to 30 June 2017 based on Craton's record.



The unaudited condensed consolidated results of King Stone Energy Group Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2017 with comparative figures for the corresponding period in 2016 are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
REVENUE	4	9,685	6,347
Cost of sales		(3,520)	(7,911)
Gross profit/(loss)		6,165	(1,564)
Other income and gains, net	4	13,007	8,120
Selling and distribution expenses		-	(26)
Administrative expenses		(31,341)	(34,887)
Finance costs	5	(29,043)	(21,501)
Share of loss of an associate		(403)	-
Loss before tax	6	(41,615)	(49,858)
Income tax	7	(1,133)	(1,017)
Loss for the period		(42,748)	(50,875)



	Note	For the six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale equity investments		(2,655)	(6,795)
Exchange differences on translation of foreign operations		9,851	(4,513)
Share of movement in exchange fluctuation reserve of an associate		13	-
Other comprehensive income/(loss) for the period		7,209	(11,308)
Total comprehensive loss for the period		(35,539)	(62,183)
Loss for the period attributable to:			
Shareholders of the Company		(26,928)	(37,540)
Non-controlling interests		(15,820)	(13,335)
		(42,748)	(50,875)
Total comprehensive loss for the period attributable to:			
Shareholders of the Company		(22,264)	(46,741)
Non-controlling interests		(13,275)	(15,442)
		(35,539)	(62,183)
Loss per share attributable to shareholders of the Company			
Basic and diluted	8	(HK\$0.004)	(HK\$0.008)



Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		53,773	55,165
Prepaid land premiums		884	888
Intangible assets		247,490	239,869
Investment in an associate		5,584	–
Available-for-sale investments		6,811	9,465
Lease, factoring and trade receivables	9	174,659	176,670
Prepayments, deposits and other receivables	10	2,652	2,593
Total non-current assets		491,853	484,650
CURRENT ASSETS			
Inventories		1,055	1,118
Lease, factoring and trade receivables	9	19,329	16,472
Prepayments, deposits and other receivables	10	181,942	169,182
Restricted cash		362	351
Cash and cash equivalents		276,365	301,665
Total current assets		479,053	488,788
CURRENT LIABILITIES			
Trade payables	11	1,966	2,751
Other payables and accruals		17,441	17,079
Other loans		141,276	108,692
Income tax payables		15,559	15,746
Total current liabilities		176,242	144,268
NET CURRENT ASSETS		302,811	344,520



	Note	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		794,664	829,170
NON-CURRENT LIABILITIES			
Other payables and accruals		548	512
Deferred tax liabilities		31,168	30,171
Total non-current liabilities		31,716	30,683
Net assets		762,948	798,487
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	12	2,703,301	2,703,301
Reserves		(1,994,014)	(1,971,750)
Non-controlling interests		709,287	731,551
		53,661	66,936
Total equity		762,948	798,487



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to shareholders of the Company						Total equity HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Exchange fluctuation reserve HK\$'000 (unaudited)	Available-for-sale investment revaluation reserve HK\$'000 (unaudited)	Accumulated losses HK\$'000 (unaudited)	Total HK\$'000 (unaudited)	Non-controlling interests HK\$'000 (unaudited)	
At 1 January 2017	2,703,301	(31,965)*	1,035*	(1,940,820)*	731,551	66,936	798,487
Loss for the period	-	-	-	(26,928)	(26,928)	(15,820)	(42,748)
Other comprehensive loss							
-Fair value change of available-for-sale equity investments	-	-	(2,655)	-	(2,655)	-	(2,655)
-Exchange differences:							
Translation of foreign operations	-	7,306	-	-	7,306	2,545	9,851
Share of movement in exchange fluctuation reserve of an associate	-	13	-	-	13	-	13
Total comprehensive income/(loss) for the period	-	7,319	(2,655)	(26,928)	(22,264)	(13,275)	(35,539)
At 30 June 2017	2,703,301	(24,646)*	(1,620)*	(1,967,748)*	709,287	53,661	762,948



For the six months ended 30 June 2016

	Attributable to shareholders of the Company						
	Share capital	Exchange fluctuation reserve	Available-for-sale investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2016	2,287,807	(15,038)	11,469	(1,829,436)	454,802	133,106	587,908
Loss for the period	-	-	-	(37,540)	(37,540)	(13,335)	(50,875)
Other comprehensive loss							
-Fair value change of available-for-sale equity investments	-	-	(6,795)	-	(6,795)	-	(6,795)
-Exchange differences on translation of foreign operations	-	(2,406)	-	-	(2,406)	(2,107)	(4,513)
Total comprehensive loss for the period	-	(2,406)	(6,795)	(37,540)	(46,741)	(15,442)	(62,183)
Issue of new shares	415,494	-	-	-	415,494	-	415,494
At 30 June 2016	2,703,301	(17,444)	4,674	(1,866,976)	823,555	117,664	941,219

* These reserve accounts comprise the consolidated negative reserves of HK\$1,994,014,000 (31 December 2016: HK\$1,971,750,000) in the condensed consolidated statement of financial position as at 30 June 2017.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cash Flows From Operating Activities		
Cash used in operations	(22,073)	(324,034)
Income tax paid	(514)	(16)
Net cash flows used in operating activities	(22,587)	(324,050)
Cash Flows From Investing Activities		
Interest received	148	50
Purchase of items of property, plant and equipment	(739)	(605)
Proceeds from disposal of items of property, plant and equipment	35	-
Acquisition of and additions to intangible assets	(263)	(687)
Acquisition of an associate	(6,000)	-
Decrease in loan receivables included in prepayments, deposits and other receivables	-	50,011
Net cash flows from/(used) in investing activities	(6,819)	48,769
Cash Flows From Financing Activities		
Issue of shares	-	417,000
Share issue expenses	-	(1,506)
Net cash flows from financing activities	-	415,494
Net increase/(decrease) in cash and cash equivalents	(29,406)	140,213
Cash and cash equivalents at beginning of period	301,665	203,322
Effect of foreign exchanges rates changes	4,106	(3,853)
Cash and cash equivalents at end of period	276,365	339,682



Notes to Unaudited Interim Condensed Consolidated Financial Statements

1. Corporate Information

King Stone Energy Group Limited (the “Company”) is a limited liability company incorporated in Hong Kong and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Unit 7603, 76/F, The Center, 99 Queen’s Road Central, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally involved in (i) the mining and sale of silver in the mainland (“Mainland China”) of the People’s Republic of China (the “PRC”); (ii) oil and gas extraction, production and sale in the United States of America (the “USA”); and (iii) provision of asset financing and factoring services in Mainland China.

In the opinion of the directors, the immediate holding company of the Company is Belton Light Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Jade Bird Energy Fund II, L.P., which is an exempted limited partnership registered in the Cayman Islands.

2.1 Basis of Preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They are unaudited but have been reviewed by the Audit Committee of the Company.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s 2016 annual financial statements.

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA as disclosed in note 2.2 below.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:



2.1 Basis of Preparation *(continued)*

The Company has delivered its consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on the Company's consolidated financial statements for the year ended 31 December 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised standards for the first time for the current period's condensed consolidated financial statements:

Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised losses</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.



3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the “Silver mining” segment engages in the mining and sale of silver in Mainland China;
- (b) the “Oil and gas” segment engages in oil and gas exploration, production and sale in the USA; and
- (c) the “Asset financing” segment engages in the provision of finance leasing and factoring services in Mainland China.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that share of loss of an associate and corporate and other unallocated income/(expenses) are excluded from such measurement.

Segment assets exclude investment in an associate, available-for-sale equity investments, restricted cash, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude corporate and other unallocated liabilities as these liabilities are managed on a group basis.



3. Operating Segment Information *(continued)*

	Silver mining		Oil and gas		Asset financing		Total	
	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)
Segment revenue- Sales to external customers	-	2,579	3,521	3,734	6,164	34	9,685	6,347
Segment results	(31,357)	(26,016)	(4,493)	(5,475)	3,133	(61)	(32,917)	(31,552)
<i>Reconciliation:</i>								
Corporate and other unallocated expenses							(8,698)	(18,306)
Loss before tax							(41,615)	(49,858)
Income tax							(1,133)	(1,017)
Loss for the period							(42,748)	(50,875)
	Silver mining		Oil and gas		Asset financing		Total	
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Segment assets	272,692	264,928	33,993	36,059	196,022	194,810	502,707	495,797
<i>Reconciliation:</i>								
Investment in an associate							5,584	-
Available-for-sale equity investments							6,811	9,465
Restricted cash							362	351
Cash and cash equivalents							276,365	301,665
Corporate and other unallocated assets							179,077	166,160
Total assets							970,906	973,438
Segment liabilities	(144,990)	(113,942)	(12,531)	(11,572)	(2,738)	(970)	(160,259)	(126,484)
<i>Reconciliation:</i>								
Corporate and other unallocated liabilities							(47,699)	(48,467)
Total liabilities							(207,958)	(174,951)



3. Operating Segment Information *(continued)*

	Silver mining		Oil and gas		Asset financing		Total	
	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2017 HK\$'000 (unaudited)	For the six months ended 30 June 2016 HK\$'000 (unaudited)
Other segment information:								
Share of loss of an associate:								
Segment assets	-	-	-	-	-	-	-	-
Unallocated assets							403	-
							403	-
Depreciation:								
Segment assets	611	1,442	1,768	1,415	4	4	2,383	2,861
Unallocated assets							237	235
							2,620	3,096
Amortisation of prepaid land premiums	32	33	-	-	-	-	32	33
Amortisation of intangible assets	-	548	83	-	8	-	91	548
Capital expenditure*	656	524	347	81	-	-	1,003	605
Gain on disposal of property, plant and equipment	(29)	-	-	-	-	-	(29)	-

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Mainland China	6,164	2,613
USA	3,521	3,734
	9,685	6,347



3. Operating Segment Information *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Mainland China	274,767	261,779
USA	32,954	34,130
Others	10	13
	307,731	295,922

The non-current asset information disclosed above is based on the locations of the assets and excludes financial instruments.

During the six months ended 30 June 2017, the Group acquired additional property, plant and equipment of HK\$739,000 (Period ended 30 June 2016: HK\$605,000) and disposed of certain property, plant and equipment of HK\$253,000 (Period ended 30 June 2016: Nil) and an intangible asset which was fully impaired in prior year.

Information about major customers

During the period, the Group had transactions with four (Period ended 30 June 2016: three) individual external customers which each contributed more than 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer A from the silver mining segment	N/A*	2,579
Customer B from the oil and gas segment	3,018	3,061
Customer C from the oil and gas segment	N/A*	673
Customer D from the asset financing segment	3,341	N/A*
Customer E from the asset financing segment	1,818	N/A*
Customer F from the asset financing segment	1,005	N/A*

* The corresponding revenue of these customers is not disclosed as they individually did not contribute more than 10% of the Group's total revenue for the relevant period



4. Revenue, Other income and Gains, Net

Revenue represents (i) the net invoiced value of goods sold, after allowances for returns and trade discounts; and (ii) interest income and management fee income generated from asset financing service, net of value-added tax and government surcharges.

An analysis of revenue, other income and gains, net is as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue		
Sales of goods	3,521	6,313
Interest income of asset financing service	5,156	34
Management fee income of asset financing service	1,008	–
	9,685	6,347
Other income		
Bank interest income	148	50
Trading income, net*	2,525	8,070
	2,673	8,120
Gains, net		
Gain on disposal of items of property, plant and equipment	29	–
Gain on disposal of an intangible asset	1,231	–
Foreign exchange differences, net	9,074	–
	10,334	–
Other income and gain, net	13,007	8,120

* During the period, the Group entered into contracts to buy and sell a commodity with total purchase and sales amounts of HK\$172,180,000 (Period ended 30 June 2016: HK\$713,777,000) and HK\$174,705,000 (Period ended 30 June 2016: HK\$705,707,000), respectively.

At 30 June 2017, the Group did not hold similar contracts for the purchase and sale of the commodity (31 December 2016: Nil). Details of receivables arising from the trading of the commodity are set out in note 10(b) to the financial statements.



5. Finance Costs

An analysis of the Group's finance costs is as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest and other borrowing costs on overdue other loans	7,177	3,153
Penalty on overdue other loans	21,866	18,348
	29,043	21,501

6. Loss Before Tax

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

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cost of inventories sold	3,520	7,911
Depreciation	2,620	3,096
Amortisation of prepaid land premiums	32	33
Amortisation of intangible assets	91	548
Minimum lease payments under operating leases for buildings	2,392	2,559
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	14,607	17,186
Pension scheme contributions (defined contribution scheme)	268	172
	14,875	17,358
Foreign exchange differences, net	(9,074)	3,310



7. Income Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period (Period ended 30 June 2016: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current – Mainland China	1,077	-
Deferred – Mainland China	56	1,017
	1,133	1,017

8. Loss per Share Attributable to Shareholders of the Company

The calculation of basic loss per share amount is based on the unaudited loss for the period attributable to shareholders of the Company of HK\$26,928,000 (Period ended 30 June 2016: HK\$37,540,000), and the weighted average number of ordinary shares of 7,010,055,568 (Period ended 30 June 2016: 4,954,806,949) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2017 and 2016 for a dilution as the Group had no potential dilutive ordinary shares in issue during the period ended 30 June 2017 and the impact of warrants of the Company outstanding during the prior period had no dilutive effect on the basic loss per share amount presented for the prior period.



9. Lease, Factoring And Trade Receivables

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Gross lease receivable	(a)	39,771	47,726
Less: Unearned finance income		(997)	(3,218)
Net lease receivable	(a)	38,774	44,508
Factoring receivables	(b)	151,518	147,043
Management fee receivables of asset financing services	(c)	3,003	603
Trade receivables	(d)	693	988
Total lease, factoring and trade receivables		193,988	193,142
Portion classified as current assets		(19,329)	(16,472)
Non-current portion		174,659	176,670

Notes:

- (a) The balance as at 30 June 2017 represented a lease receivable with an original principal amount of RMB38,800,000 provided by the Group in its ordinary course of business to a lessee, which is a company with a director who is also a director of the Company and principally engaged in coal mining business, in connection with a finance lease arrangement of certain plant and equipment. The lease receivable bears interest at a floating rate of three-year lending rate promulgated by the People's Bank of China plus 20% margin and is repayable within 3 years in 5 equal semi-annual instalments of RMB7,127,000 each. During the period, interest income of HK\$981,000 (Period ended 30 June 2016: Nil) was recognised in profit or loss in respect of the lease receivable.



9. Lease, Factoring And Trade Receivables *(continued)*

Notes: *(continued)*

(a) *(continued)*

At 30 June 2017, the Group's total future minimum lease receivables under the lease receivable and their present value were as follows:

	30 June 2017		31 December 2016	
	Gross investment in the finance lease HK\$'000 (unaudited)	Present value of minimum lease receivables HK\$'000 (unaudited)	Gross investment in the finance lease HK\$'000 (audited)	Present value of minimum lease receivables HK\$'000 (audited)
Amounts receivable:				
Within one year	15,909	14,896	15,909	14,058
In the second year	15,909	15,694	15,909	14,797
In the third to fifth years, inclusive	7,953	8,184	15,908	15,653
Total minimum lease receivable	39,771	38,774	47,726	44,508
Future interest income	(997)		(3,218)	
Total net lease receivable	38,774		44,508	

(b) The Group's factoring receivables arose from factoring services provided in the ordinary course of business of the Group to an intermediate holding company of a company which has a director who is also a director of the Company and an investee of a company which has a supervisor who is a director of the Company. These factoring receivables bear interest at a floating rate of the three-year lending rate promulgated by the People's Bank of China plus 20% margin, due in 2019 and each is secured by a receivable owed by a debtor to the customer. During the period, interest income of HK\$4,177,000 (Period ended 30 June 2016: Nil) in total was recognised in profit or loss in respect of these factoring receivables.

The factoring receivables as at 30 June 2017 and 31 December 2016 are neither past due nor impaired based on the due date.

(c) Management fee receivables arose from the provision of finance leasing and factoring services to the three related companies mentioned in notes (a) and (b) above. The management fee is charged at 1% per annum of the principal amounts of the receivables and management fee income of HK\$1,008,000 (Period ended 30 June 2016: Nil) in total was recognised in profit or loss during the period. The management fee receivables as at 30 June 2017 are past due for less than or equal to six months (2016: less than six months).

(d) The Group's trading terms with its customers from silver and oil and gas segments are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management.



9. Lease, Factoring And Trade Receivables *(continued)*

Notes: *(continued)*

(d) *(continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within one month	–	988
One to six months	693	–
	693	988

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Neither past due nor impaired	–	988
Past due for less than three months	693	–
	693	988

Receivables that were neither past due nor impaired relate to customers with no recent history of default.

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



10. Prepayments, Deposit And Other Receivables

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Prepayments		6,246	6,888
Deposits and other receivables	(a)	3,643	4,274
Receivables on commodity trading	(b)	174,705	160,613
		184,594	171,775
Portion classified as current assets		(181,942)	(169,182)
Non-current portion		2,652	2,593

Notes:

- (a) Included in the balances as at 30 June 2017 and 31 December 2016 were loan receivables of HK\$32,326,000 advanced to independent third parties which were unsecured, interest-free and overdue. These balances were fully impaired in prior year.
- (b) Receivables on commodity trading as at 30 June 2017 arose from selling nickel to a related company, which has a director who is also a director of the Company, and its subsidiary. The amounts due from these companies are unsecured, interest-free and repayable in 90 days after the relevant transactions. During the period, the gross trading amount of the commodity with that related company and its subsidiary amounted to HK\$174,705,000 (Period ended 30 June 2016: HK\$400,624,000) and the associated net trading income amounted to HK\$2,525,000 (Period ended 30 June 2016: HK\$8,070,000).

11. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Less than six months	1,884	1,858
Six months to one year	-	813
More than one year	82	80
	1,966	2,751

The trade payables are non-interest-bearing and are normally settled on a term of 60-day for trade payables.



12. Share Capital

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Issued and fully paid: 7,010,055,568 ordinary shares	2,703,301	2,703,301

13. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2017 (31 December 2016: Nil).

14. Commitments

(a) Operating Lease Commitments

The Group leases certain of its office premises and a director's quarter under operating lease arrangements. Leases are negotiated for terms ranging from one to three years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within one year	3,361	3,140
In the second to fifth years, inclusive	952	1,616
	4,313	4,756

(b) Capital Commitments

At 30 June 2017, in addition to the operating lease commitments detailed in note 14(a) above, the Group had a capital commitment of HK\$1,727,000 (2016: HK\$1,674,000) in respect of the acquisition of a 30% equity interest in Liaoyuan under a disposal agreement entered into with Jumbo Talent Group Limited ("Jumbo Talent", an independent third party) on 2 April 2015 and a supplemental agreement entered into with Jumbo Talent and Eerduosi Hengtai Coal Company Limited on 26 June 2015, which is contracted, but not provided for.



15. Related Party Disclosures

- (a) Other than the balances and transactions detailed elsewhere in these interim condensed financial statements, the Group did not have other significant related party balances as at the end of the reporting period and related party transactions during the reporting period.
- (b) Compensation of Key Management Personnel of the Group

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short term employee benefits	4,181	3,035
Post-employment benefits	9	-
Total compensation paid to key management personnel	4,190	3,035

16. Event After the Reporting Period

In February 2017, the lender of a loan of RMB5,500,000 (approximately equivalent to HK\$6,331,000) advanced to the Group, which is unsecured, bears interest at 15% per annum, is repayable on 1 January 2016 and subject to an overdue penalty of 1% on the overdue balance, filed a legal claim against a subsidiary of the Group for recovering the overdue loan with accrued interest and penalty. Subsequent to the end of the reporting period, on 27 July 2017, judgement has been made by the court against the Group for the payment of a sum of RMB8,739,000 (approximately equivalent to HK\$10,059,000, including the loan principal, interest and penalty) to the lender. In the opinion of the directors of the Company, adequate provision has been made for the overdue interest and penalty in "Other loans" in the interim condensed consolidated financial statements.

17. Comparative amounts

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.



Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2017 (Period ended 30 June 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in exploring and drilling natural gas and oil in the United States of America (the "US"), mining of silver minerals and provision of asset financing and factoring services in the People's Republic of China (the "PRC"). During the first half of 2017, the Group basically maintained its operations in proper scale.

Energy Investments

The Group is currently operating an upstream oil and gas exploration and production project in East Texas, the US. There are 2 wells currently in production. The Company has been actively monitoring the trend of oil and gas price and is formulating its exploration and production plan in order to optimize returns from its investments.

Silver Mining

The Group operates two quality silver mines namely the West Mine and the East Mine via its subsidiary, Fujian Leixin Mining Company Limited ("Fujian Leixin"), in Fujian Province, the PRC. The West Mine has a valid mining permit with approved production capacity of 100,000 ton per annum ("tpa") and a processing plant with daily ore processing capacity of 300 tons per day is already in place. According to the JORC Standard, the indicated and inferred mineral resources of the West Mine are approximately 0.87 million tons ("Mt") and 1.71 Mt respectively and its probable reserve is approximately 0.82 Mt with ore grade of silver averaging 211.4 g/t. The East Mine is an advanced development project with a valid exploration permit. According to the JORC Standard, the indicated and inferred mineral resources of the East Mine are approximately 6.35 Mt and 1.73 Mt respectively and its probable reserve is approximately 5.95 Mt with ore grade of silver averaging 128.6 g/t. During the first half of 2017, the Group was reviewing its production plan, trend of silver price and cost measures at the West Mine and had successfully renewed the exploration permit of the East Mine.

It has come to the Group's attention lately that the government of Ningde City, Fujian Province, the PRC, is implementing a project to construct a reservoir close to the West Mine and the East Mine. Such construction, if proceeded, may affect the production activities in both mines and/or increase the cost of production of Fujian Leixin. The project is still in a preliminary stage and currently the Group is in the progress of negotiation with the relevant parties about the reservoir project including its impact on production activities upon construction of reservoir in future and any compensation proposal to the Group. As such, the Group is unable to assess the impact for such project on Fujian Leixin's mining assets at the time being. Further announcement(s) will be made on the above update as and when appropriate.



Management Discussion and Analysis *(continued)*

Business Review *(continued)*

Asset Financing

The Group carried out asset financing business through its wholly owned subsidiaries established in the PRC namely Qingrui International Finance Leasing Company Limited (“Qingrui Leasing”) and Qingrui Business Factoring Company Limited (“Qingrui Factoring”) to respectively provide finance leasing and business factoring services to various customers during the year. As at 30 June 2017, Qingrui Leasing had a finance lease receivable of RMB33,687,000 (equivalent to HK\$38,774,000) provided to a lessee which is principally engaged in coal mining business in connection with the finance lease of certain plant and equipment. The lease receivable bears interest at a floating rate of three-year lending rate promulgated by the People’s Bank of China plus 20% margin and is repayable in July 2019. Management fee is calculated at 1% of the principal amount per annum. As at 30 June 2017, Qingrui Factoring had factoring receivables with an aggregate amount of RMB131,640,000 (equivalent to HK\$151,518,000) from two companies based in the PRC, which bear interest at a floating rate of three-year lending rate promulgated by the People’s Bank of China plus 20% margin, due in 2019 and each is secured by a receivable owed by a debtor to customer. Management fee is calculated at 1% of the principal amount per annum.

Financial Review

Revenue and cost of sales

The Group recorded a total revenue of approximately HK\$9.7 million for the six months ended 30 June 2017 (the “Period”) (six months ended 30 June 2016: HK\$6.3 million), representing an increase of 53% compared with last comparable period.

For the oil and gas business in the US, the Group, net to its ownership interests, has produced approximately 1,441 Bbl of oil, approximately 133.3 million cubic feet of natural gas, and approximately 5,574 Bbl of natural gas liquids (six months ended 30 June 2016: 2,636 Bbl of oil, approximately 220.2 million cubic feet of natural gas, and approximately 7,604 Bbl of natural gas liquids). The net average selling prices of oil, natural gas and natural gas liquids during the Period were US\$35.57 per Bbl (six months ended 30 June 2016: US\$34.44 per Bbl), US\$2.36 per million cubic feet (six months ended 30 June 2016: US\$1.50 per million cubic feet) and US\$16.34 per Bbl (six months ended 30 June 2016: US\$10.51 per Bbl) respectively, all of which in aggregate generated revenue of approximately HK\$3.5 million during the Period (six months ended 30 June 2016: HK\$3.7 million). Cost of sales for oil and gas E&P was approximately HK\$3.1 million (six months ended 30 June 2016: HK\$3.1 million) which primarily consisted of depreciation and amortisation, related labour cost for the production, taxes, supplies, utilities and other incidental expenses during the Period. The US oil and gas business recorded a gross profit margin of 11% (six months ended 30 June 2016: 16%) during the Period.

There was no revenue from selling of silver ores for the Period (six months ended 30 June 2016: HK\$2.6 million). In 2016, silver ores sales volume was approximately 202 tons and the average selling price of silver ores was approximately RMB10,763 per ton. Cost of sales was HK\$0.4 million (six months ended 30 June 2016: HK\$4.8 million) which mainly represented depreciation during the Period. In 2016, the silver mining business recorded a gross loss margin of 85%.

The Group also recorded revenue of approximately HK\$6.2 million from provision of asset financing service during the Period (six months ended 30 June 2016: HK\$34,000).



Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Other income and gains

Other income and gains were approximately HK\$13 million (six months ended 30 June 2016: HK\$8.1 million), which mainly represented exchange difference of approximately HK\$9.1 million (six months ended 30 June 2016: nil) and net trading income from short-term sale of nickel of approximately HK\$2.5 million (six months ended 30 June 2016: HK\$8 million) during the Period.

Selling and distribution expenses and administrative expenses

There were no selling and distribution expenses recorded during the Period (six months ended 30 June 2016: HK\$26,000). Administrative expenses were approximately HK\$31.3 million during the Period as compared to approximately HK\$34.9 million for the same period of last year. Administrative expenses mainly comprised staff cost for administrative and finance functions including legal and professional fee incurred for operation, depreciation and other incidental administrative expenses.

Finance costs

Finance costs were approximately HK\$29 million during the Period (six months ended 30 June 2016: HK\$21.5 million) which mainly represented interest and penalty expenses for borrowings raised for silver mining business.

Share of loss of an associate

In March 2017, the Group acquired 41.67% equity interest of TI Systems Ltd ("TI Systems"), which is principally engaged in development of e-payment system, at a cash consideration of HK\$6 million. Such investment in TI System has been accounted for investment in an associate in the consolidated balance sheet of the Group. Share of loss of an associate of approximately HK\$0.4 million (six months ended 30 June 2016: nil) was recognised in the income statement during the Period. As at 30 June 2017, the investment in associate was approximately HK\$5.6 million (31 December 2016: nil).

Income tax

Income tax, which mainly represented tax on profits of the interest income from asset financing business, was approximately HK\$1.1 million (six months ended 30 June 2016: HK\$1 million) during the Period.

Fund raising exercises

The Company has no equity fund raising activity during the Period.



Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Liquidity and Financial Review

The Group mainly financed its day to day operations by internally generated cash flow during the Period.

As at 30 June 2017, the current ratio of the Group, measured as total current assets to total current liabilities, was 2.72:1 (31 December 2016: 3.39:1).

As at 30 June 2017, the cash and cash equivalents of the Group were approximately HK\$276.4 million (31 December 2016: HK\$301.7 million). During the Period, the Group recorded a net cash outflow from its operating activities of approximately HK\$22.6 million (six months ended 30 June 2016: HK\$324.1 million).

As at 30 June 2017, there was no outstanding interest-bearing bank loan (31 December 2016: Nil).

As at 30 June 2017, there were other loans of approximately HK\$141.3 million (31 December 2016: HK\$108.7 million) comprising loan principal of approximately HK\$46.0 million (31 December 2016: HK\$44.6 million) and overdue interest/penalty of approximately HK\$95.3 million (31 December 2016: HK\$64.1 million). All other loans were denominated in Renminbi. Other loans of approximately HK\$34.0 million (31 December 2016: HK\$32.9 million) were interest-free and subject to overdue penalties ranging from 0.05% to 0.5% per day and HK\$12.1 million (31 December 2016: HK\$11.7 million) bore a fixed interest rate of 15% per annum subject to an overdue penalty of 1% on the overdue balances. As at 30 June 2017, all other loans (31 December 2016: all) were overdue.

As at 30 June 2017, legal proceedings have been instituted against the Group in respect of (i) other loans with principal amount of approximately HK\$12.1 million and (ii) commission fee payable of HK\$14.7 million, which are included in "other loans" in the condensed consolidated statement of financial position of the Group. No final judgment in respect of the legal proceedings has been made at date of this report. Adequate accrued interest and penalties have been provided by the Group as at 30 June 2017 and 31 December 2016.

The Group conducted its continuing operational business transactions mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not arrange any forward currency contracts for hedging purposes.

Gearing Ratio

The gearing ratio of the Group, measured as total debt (which represented trade payables, other payables and accruals and other loans) in a ratio to the total equity attributable to shareholders of the Company, was 0.23 as at 30 June 2017 (31 December 2016: 0.18).



Management Discussion and Analysis *(continued)*

Significant Investments, Material Acquisitions and Disposals

Save for the acquisition of 41.67% equity interest of TI System as disclosed above, the Group had no significant investments in, nor any material acquisition and disposal of subsidiaries, associates and joint ventures during the Period.

Capital Commitment, Charge on Group Assets and Contingent Liabilities

As at 30 June 2017, the Group had contracted capital commitments not provided for in the consolidated financial statements of RMB1.5 million (equivalent to approximately HK\$1.7 million) (31 December 2016: HK\$1.7 million) in respect of acquisition of a 30% equity interest in a former subsidiary of the Company.

As at 30 June 2017, time deposits which are restricted for use of approximately HK\$0.4 million (31 December 2016: HK\$0.4 million) were placed in a bank for conducting mining businesses as required by relevant government authorities. Save as disclosed above, the Group had no other assets pledged as at 30 June 2017 (31 December 2016: nil).

As at 30 June 2017, there was no material contingent liability of the Group (31 December 2016: nil).

Human Resources and Share Option Scheme

As at 30 June 2017, the Group had 71 employees. The total staff costs (including directors' remuneration) for the Period were approximately HK\$14.9 million (six months ended 30 June 2016: HK\$17.4 million). The Group's remuneration policy is primarily based on the individual performance and experience of employees including directors, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for employees' better personal development and growth. Pursuant to the Company's share option scheme, the Company may offer to any eligible participants including employees of the Group options to subscribe for shares in the Company. No share option was granted nor exercised during the Period. There were no outstanding share options as at 30 June 2017.

Future Outlook

Heading into the second half of 2017, the Company will look to further diversify its business into other energy sectors and non-energy sectors. The eco-friendly stone paper business is currently still under review and awaiting certain key technology test results. Further announcement will be made when any of the above investment opportunities materialize.



Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests in the long or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests in the long or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

Share Option Scheme

The Company operated a share option scheme which was effective from 30 May 2012 (the "Scheme"). The Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share option was granted by the Company during the Period. There were no outstanding share options as at 30 June 2017.

No time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.



Other Information *(continued)*

Persons Who Have an Interest in Shares and Underlying Shares Discloseable Under Divisions 2 and 3 of Part XV of the SFO

So far as was known to the Directors and the chief executive of the Company, as at 30 June 2017, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Total interests in shares/underlying shares	Approximate percentage of the Company's share capital
Belton Light Limited (note 1)	Beneficial owner	3,575,318,000 (L)	51.00%
Jade Bird Energy Fund II, L. P. (note 1)	Interest in controlled corporation	3,575,318,000 (L)	51.00%
Goldsino Investments Limited (note 2)	Beneficial owner	1,081,500,000 (L)	15.43%
Mr. Zhao Xu (note 2)	Interest in controlled corporation	1,081,500,000 (L)	15.43%

Remarks: (L): Long position

Notes:

1. Belton Light Limited is wholly-owned by Jade Bird Energy Fund II, L.P.
2. Goldsino Investments Limited is wholly owned by Mr. Zhao Xu.

Save as disclosed above, as at 30 June 2017, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have, interests and/or short positions in the shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.



Other Information *(continued)*

Purchase, Redemption or Sale of Securities

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

Corporate Governance Code

In the opinion of the Directors, save for provision A.4.1 as explained below, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the Period.

Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors are not appointed on specific terms, though all of them are subject to retirement by rotation at the annual general meeting of the Company. According to the Articles of Association of the Company, one third of the Directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less than those in the Code.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

Review by Audit Committee

The 2017 interim financial statements are unaudited, but have been reviewed by the audit committee of the Company which comprises the three independent non-executive directors namely, Mr. Chiu Sui Keung, Mr. Lu Binghui and Mr. Lee Ping. The audit committee was established for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal control and risk management systems.

On behalf of the Board
King Stone Energy Group Limited
Zong Hao
Executive Director

Hong Kong, 31 August 2017