EPI (Holdings) Limited
長盈集團(控股)有限公司

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

ANNUAL REPORT

2019

Contents

Abbreviations

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

"ARS"	Argentina Peso
"Board"	Board of Directors of the Company
"Company"	EPI (Holdings) Limited
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC"	People's Republic of China
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"US$"	United States dollars
"%"	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Zhiyi *(Chairman and Chief Executive Officer)*
Mr. Sue Ka Lok
Mr. Yiu Chun Kong
Mr. Chan Shui Yuen

Non-executive Director

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors

Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine
Mr. Kwong Tin Lap

AUDIT COMMITTEE

Mr. Pun Chi Ping *(Chairman)*
Ms. Leung Pik Har, Christine
Mr. Kwong Tin Lap

REMUNERATION COMMITTEE

Mr. Pun Chi Ping *(Chairman)*
Ms. Leung Pik Har, Christine
Mr. Kwong Tin Lap

NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine *(Chairlady)*
Mr. Pun Chi Ping
Mr. Kwong Tin Lap

CORPORATE GOVERNANCE COMMITTEE

Mr. Kwong Tin Lap *(Chairman)*
Mr. Sue Ka Lok
Mr. Chan Shui Yuen

COMPANY SECRETARY

Mr. Chan Shui Yuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3203, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 689)

WEBSITE

http://www.epiholdings.com

Chairman's Statement

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2019.

RESULTS

For the year under review, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

With the backdrop of the continuous trade disputes between the United States and China, the series of social events taking place in Hong Kong and the volatile sentiments of the global and local investment and credit markets, the Group had experienced a difficult year. For year ended 31 December 2019, the Group reported a loss attributable to owners of the Company of HK$138,099,000 (2018: HK$115,227,000) that was mainly resulted from the expected credit loss on loan and interest receivables of HK$61,703,000, provision of impairment loss of property, plant and equipment of the Argentina petroleum operation of HK$42,377,000 and the net loss on financial assets at fair value through profit or loss of HK$32,736,000. Basic loss per share was HK2.64 cents and increased by 17% over last year (2018: HK2.26 cents).

For the year under review, the Group reported a decline in revenue by 15% to HK$60,560,000 (2018: HK$71,419,000) which mainly due to the drop in revenue of the petroleum business to HK$24,171,000 (2018: HK$43,998,000), though partly offset by the increase in revenue of the money lending business to HK$35,287,000 (2018: HK$26,369,000).

Overall speaking, the Group's petroleum exploration and production business recorded a loss of HK$46,610,000 (2018: HK$462,000) which comprised operating loss of HK$4,233,000 (2018: operating profit of HK$2,921,000) and provision of impairment loss of HK$42,377,000 (2018: HK$3,383,000), the money lending business recorded a loss of HK$35,740,000 (2018: profit of HK$10,793,000) which comprised operating profit of HK$25,963,000 (2018: HK$16,406,000) and expected credit loss of HK$61,703,000 (2018: HK$5,613,000), and the investment in securities business recorded a loss result of HK$21,460,000 (2018: HK$71,562,000) which mainly represented the net realised and unrealised loss on securities investments made by the Group.

PROSPECTS

As stated in the Company's circular dated 12 March 2020 (the "Circular"), after due evaluation of the data and information relating to the Chañares Concession (which the CHE Concession area forms part), the Company intends, through its indirect wholly owned subsidiary in Argentina, to submit a bid offer for the Chañares Concession under the Bidding Process. The Directors considered that the submission of the bid offer presents a valuable investment opportunity to acquire a valuable petroleum asset which facilitates the development of the Group's petroleum exploration and production business. The Bidding Process was originally scheduled to be commenced on 1 April 2020, but owing to the impact of COVID-19, on 26 March 2020, the local government authority in Argentina informed the Group that the Bidding Process will be delayed until further notice. Back on 25 March 2020, the competent person who prepared the Competent Person's Report contained in the Circular also informed the Group that the valuation opinion is no longer valid to be used as there has been a significant drop in the international oil price since 9 March 2020. As a result, the special general meeting originally scheduled to be held on 30 March 2020 to approve the proposed transaction contemplated under the bid offer is also delayed. The Company will provide shareholders updates on this matter as and when appropriate.

Although the easing of tension of the trade disputes between the United States and China since the signing of the first phase trade deal in January 2020 is expected to give a positive boost to international oil prices, the global outbreak of the COVID-19 pandemic has posed great threats to many nations and their economies, and has created significant uncertainties in global and local investment markets and volatilities of international oil prices. To prevent the spread of the virus, many countries including China, United States, United Kingdom, France, Italy and Spain have imposed measures to restrict social activities and shut down their borders by different extent which adversely affected their economies. Investors are worried that there will be slowdown of growth in major economies including United States and China or even a global recession with the result that market sentiments, including international oil prices, are very volatile.

The business outlook of the Group for 2020 is challenging as uncertainties of the macro environment, particularly due to the COVID-19 pandemic, have dampened business and investor confidence. It is difficult to predict the evolution and duration of the pandemic, but hopefully it should come to an end one day. Looking forward, the management will adopt a prudent approach in managing the Group's businesses and will diligently consider to, subject to the prevailing market conditions when the Bidding Process commences and other applicable conditions, participate in the Bidding Process.

APPRECIATION

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

Liu Zhiyi
Chairman and Chief Executive Officer

Hong Kong, 3 April 2020

BUSINESS REVIEW

For the year ended 31 December 2019, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

Against the backdrop of the ongoing trade disputes between the United States and China, the series of social events taking place in Hong Kong and the volatile sentiments of the global and local investment markets, 2019 was a challenging year for the Group. For the year under review, the Group reported a decline in revenue by 15% to HK$60,560,000 (2018: HK$71,419,000), mainly due to the drop in revenue of the petroleum business, and recorded a loss attributable to owners of the Company of HK$138,099,000 (2018: HK$115,227,000), largely due to the impairment loss of the Group's oil and gas properties in Argentina of HK$42,333,000 (2018: HK$3,383,000) and the expected credit loss on loan and interest receivables of HK$61,703,000 (2018: HK$5,613,000).

Petroleum Exploration and Production

During the year ended 31 December 2019, the Group continued to engage in petroleum exploration and production business in the Chañares Herrados area (the "CHE Concession"), located in the Cuyana Basin, Mendoza Province of Argentina and Chañares Energía S.A. (formerly known as Chañares Herrados Empresa de Trabajos Petroleros S.A.) ("Chañares") is the concessionaire of the CHE Concession.

On 2 December 2010, Southstart Limited ("Southstart"), a wholly owned subsidiary of the Company, and Chañares entered into a joint venture agreement (the "2010 JV Agreement"). Pursuant to the 2010 JV Agreement, among others, EP Energy S.A. ("EP Energy"), a wholly owned subsidiary of the Company, had the right to drill and invest in the CHE Concession and was entitled to share 72% of hydrocarbon production from the wells drilled by EP Energy in the current and future years until the end of the CHE Concession.

On 5 June 2012, EP Energy, Have Result Investments Limited ("Have Result"), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the "Operation Agreement"). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retains the right to drill and invest in the CHE Concession during the life of the CHE Concession. The Operation Agreement confirmed that Have Result is entitled to 51% interest in the production of five oil wells and EP Energy is entitled to 72% interest in the production of the other five oil wells.

For the year under review, the Group's petroleum exploration and production business generated a revenue of HK$24,171,000 (2018: HK$43,998,000) and recorded an operating loss before provision of impairment loss of HK$4,233,000 (2018: operating profit of HK$2,921,000). The decrease in the operation's revenue was the combined effect of the drop in the average crude oil selling price offered by YPF S.A., an Argentina state-owned oil company and the buyer of the operation's output, from an average of US$60.8 per barrel last year to US$50.7 per barrel in the current year, and the drop in production of crude oil by about 32%. The fall in oil prices offered by YPF S.A. during the year, which largely followed the downward trend of international oil price after reaching its peak in October 2018, were mainly resulted from, among other factors, (i) the continuous trade disputes between the United States and China and (ii) the higher than expected oil production in the United States; whilst the drop in the operation's crude oil production during the year was the combined results of (i) the extended maintenance works performed on two oil wells which took more than double the normal time required to complete the tasks; (ii) the natural decline of output of the Group's ten oil wells, which have been in production for over eight years; and (iii) the temporary production suspension of two oil wells pending for cost-revenue analysis, as after years of production the reserves of these oil wells have fallen to a level that it may not be economical to continue production.

As disclosed in the Company's circular dated 12 March 2020, the Executive of the Province of Mendoza had issued a decree in respect of the termination of the CHE Concession as Chañares had not fulfilled its investment commitment. Subsequently, the Chañares Concession (which the CHE Concession area forms part) has been made available for other investors to bid under the Bidding Process (bids to be submitted under the Bidding Process was once scheduled to be on 1 April 2020, the Group was informed by the Hydrocarbons Department of Mendoza Province on 26 March 2020 that the bid submission date will be postponed until further notice owing to the impact of COVID-19 (as disclosed in the Company's announcement dated 27 March 2020)). The Group understands that before the successful bidder takes over the Chañares Concession, Chañares can continue to operate in the CHE Concession and pay the same fees, royalties and other payments to the government under the same contractual conditions previously granted and should be able to extract and sell oil and should continue to pay fees, royalties and other payments, which logically are only payable in a context where the concessionaire is allowed to extract and sell oil. Accordingly, Chañares has continued to send to the Group the daily production reports which contain daily production and sales quantity, and monthly reports which contain production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and Chañares under the Operation Agreement.

It is expected that the Group will continue to be entitled to its share of production under the Operation Agreement up until the Chañares Concession is delivered to the successful bidder under the Bidding Process, which was originally scheduled to be in June 2020 (the "Expected Delivery Date") (the Expected Delivery Date may be delayed as the Bidding Process will be postponed as referred to above). In view of the CHE Concession will be shortened from its extended expiry date in November 2027 to the Expected Delivery Date, the Group had performed an impairment review on the exploration and evaluation assets and the oil and gas properties of the CHE Concession at 31 December 2019 and determined that there was no reversal of impairment loss on the exploration and evaluation assets (which were fully impaired), whilst a provision of impairment loss of the Group's oil and gas properties of HK$42,333,000 (2018: HK$3,383,000) was recognised. Overall speaking, the operation recorded an overall loss of HK$46,610,000 (2018: HK$462,000) comprising operating loss of HK$4,233,000 (2018: operating profit of HK$2,921,000) and provision of impairment loss of HK$42,377,000 (2018: HK$3,383,000) (comprised provision of impairment loss on oil and gas properties and provision of impairment loss on other property, plant and equipment of HK$42,333,000 (2018: HK$3,383,000) and HK$44,000 (2018: nil)) respectively.

As disclosed in the Company's circular dated 12 March 2020, after due evaluation of the data and information relating to the Chañares Concession (which the CHE Concession area forms part), the Company intends, through its indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process. As referred to above, the Bidding Process will be delayed until further notice owing to the impact of COVID-19. Further announcements on the Bidding Process will be made by the Company as and when appropriate.

Money Lending

During the year ended 31 December 2019, the Group's money lending business reported an increase in revenue and operating profit (before expected credit loss allowance) by 54% to HK$25,971,000 (2018: HK$16,814,000) and 58% to HK$25,963,000 (2018: HK$16,406,000) respectively. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the year. Before granting loans to potential customers, the management uses internal credit assessment process to assess the borrower's credit quality and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During the year under review, an expected credit loss of HK$61,703,000 (2018: HK$5,613,000), which reflects the credit risk involved in collectability of a default loan and certain non-default loans determined under the Group's loan impairment policy, was recognised against the loan and interest receivables. The Group is considering various actions for recovery of the default loan.

At 31 December 2019, the loans portfolio held by the Group amounted to HK$185,688,000 (after expected credit loss allowance of HK$68,755,000) (2018: HK$251,652,000 (after expected credit loss allowance of HK$7,052,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Interest rate per annum	Maturity
	Secured	Unsecured	Total		
	%	%	%	%	
Corporate	27.33	3.00	30.33	10 – 18	Within 1 year
Corporate	17.77	–	17.77	8 – 10	More than 1 year but within 3 years
Individual	40.32	11.58	51.90	10 – 18	Within 1 year
	85.42	14.58	100.00		

As shown above, 85.42% of the loan portfolio is secured by various collaterals and the remaining 14.58% is unsecured.

Investment in Securities

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

At 31 December 2019, the Group's securities investments comprised a financial asset at fair value through profit or loss ("FVTPL") portfolio valued at HK$37,059,000 (2018: HK$71,816,000), comprising mainly equity securities listed in Hong Kong, and debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions) valued at HK$141,826,000 (2018: HK$130,330,000), comprising debt securities listed in Hong Kong or overseas. As a whole, the Group's securities investments recorded a revenue of HK$10,418,000 (2018: HK$10,607,000) and a loss of HK$21,460,000 (2018: HK$71,562,000).

Financial assets at FVTPL

At 31 December 2019, the Group held a financial asset at FVTPL portfolio amounting to HK$37,059,000 (2018: HK$71,816,000) measured at market/fair value. During the year under review, the portfolio generated revenue of HK$1,102,000 representing dividends from equity securities of HK$935,000 and interest income from debt securities of HK$167,000 (2018: HK$1,052,000, representing dividends from equity securities). The Group recognised a net loss on financial assets at FVTPL of HK$32,736,000, which comprised net unrealised loss and net realised loss of HK$27,876,000 and HK$4,860,000 respectively (2018: net loss of HK$80,636,000, which comprised net unrealised loss and net realised loss of HK$55,237,000 and HK$25,399,000 respectively).

The realised loss recorded during the year represented the loss on disposal of equity securities in open market and the unrealised loss mainly represented the decrease in market value of those equity securities held by the Group at the year end. The losses incurred were largely a result of the volatile conditions of the Hong Kong stock market subsisting during the year, which in turn related to the continuous trade disputes between the United States and China and the series of social events taking place in Hong Kong, and the declining financial performance of some of the investee companies. The Group has adopted a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market fluctuations during the year.

At 31 December 2019, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$37,059,000 are as below:

Category of companies	**Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio**
	%
Conglomerate	29.79
Education	12.25
Game publishing and service	17.54
Property	34.92
Others	5.50
	100.00

At 31 December 2019, the weightings of the Group's top five and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK$37,059,000 (together with other information) are as below:

Investee company's name and its principal activities#	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2019 %	% of shareholding interest %	Acquisition costs HK$'000	* Acquisition costs during the year/ carrying amount at 1 January 2019 HK$'000	Market/ fair value at 31 December 2019 HK$'000	Accumulated unrealised gain (loss) recognised up to 31 December 2019 HK$'000	Unrealised gain (loss) recognised during the year ended 31 December 2019 HK$'000	Dividend income recognised during the year ended 31 December 2019 HK$'000	# Investee company's financial performance	# Future prospects of the investee companies
				A	B	C	D = C - A	E = C - B			
Emperor International Holdings Limited (HKEX stock code: 163) Lease of properties, properties development and hotel and hotel related operations	34.92	2.76	0.20	18,278	13,838	12,940	(5,338)	(898)	733	For the six months ended 30 September 2019, revenue decreased by 19% to HK$1,238,031,000 and its results experienced a turnaround and recorded loss for the period of HK$439,866,000 as compared to the same period in 2018.	Apart from establishing a solid pipeline in residential properties which will provide promising contributions in the near to mid-term residential property sales, in response to the government's revitalisation scheme for industrial buildings, the investee company is proactively identifying potential projects which will help create additional value and balance its property portfolio in the long run.
FingerTango Inc. (HKEX stock code: 6860) Leading mobile game publisher and a pioneer in the simulation game publishing industry in China	17.54	1.39	0.53	24,976	18,085	6,502	(18,474)	(11,583)	-	For the year ended 31 December 2019, revenue decreased by 3% to RMB1,051,137,000 and profit for the year decreased by 75% to RMB38,712,000 as compared to 2018.	The investee company will continue to extend its existing game portfolio and broaden its game category while focusing on the simulation game segment, and will continue to optimise the game content, enhance the player experience, boost player stickiness and loyalty, and seek synergetic merger and acquisition opportunities to accelerate business growth with the aim to reinforce its leadership in mobile game operation.
Austar Lifesciences Limited (HKEX stock code: 6118) Technology-based application solution provider in the life-science industry focusing on pharmaceutical, biologics, bulk pharmaceutical chemical sectors	17.31	1.37	0.24	6,197	6,197	6,416	219	219	-	For the year ended 31 December 2019, revenue increased by 28% to RMB1,049,021,000 and profit for the year increased by 61 times to RMB7,464,000 as compared to 2018.	The investee company will develop its own business development team in Russia and the Commonwealth of Independent States countries, will further improve its agency management with better alignment through identification, qualification and appointment of new agents in Asia, Middle East, North Africa and South America, and is gradually developing more sector-focused sales teams in the PRC and expects such sector-focused strategies will bring about further growth driving elements.
China E-Information Technology Group Limited (HKEX stock code: 8055) Provision of an internet platform for the facilitation of education program in Chinese medicine and other advisory and training programs	12.25	0.97	1.13	8,989	10,610	4,541	(4,448)	(6,069)	-	For the year ended 31 December 2019, revenue increased by 9% to HK$63,124,000 and loss for the year increased by 21% to HK$95,583,000 as compared to 2018.	The investee company will implement cost-effective measures to streamline its operation so as to enhance the profitability and value of its e-learning business, and will continue to look for opportunities for its existing business, particularly in developing both vertically and horizontally within its existing medical education platform, and expanding further into its service network.
Life Healthcare Group Limited (HKEX stock code: 928) Healthcare services, money lending, apparel retail, and securities trading and investments	9.66	0.76	1.49	19,583	9,470	3,581	(16,002)	(5,889)	-	For the six months ended 30 September 2019, revenue decreased by 85% to HK$6,810,000 and loss for the period decreased by 81% to HK$12,454,000 as compared to the same period in 2018.	The investee company intends to expand its existing sales channel by becoming official genetic testing service provider with hospitals and thereby securing a stable income stream. The investee company will also emphasis on improving its biological information analysis system and interpretation of clinical medicine system and aim to become a fast and accurate provider of a full range of services and solutions for medical and healthcare administration.
Others	8.32	0.66	-	19,826	6,735	3,079	(16,747)	(3,656)	202	-	-
	100.00	7.91		97,849	64,935	37,059	(60,790)	(27,876)	935		

Extracted from published financial information of the investee companies.

* The amount represented the costs of the securities acquired during the year ended 31 December 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

Debt instruments at FVTOCI

At 31 December 2019, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$141,826,000 (2018: HK$130,330,000) was measured at market/fair value. During the year under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK$9,316,000 (2018: HK$9,555,000) representing interest income from debt securities. According to the maturity of the debt instruments, part of the debt instruments at FVTOCI of HK$18,804,000 was classified as current assets.

During the year under review, the Group invested HK$13,840,000 for acquiring debt securities issued by a property company listed on the Stock Exchange.

At the year end, a net fair value gain on debt instruments at FVTOCI amounting to HK$9,284,000 was recognised as other comprehensive income (2018: net fair value loss of HK$13,583,000 recognised as other comprehensive expense). Such fair value gain on debt instruments held by the Group was mainly a result of the general reduction in market interest rates during the current year, which caused the market value of debt instruments held by the Group to rise.

At 31 December 2019, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK$141,826,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2019	Yield to maturity on acquisition	Acquisition costs	* Acquisition costs during the year/ carrying amount at 1 January 2019	Market/ fair value at 31 December 2019	Accumulated fair value loss recognised up to 31 December 2019	Fair value gain recognised during the year ended 31 December 2019
	%	%	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				A	B	C	D = C - A	E = C - B
Debt securities listed in Hong Kong or overseas								
Aircraft leasing	10.40	3.14	4.93	15,444	13,562	14,744	(700)	1,182
Property	89.60	27.08	5.26 – 12.50	128,084	118,818	127,082	(1,002)	8,264
	100.00	30.22		143,528	132,380	141,826	(1,702)	9,446

* The amount represented the costs of the securities acquired during the year ended 31 December 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

The yield to maturity on acquisition of debt securities which were held by the Group at the year end ranging from 4.93% to 12.50% per annum.

Overall Results

For the year ended 31 December 2019, the Group reported a loss attributable to owners of the Company of HK$138,099,000 (2018: HK$115,227,000) that was mainly resulted from the expected credit loss on loan and interest receivables of HK$61,703,000, provision of impairment loss of property, plant and equipment of the Argentina petroleum operation of HK$42,377,000 and the net loss on financial assets at FVTPL of HK$32,736,000.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During the year ended 31 December 2019, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the year end, the Group had current assets of HK$312,217,000 (2018: HK$435,693,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK$129,459,000 (2018: HK$155,409,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$25,321,000 (2018: HK$24,330,000), was at very liquid level of about 12.3 (2018: 17.9).

At 31 December 2019, the Group's net assets decreased by 23% to HK$443,896,000 (2018: HK$575,053,000) was mainly a result of the loss incurred for the year. The Group's gearing ratio, calculated on the basis of total liabilities of HK$25,368,000 (2018: HK$24,614,000) divided by total assets of HK$469,264,000 (2018: HK$599,667,000), was at a very low level of about 5% (2018: 4%). Finance costs represented interest on lease liabilities of HK$239,000 for the current year whilst finance cost last year represented the effective interest on convertible notes issued in April 2017 (2018: HK$4,992,000).

At 31 December 2019, the equity attributable to owners of the Company amounted to HK$443,896,000 (2018: HK$575,053,000) and was equivalent to an amount of approximately HK8.47 cents (2018: HK10.97 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK$131,157,000 was mainly a result of the loss incurred by the Group during the year.

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$, RMB and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of RMB and will consider a formal foreign currency hedging policy for RMB should the needs arise. As for the Group's petroleum operations in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. Any surplus funds in ARS are converted into US$ and will be remitted back to Hong Kong. As such, the ARS converted from the US$ denominated sale receipts and expenditures of the Argentinean operation are largely matched and the devaluation of ARS during the year does not have a significant impact on the foreign currency exposure of the operation. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors the foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 31 December 2019, the Group had no significant contingent liability (2018: nil).

Pledge of Assets

At 31 December 2019, the Group had no pledged assets (2018: nil).

Capital Commitment

On 8 November 2017, two indirect wholly owned subsidiaries of the Company entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent parties in respect of, among other matters, the establishment of a limited partnership (the "Limited Partnership") and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership was RMB120,000,000 in which the Group had committed to contribute a total of RMB61,510,000 to subscribe for an aggregate approximately 51.26% interest in the Limited Partnership. The intended purpose of the establishment of the Limited Partnership was to invest in smart city and big data application projects in the PRC. Accordingly, on 31 December 2018, pursuant to the Limited Partnership Agreement, the Group was committed to contribute a total of RMB61,510,000 to subscribe for the interest in the Limited Partnership.

During the year, primarily owing to the continuous trade disputes between the United States and China which adversely affected general business sentiments in China, coupled with the overall slowdown of the China economy, the negotiations on various projects had not finally materialised as their expected returns were not as favourable as originally projected and the Limited Partnership Agreement had lapsed. Accordingly, on 31 December 2019, the Group had no significant capital commitment.

Event After the Reporting Period

As disclosed in the circular of the Company dated 12 March 2020, the Company intends, through its indirect wholly owned subsidiary, to submit a bid offer for the Bidding Process. At the reporting date, the Bidding Process has not yet commenced.

The outbreak of COVID-19 pandemic that is affecting many nations, the global and local investment and credit markets and the international oil prices has adverse impact on the Group's operations. The Directors considered it is difficult to predict the evolution and duration of the pandemic and that at the reporting date, the extent of its impact to the Group's operations cannot be reliably quantified or estimated. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the pandemic to the Group.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2019, the Group had a total 49 (2018: 44) employees including directors of the Company with 42 (2018: 38) employees in Hong Kong and the PRC and 7 (2018: 6) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK$16,573,000 for the year (2018: HK$13,768,000). The rise in staff costs of HK$2,805,000 was mainly due to the increase of the Group's headcounts. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in the PRC and Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

PRINCIPAL RISK AND UNCERTAINTIES

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

Business Risk

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

Market Risk

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

Environmental Risk

The Group's petroleum exploration and production business is constantly exposed to inherent risks such as pollution, mechanical breakdown of machineries, adverse weather conditions, earthquake, fire or other calamity. Any of these factors may cause disruptions to the Group's operations. The Group may also be liable to pay compensations resulting from the above events which may adversely affect its financial performance.

Financial Risk

The Group is exposed to financial risks relating to interest rate, foreign currency, securities price, credit and liquidity risk in its ordinary course of business. Further details of such risks and relevant management policies are set out in Note 38 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2019, there were no significant dispute between the Group and its employees, customers and suppliers.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management at 3 April 2020, the date of this annual report, are set out below:

EXECUTIVE DIRECTORS

Mr. Liu Zhiyi ("Mr. Liu"), *Chairman and Chief Executive Officer*

Aged 46, joined the Company as an Executive Director in May 2017 and was appointed the Chief Executive Officer and the Chairman of the Board in January 2018 and July 2018 respectively. Mr. Liu is also a director of several subsidiaries of the Company. He holds a bachelor's degree in engineering from Beijing Union University in the PRC. Mr. Liu has extensive experience in the areas of mobile communications and applications, internet system development, information technology and investments. Mr. Liu is deemed to be a substantial shareholder of the Company through his interests in BJHK Company Limited, a substantial shareholder of the Company, which is wholly owned by Mr. Liu.

Mr. Sue Ka Lok ("Mr. Sue")

Aged 54, joined the Company as an Executive Director and the Chief Executive Officer in October 2016 and stepped down from his position as the Chief Executive Officer in January 2018. Mr. Sue is a member of the Corporate Governance Committee. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of China Strategic Holdings Limited (HKEX stock code: 235); an executive director of PT International Development Corporation Limited (HKEX stock code: 372) and PYI Corporation Limited (HKEX stock code: 498); a non-executive director of Birmingham Sports Holdings Limited ("Birmingham Sports") (HKEX stock code: 2309); and a non-executive director and the chairman of Courage Investment Group Limited ("Courage Investment") (HKEX stock code: 1145). All the aforementioned companies are listed on the Main Board of the Stock Exchange and with Courage Investment is also listed on the Singapore Exchange Securities Trading Limited.

Mr. Yiu Chun Kong ("Mr. Yiu")

Aged 35, joined the Company as an Executive Director in October 2016. Mr. Yiu is also a director of certain subsidiaries of the Company. He holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University. Mr. Yiu is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He has rich experience in auditing, accounting and finance. Mr. Yiu is an executive director of Birmingham Sports.

EXECUTIVE DIRECTORS (continued)

Mr. Chan Shui Yuen ("Mr. Chan")

Aged 39, joined the Company as an Executive Director in October 2016 and was appointed the Company Secretary in November 2017. Mr. Chan is a member of the Corporate Governance Committee. He is also a director of a subsidiary of the Company. Mr. Chan holds a Bachelor of Business Administration (Honours) in Accountancy degree from the City University of Hong Kong and a Master of Financial Analysis degree from The University of New South Wales in Australia. Mr. Chan is a CFA charterholder, a fellow of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the CPA Australia. He has rich experience in auditing, accounting, finance and compliance.

NON-EXECUTIVE DIRECTOR

Mr. Suen Cho Hung, Paul ("Mr. Suen")

Aged 59, joined the Company as an Executive Director and the Chairman of the Board in October 2016. Mr. Suen stepped down from his position as the Chairman of the Board and was re-designated as a Non-executive Director in July 2018. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. He has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is deemed to be a substantial shareholder of the Company through his interests in Billion Expo International Limited, a substantial shareholder of the Company, which is ultimately wholly owned by Mr. Suen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Chi Ping ("Mr. Pun")

Aged 53, joined the Company as an Independent Non-executive Director in October 2016. Mr. Pun is the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He holds a Master of Science in Finance degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Pun is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in corporate finance, accounting and auditing. Mr. Pun is an independent non-executive director of Birmingham Sports and Huajun International Group Limited (HKEX stock code: 377) and the financial controller of Poly Property Group Co., Limited (HKEX stock code: 119). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Ms. Leung Pik Har, Christine ("Ms. Leung")

Aged 50, joined the Company as an Independent Non-executive Director in October 2016. Ms. Leung is the Chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Ms. Leung has extensive experience in banking and financial services industries and had worked at several international financial institutions including Citibank, N.A. Hong Kong, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited. She is an independent non-executive director of Birmingham Sports.

Mr. Kwong Tin Lap ("Mr. Kwong")

Aged 55, joined the Company as an Independent Non-executive Director in December 2018. Mr. Kwong is the Chairman of the Corporate Governance Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and a Master of Science in Information Systems degree from The Hong Kong Polytechnic University. Mr. Kwong is a Certified Public Accountants (Practising) in Hong Kong, an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has extensive experience in accounting, finance, auditing and corporate management. Mr. Kwong had been a director of certain Hong Kong listed companies and is currently a director of CCTH CPA Limited.

SENIOR MANAGEMENT

Mr. Pak Ka Kei ("Mr. Pak"), *Financial Controller*

Aged 49, joined the Company as Financial Controller in November 2009. Mr. Pak graduated from the City University of Hong Kong with a Bachelor of Arts in Accounting degree. Mr. Pak has extensive experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, he had worked for Ernst & Young, an international accounting firm, and TCL Multimedia Technology Holdings Limited (now known as TCL Electronics Holdings Limited) in its finance department in Hong Kong, emerging markets and Europe as deputy internal control director and deputy financial controller.

SENIOR MANAGEMENT (continued)

Mr. Quiroga Daniel Federico ("Mr. Quiroga"), *General Manager, Argentina*

Aged 55, joined the Company as the Operation Manager of the Group's Argentina operation in December 2010 and was appointed as General Manager of the Argentina operation in late 2012. Mr. Quiroga oversees the Company's oil projects in Argentina. He has extensive experience in operations, exploration and production management of oil field projects in Argentina and Mexico. Mr. Quiroga had been employed by Tecpetrol S.A. since 1991 and the last position held by Mr. Quiroga in 2000 was the head of secondary recovery division. During his work in Tecpetrol S.A., Mr. Quiroga was appointed as operation engineer, production manager, field operation manager and had gained experiences in operations, production management for various oil fields in Argentina. During 2002 to 2006, Mr. Quiroga was the operation superintendent and field manager who was in charge of field operations in oil fields located in Neuquina Basin and S.J. Gulf Basin, Argentina for Pioneer NRA S.A.. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol. Before joining the Company, Mr. Quiroga had worked for Weatherford Regional Mexico as the operation coordinator. He was in charge of field operations for oil field in Mexico. Mr. Quiroga graduated from the National University of Cuyo in Mendoza Province, Argentina majoring in Petroleum Engineer in 1991. Mr. Quiroga was a postgraduate in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 39 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's businesses, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 16 of this annual report. In addition, discussions on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 41 to 56 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 152. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 30 and 31 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company had no reserve available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of approximately HK$918,270,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers/sources accounted for approximately 62% of the total revenue for the year and revenue from the largest customer accounted for approximately 40%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier accounted for 100%.

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

DIRECTORS

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

Executive Directors:

Mr. Liu Zhiyi
Mr. Sue Ka Lok
Mr. Yiu Chun Kong
Mr. Chan Shui Yuen

Non-executive Director:

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors:

Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine
Mr. Kwong Tin Lap
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*

In accordance with bye-law 100(A) of the Company's Bye-laws, Mr. Yiu Chun Kong, Mr. Suen Cho Hung, Paul and Ms. Leung Pik Har, Christine will retire by rotation at the forthcoming annual general meeting of the Company (the "2020 AGM"). Mr. Suen Cho Hung, Paul will not offer himself for re-election and will therefore retire at the 2020 AGM whereas Mr. Yiu Chun Kong and Ms. Leung Pik Har, Christine, being eligible, will offer themselves for re-election at the 2020 AGM.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2020 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party transactions as disclosed in Note 36 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

At 31 December 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity and nature of interest	Number of shares held	Number of underlying shares held	Total Interests	Approximate percentage of the Company's issued share capital *(Note (i))*
Mr. Liu Zhiyi ("Mr. Liu")	Interests of controlled corporation	999,505,000 *(Note (ii))*	–	–	–
	Beneficial owner	–	43,500,000 *(Note (iv))*	1,043,005,000	19.903%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	862,085,620 *(Note (iii))*	–	862,085,620	16.451%
Mr. Sue Ka Lok	Beneficial owner	–	22,800,000 *(Note (iv))*	22,800,000	0.435%
Mr. Yiu Chun Kong	Beneficial owner	–	600,000 *(Note (iv))*	600,000	0.011%
Mr. Chan Shui Yuen	Beneficial owner	–	900,000 *(Note (iv))*	900,000	0.017%
Mr. Pun Chi Ping	Beneficial owner	–	300,000 *(Note (iv))*	300,000	0.006%
Ms. Leung Pik Har, Christine	Beneficial owner	–	300,000 *(Note (iv))*	300,000	0.006%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

(i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 shares of the Company in issue at 31 December 2019.

(ii) These interests were held by BJHK Company Limited ("BJHK"), which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 shares of the Company under the SFO.

(iii) These interests were held by Billion Expo International Limited ("Billion Expo"), which was a wholly owned subsidiary of Premier United Group Limited ("Premier United") which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.

(iv) This represented the interest of the underlying shares issuable under the share options granted by the Company on 4 May 2017 pursuant to the share option scheme adopted by the shareholders of the Company on 22 June 2016. The consideration paid by the director on acceptance of the share options granted was HK$1.00. The exercise price of the share options granted is HK$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

Save as disclosed above, at 31 December 2019, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Share Option Scheme" disclosure in Note 31 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 31 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 31 December 2019, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares and underlying shares of the Company:

Name of shareholders	Capacity and nature of interest	Number of shares held	Number of underlying shares held	Total interests	Approximate percentage of the Company's issued share capital *(Note (i))*
Mr. Liu	Interests of controlled corporation	999,505,000 *(Note (ii))*	–	–	–
	Beneficial owner	–	43,500,000 *(Note (iv))*	1,043,005,000	19.903%
BJHK	Beneficial owner	999,505,000 *(Note (ii))*	–	999,505,000 *(Note (ii))*	19.073%
Mr. Suen	Interests of controlled corporation	862,085,620 *(Note (iii))*	–	862,085,620	16.451%
Premier United	Interests of controlled corporation	862,085,620 *(Note (iii))*	–	862,085,620	16.451%
Billion Expo	Beneficial owner	862,085,620 *(Note (iii))*	–	862,085,620	16.451%
China Shipbuilding Capital Limited	Beneficial owner	700,170,000	–	700,170,000	13.361%
China Create Capital Limited	Beneficial owner	357,705,000	–	357,705,000	6.826%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

(i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 shares of the Company in issue at 31 December 2019.

(ii) These interests were held by BJHK, which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 shares of the Company under the SFO.

(iii) These interests were held by Billion Expo, which was a wholly owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.

(iv) This represented the interest of the underlying shares issuable under the share options granted by the Company on 4 May 2017 pursuant to the share option scheme adopted by the shareholders of the Company on 22 June 2016. The consideration paid by the director on acceptance of the share options granted was HK$1.00. The exercise price of the share options granted is HK$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

The interests of Mr. Liu and BJHK in 999,505,000 shares of the Company referred to in Note (ii) above related to the same parcel of shares.

The interests of Mr. Suen, Premier United and Billion Expo in 862,085,620 shares of the Company referred to in Note (iii) above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company at 31 December 2019 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 36 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 31 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu.

A resolution will be proposed at the 2020 AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Liu Zhiyi
Chairman and Chief Executive Officer

Hong Kong, 3 April 2020

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2019, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

There has been a deviation from Code Provision A.2.1 during the year ended 31 December 2019 due to Mr. Liu Zhiyi, an Executive Director of the Company, has served both roles of the chairman and the chief executive officer. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

Effective communication

Code Provision E.1.2

Code Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

The Chairman of the Board, Mr. Liu Zhiyi, was unable to attend the annual general meeting of the Company held on 21 June 2019 (the "2019 AGM") as he had other important business engagement. However, Mr. Sue Ka Lok, an Executive Director of the Company, had chaired the meeting in accordance with bye-law 70 of the Company's Bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

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

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

At 3 April 2020, the date of this annual report, the Board comprises eight directors, four are Executive Directors, namely Mr. Liu Zhiyi ("Mr. Liu") (Chairman and Chief Executive Officer), Mr. Sue Ka Lok ("Mr. Sue"), Mr. Yiu Chun Kong ("Mr. Yiu") and Mr. Chan Shui Yuen, one is Non-executive Director, namely Mr. Suen Cho Hung, Paul ("Mr. Suen"), and three are Independent Non-executive Directors, namely Mr. Pun Chi Ping ("Mr. Pun"), Ms. Leung Pik Har, Christine ("Ms. Leung") and Mr. Kwong Tin Lap. The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 20 of this annual report.

Mr. Suen is the controlling shareholder of Birmingham Sports Holdings Limited (HKEX stock code: 2309) of which Mr. Sue is a non-executive director, Mr. Yiu is an executive director, and Mr. Pun and Ms. Leung are independent non-executive directors. Mr. Suen is a shareholder of China Strategic Holdings Limited (HKEX stock code: 235) of which Mr. Sue is an executive director and the chief executive officer. Mr. Suen is a substantial shareholder of Courage Investment Group Limited (HKEX stock code: 1145) of which Mr. Sue is a non-executive director and the chairman. Mr. Suen is the substantial shareholder of PT International Development Corporation Limited (HKEX stock code: 372) of which Mr. Sue is an executive director. Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between Mr. Liu, the Chairman and the Chief Executive Officer, and among members of the Board.

BOARD OF DIRECTORS (continued)

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

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

The Directors have participated in continuous professional development by attending seminars, in-house briefings and reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2019, all the Directors (including Mr. Liu Zhiyi (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Mr. Yiu Chun Kong, Mr. Chan Shui Yuen, Mr. Suen Cho Hung, Paul, Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap) have complied with Code Provision A.6.5 of the CG Code and have provided the Company with their respective training records pursuant to the CG Code.

During the year ended 31 December 2019, four regular Board meetings and 2019 AGM were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	**2019 AGM**
Executive Directors		
Mr. Liu Zhiyi	4/4	0/1
Mr. Sue Ka Lok	4/4	1/1
Mr. Yiu Chun Kong	4/4	1/1
Mr. Chan Shui Yuen	4/4	1/1
Non-executive Director		
Mr. Suen Cho Hung, Paul	4/4	0/1
Independent Non-executive Directors		
Mr. Pun Chi Ping	4/4	0/1
Ms. Leung Pik Har, Christine	4/4	0/1
Mr. Kwong Tin Lap	4/4	0/1
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*	1/2	0/1

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company has deviated from the requirement during the year ended 31 December 2019. Mr. Liu Zhiyi, an Executive Director of the Company, has served both roles of the chairman and the chief executive officer. Although this arrangement constitutes a deviation from the CG Code, the Board considers that the management structure of the Company, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, the non-executive directors should be appointed for a specific term and subject to re-election. All the Non-executive Directors (including the Independent Non-executive Directors) are appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the Non-executive Directors (including the Independent Non-executive Directors) are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

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

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

REMUNERATION COMMITTEE (continued)

The Remuneration Committee met once during the year ended 31 December 2019 to review the remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Pun Chi Ping	1/1
Ms. Leung Pik Har, Christine	1/1
Mr. Kwong Tin Lap	1/1
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*	0/1

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. At the date of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap. Ms. Leung Pik Har, Christine is the Chairlady of the Nomination Committee.

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

The Nomination Committee met twice during the year ended 31 December 2019 to review the independence of independent non-executive directors, review the structure, size and composition of the Board; and review and make recommendations to the Board on the re-election of directors and the appointment of Chairman of the Audit Committee and the Corporate Governance Committee. The attendance of each member is set out as follows:

Members	Number of attendance
Ms. Leung Pik Har, Christine	2/2
Mr. Pun Chi Ping	2/2
Mr. Kwong Tin Lap	2/2
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*	0/1

BOARD DIVERSITY POLICY

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

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the Shareholders for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account among other things, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives as set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria as set out in the Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment; and (ii) for standing for election at a general meeting as a director of the Company.

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

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019 is set out in the "Independent Auditor's Report" on pages 57 to 61 of this annual report.

For the year ended 31 December 2019, remuneration payable to the Company's auditor, Deloitte Touche Tohmatsu, for the provision of audit services was HK$2,400,000. During the year, HK$255,000 was paid as remuneration to Deloitte Touche Tohmatsu for the provision of non-audit related services.

AUDIT COMMITTEE

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

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

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

The Audit Committee met twice during the year ended 31 December 2019 and the attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Pun Chi Ping	2/2
Ms. Leung Pik Har, Christine	2/2
Mr. Kwong Tin Lap	2/2
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*	1/1

AUDIT COMMITTEE (continued)

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

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2018 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019 and recommended to the Board for approval;

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

4. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2018;

5. reviewed the effectiveness of the risk management and internal control systems of the Group; and

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

CORPORATE GOVERNANCE COMMITTEE

The Board has delegated the corporate governance duties to the Corporate Governance Committee. The Corporate Governance Committee has specific written terms of reference that includes the corporate governance functions as set out in the CG Code. At the date of this annual report, the Corporate Governance Committee comprises three members, including two Executive Directors, namely Mr. Sue Ka Lok and Mr. Chan Shui Yuen, and one Independent Non-executive Director, namely Mr. Kwong Tin Lap. Mr. Kwong Tin Lap is the Chairman of the Corporate Governance Committee.

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

CORPORATE GOVERNANCE COMMITTEE (continued)

The Corporate Governance Committee met once during the year ended 31 December 2019 to review the training and continuous professional development of directors; and the Group's compliance with the CG Code. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Kwong Tin Lap	1/1
Mr. Sue Ka Lok	1/1
Mr. Chan Shui Yuen	1/1
Mr. To Yan Ming, Edmond *(passed away on 28 August 2019)*	0/1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operation of the Group. The goal of the risk management and internal control mechanism is to provide reasonable assurance regarding the fulfilment of corporate development strategies and not absolute assurance against material misstatement or loss.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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

The Group does not have an internal audit function due to the size of the Group and consideration for cost effectiveness. Instead, the Company had engaged an external consultant to conduct review on the Group's risk management and internal control systems to identify and evaluate significant risks of the business operations. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of evaluation process. The external consultant had conducted an annual review to identify risks that potentially impact the businesses of the Group, key operational and financial processes, regulatory compliance and information security, and assess the adequacy and effectiveness of the systems for the year ended 31 December 2019. The review covered all material controls, including financial, operational and compliance controls. After the review, a report of findings and recommendations for improvement in relation to the systems has been provided to the Audit Committee and the management. The internal audit report has been endorsed by the Audit Committee and the management is required to establish remedial plans and take required actions to rectify those internal control deficiencies identified (which are all at low to medium risk level) according to the respective risk level and priorities. Subsequent review will be performed by the external consultant to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

The Board is not aware of any significant internal control and risk management weaknesses or inconsistencies with risk management policies, and considers the existing risk management and internal control systems effective and adequate for the year ended 31 December 2019. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

COMPANY SECRETARY

Mr. Chan Shui Yuen ("Mr. Chan"), an Executive Director of the Company, was appointed the Company Secretary on 10 November 2017. The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 20 of this annual report. Mr. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2019.

SHAREHOLDER RIGHTS

Procedures for shareholders to convene a special general meeting

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

Procedures for shareholders to put forward proposals at general meetings

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

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

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

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

SHAREHOLDER RIGHTS (continued)

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

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

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Room 3203, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

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

DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account among other things, the following factors: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans; (iv) liquidity position; and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the Companies Act and the Company's Bye-laws.

OVERVIEW

The Board of EPI (Holdings) Limited is pleased to present this Environmental, Social and Governance (the "ESG") report of the Company and its subsidiaries (hereinafter referred to as the "Group" or "we" or "our") which summarises the efforts and achievements made by the Group in corporate responsibility and sustainable development.

The Board is responsible for the Group's ESG strategy and reporting, evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items, and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.

REPORT SCOPE AND BOUNDARIES

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide and complied under the "comply or explain" provision as set out in Appendix 27 to the Listing Rules. With regard to corporate governance aspect, please refer to the Corporate Governance Report on pages 29 to 40 of this annual report. This ESG report mainly covers the petroleum exploration and production, money lending and investment in securities businesses of the Group for the year ended 31 December 2019.

A. STAKEHOLDERS' ENGAGEMENT

The Group is committed to maintaining the sustainable development of its business and providing support to environmental protection and the community in which it operates. The Group maintains a close tie with its stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers, community etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its environmental, social and governance risks, and ensures that the relevant risk management and internal control systems are operating properly and effectively.

The following table contains the main expectations and concerns of the key stakeholders, as identified by the Group, and the corresponding management response:

Stakeholders	Expectations and Concerns	Management Response
Government/ regulatory organisations	➢ Compliance in laws and regulations ➢ Fulfill tax obligation	➢ Uphold integrity and compliance in operations ➢ Pay tax on time in return contributing to the society ➢ Establish comprehensive and effective internal control system
Shareholders/ investors	➢ Return on investment ➢ Information transparency ➢ Corporate governance system	➢ Management possesses experience and professional knowledge in business sustainability ➢ Ensure transparency and efficient communications published in websites of the Stock Exchange and the Company ➢ Continuous improvement to the internal control system and focus on risk management
Employees	➢ Labour rights ➢ Career development ➢ Compensation and welfare ➢ Health and workplace safety	➢ Set up contractual obligations to protect labour rights ➢ Encourage employees to participate in continuous education and professional trainings to enhance competency ➢ Establish fair, reasonable and competitive remuneration scheme ➢ Pay attention to occupational health and workplace safety
Customers	➢ High quality products and customer services	➢ Provide high quality products and services continuously in order to maintain customer satisfaction ➢ Ensure proper contractual obligations are in place
Suppliers	➢ Integrity ➢ Corporate reputation	➢ Ensure proper contractual obligations are in place ➢ Establish policy and procedures in supply chain management ➢ Select suppliers with due care
Community	➢ Environmental protection ➢ Community contribution ➢ Economic development	➢ Pay attention to climate change ➢ Encourage employees to actively participate in charitable activities and voluntary services ➢ Ensure good and stable financial performance and business growth

B. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group's business objectives and development direction are in line with the stakeholders' expectations and requirements. The Group's and stakeholders' matters of concern are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders	Importance to the Group: Low	Importance to the Group: Medium	Importance to the Group: High
High	◆ Anti-discrimination measures ◆ Labour rights protection	◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare	➢ Customers' satisfaction ➢ Product and customer service quality ➢ Suppliers management ◆ Occupational health and workplace safety
Medium	➢ Community contribution	➢ Anti-corruption measures ✧ Air and greenhouse gas emissions ✧ Energy conservation measures	➢ Operational compliance ➢ Client's privacy measures and protection
Low	➢ Product safety ◆ Preventive measures for child and forced labour ✧ Water resources utilisation ✧ Generation of non-hazardous wastes		

✧ Environmental ◆ Employee ➢ Operation

C. ENVIRONMENTAL

The Group has commenced its petroleum exploration and production business since the end of 2009. During the reporting period, the Group continued to engage in petroleum exploration and production in the Chañares Herrados area (the "CHE Concession") in the Cuyana Basin, Mendoza Province of Argentina. Chañares Energía S.A. (formerly known as Chañares Herrados Empresa de Trabajos Petroleros S.A.) ("Chañares") is the concessionaire of the CHE Concession (the "Concessionaire"). According to the agreements signed between the Group and Chañares, the Group has the right to drill new wells and perform workover on its existing oil wells. Chañares also acts as the operator of the CHE Concession. Once the Group completes drilling a well which is ready for production, Chañares will check to confirm the conditions and be responsible for the crude oil production and field operation.

As the Concessionaire and operator of the CHE Concession, Chañares is responsible to comply with rules and regulations relating to environmental protection, labour, hydrocarbon and oil industry in Argentina.

Currently, crude oil after processing is delivered to the collection point and sold to our customer, YPF S.A. (a state-owned petroleum company). Chañares has been handling the above sales process for the Group and charging the Group for handling fees.

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

During the reporting period, the daily production and sales processes of the Group's petroleum exploration and production operation were handled by Chañares, and the Group had not drilled any new well and performed any workover on existing wells during the period. Accordingly, the Group did not directly produce any air emissions and hazardous wastes, and had not directly caused any significant impact on the environment where the oil field operates.

Environmental protection issues relating to the Group's other operations are analysed below:

Emissions and Energy Consumption

The Group has always been committed to assessing and reporting its carbon footprint to the public. As the Group's other operations mainly operate in an office setting, the major environmental impact are greenhouse gas and air emissions generated by electricity, natural gas and fuel consumption of office vehicles. The Group's operating initiatives are to reduce the emission of carbon dioxide generated in its business activities. Therefore, the Group focuses on carrying out various energy saving measures to minimise the impact on the environment resulted from emissions. During the reporting period, the Group produced 64.58 Carbon Dioxide Equivalent ("CO_2e") tonnes of greenhouse gas ("GHG") emission, including 30.53 CO_2e tonnes of Scope 1 GHG emissions and 34.05 CO_2e tonnes of Scope 2 GHG emissions.

Emissions and Energy Consumption (continued)

The greenhouse gas emission from the operation has been calculated and measured as follows:

	2019		2018 *(Note)*	
Scope 1 – Direct Emission	**Consumption**	**Carbon Dioxide Equivalent Emission (in tonne)**	**Consumption**	**Carbon Dioxide Equivalent Emission (in tonne)**
Gasoline and diesel	10,198 Liters	30.53	5,916 Liters	16.52
Intensity (per employee)	208 Liters	0.62	134 Liters	0.38

	2019		2018	
Scope 2 – Indirect Emission	**Consumption**	**Carbon Dioxide Equivalent Emission (in tonne)**	**Consumption**	**Carbon Dioxide Equivalent Emission (in tonne)**
Electricity	35,702 kWh	27.07	21,390 kWh	13.35
Natural gas	2,943,744 Liters	6.98	2,402,930 Liters	5.33
		34.05		18.68
Intensity (per employee):				
Electricity	729 kWh	0.55	486 kWh	0.30
Natural gas	60,076 Liters	0.14	54,612 Liters	0.12
		0.69		0.42

Note: During the year, the Group has optimised the calculation method of scope 1 greenhouse gas emission, and the data for the year ended 31 December 2018 were restated accordingly.

Emissions and Energy Consumption (continued)

Fuel Consumption

During the reporting period, the Nitrogen Oxides ("NOx"), Sulphur Oxides ("SOx") and Particulate Matter ("PM") emitted by vehicles used by the Group accounted for 18.34 kilograms, 0.15 kilograms, 1.61 kilograms respectively, compared to 27.19 kilograms *(Note)*, 0.09 kilograms *(Note)*, 2.48 kilograms *(Note)* in 2018. As the NOx and PM emission factors of private cars are less than that of light goods vehicles, the Group's business expansion into the PRC resulted in the increase in the proportion of use of private cars, and the emission of NOx and PM thereby decreased accordingly despite the increase in fuel consumption. Besides, the increase in the overall CO_2e from fuel consumption was in line with the increase in fuel consumption.

Natural Gas Consumption

The operation in Argentina mainly uses natural gas for heating. To minimise gas consumption, the Group reminds its employees to turn off the heater after work; conducts regular inspection and carries out corrective repairs and maintenance to the equipment and pipelines to enhance thermal efficiency of natural gas. In 2019, the natural gas consumption was 2,943,744 liters. The relatively cold winter this year led to an increase of 22.51% in natural gas consumption when compared to 2018, and the CO_2e emission thereby increased accordingly.

Energy Conservation Initiatives

The Group encourages its employees to change their habit of using electrical appliances; and introduced control measures include switching off lightings, air-conditioners, computers, personal electronic devices and office equipment after work and/or when they are idle; and turned on power saving mode. The Group also focuses on keeping all electronic appliances well-maintained so as to extend the life of the equipment. Nonetheless, due to the expansion of business in the PRC, the Group consumed electricity of 35,702 kWh during the reporting period, representing an increase of 66.91% when compared to the consumption in 2018, and also led to the increase in CO_2e emission. Besides, the Group has established policies relating to business vehicles such as restricting their use, eliminating excessive fuel consumption, and regular vehicle inspection and maintenance.

Water Consumption

The Group does not face any water supply problem as it is provided by municipal to the office building; and regularly orders drinking water from external supplier to eliminate use of electricity in running a water supply system. Although the Group does not have full controls over water supply, it recognises the scarcity of resources the environment could offer and always encourages its staff members to cherish water usage, such as putting up "save water" sign in the prominent places in the pantry and toilets as a reminder. The amount of water consumption was 149.02 tonnes in 2019, as compared to 259 tonnes in previous year. The Group fixed the isolated incident of water leakage related to the operation in Argentina last year and paid attention to the water pipes maintenance which led to the reduced water consumption this year.

Note: During the year, the Group has optimised the calculation method of air emissions, and the data for the year ended 31 December 2018 were restated accordingly.

Waste Reduction

The Group does not generate any hazardous waste. Waste management mainly involves recycling waste papers and collection of domestic wastes. During the reporting period, the Group's business consumed 0.91 tonne of paper, representing an increase of 24.66% from the consumption of 0.73 tonne in 2018. The increase in paper consumption was mainly due to the Group's review and assessment of an oil field bidding process during the year. In addition to our energy conservation practices, the Group has introduced measures to reduce wastes production. The Group encourages its employees to read documents in electronic format, to consider the environment before printing, to despatch memos and announcements via emails, to preview document layout, to print documents on both sides of the papers, and to use recycled papers for financial reports printing and promoting "green office" concepts in the office. Clearly labelled recycling bins are provided to collect waste papers, plastic bottles, ink cartridges, etc. The Group also encourages its employees to reduce use of non-recyclable materials to minimise the adverse impact on the environment.

The Environment and Natural Resources

Other than the Group's petroleum exploration and production operation in Argentina, the Group's other operations do not have significant impact on the environment and natural resources. The Company encourages staff to adopt environmentally responsible behaviour and raise awareness of environmental protection. As mentioned in the above sections, the Company has implemented various measures to reduce energy consumption, protect water resources and reduce waste.

Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to environmental protection. In addition, the Group did not involve in any non-compliance in relation to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.

D. SOCIAL

Connecting with the right people, building social capital and relationships, showing appreciation to staff members, vendors and customers who keep the business running are the cornerstones of business success.

Employment and Labour Practices

Employment

Our employees are critical for our operations. We always view employees as core asset of the Group for establishing the foundation of success and long-term development. When we formulate human resources strategies, we devote to create an equitable, non-discriminatory and safe working environment. We strive to build a harmonious working environment for our employees based on mutual respect, trust, impartiality, transparency and truthfulness, dynamism and teamwork to encourage creativity, flexibility and commitment to accomplish our corporate mission. We provide equal opportunities to employees to capture, promote and retain talents and promote personal and professional growth by offering them attractive and commensurate remuneration packages and providing various career development training. Ongoing education and training in relation to, among others, ethical conduct, roles and responsibilities, and technological and market development are very important to the Group, as are performance feedback and appraisals from direct manager and competitive compensation packages to hire competent staff. Besides, we strictly comply with the relevant laws and regulations.

Employment and Labour Practices (continued)

Employment (continued)

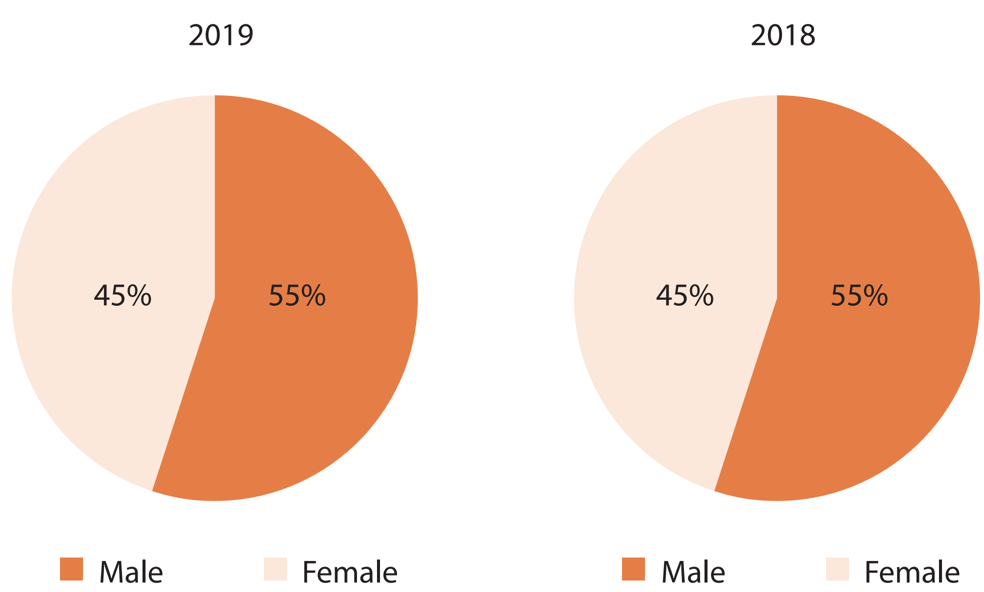
The Group always follows the principles of fairness, equality, competitiveness and non-discrimination to hire outstanding talents, and devotes to protect human right and privacy of employees. We select the best qualified candidates by considering various criteria such as education background, relevant working experiences, demonstrated knowledge, competencies and skills, desirable personal traits, physical fitness and development potential.

The Group gives equal opportunity for employment to all individuals, regardless of their race, religion, colour, nationality, age, marital status, gender, sexual orientation, or disability. This fair treatment policy applies to all phases of the employment relationships, including but not limited to hiring, promotion, dismissal, personal development opportunities and determining wages and benefits. Diversity is the strength of the Group. Every employee must respect the people and cultures with whom or in which they work. As an organisation, we seek diversity at all levels and expect a work environment in which all employees can develop and contribute to their full potential. We hope to achieve a win-win situation through joint development of employees and the Group.

Workforce

The composition of the Group's employees is analysed by gender, employment type, age group and geographical region as follows:

(i) Percentage of Employees by Gender

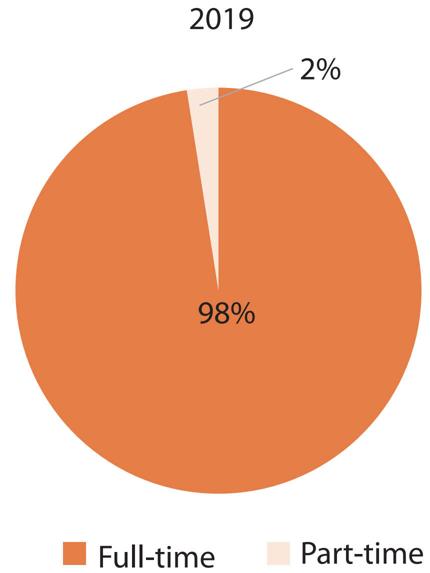


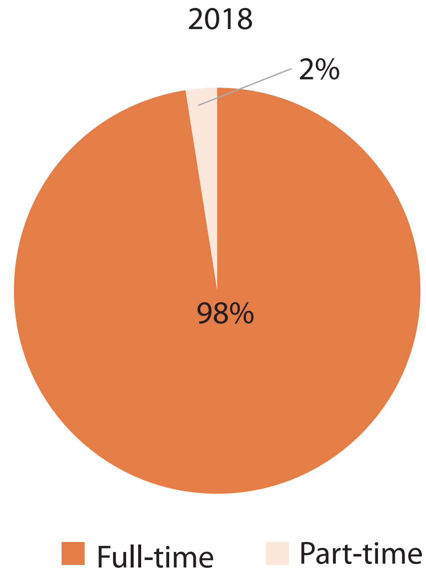
Note: The analysis for Percentage of Employees by Gender was based on full-time employees.

Employment and Labour Practices (continued)

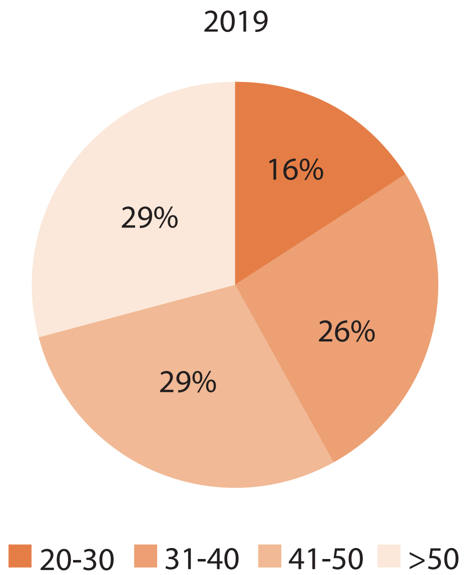
Workforce (continued)

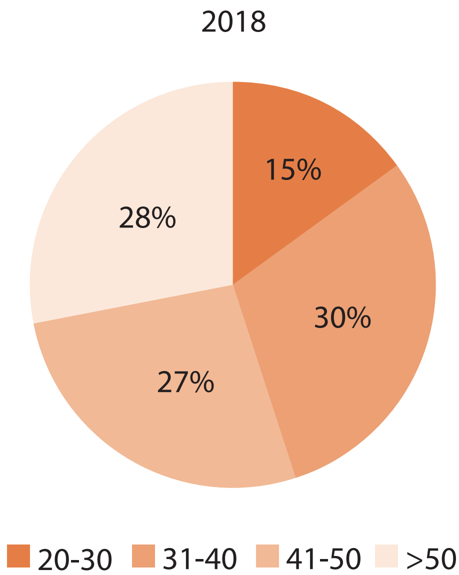
(ii) Percentage of Employees by Employment Type





(iii) Percentage of Employees by Age Group



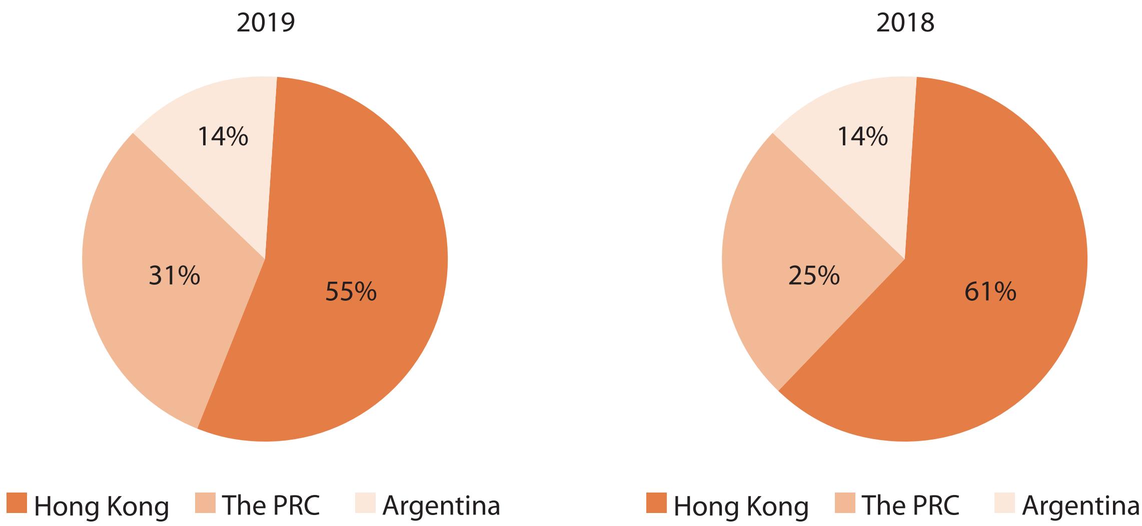


Note: The analysis for Percentage of Employees by Age Group was based on full-time employees.

Employment and Labour Practices (continued)

Workforce (continued)

(iv) Percentage of Employees by Geographical Region



Note: The analysis for Percentage of Employees by Geographical Region was based on full-time employees.

There is no significant difference between the two years in respect of the above employee composition analysis.

Working Hours, Promotion, Termination, Compensation and Other Benefits

At 31 December 2019, the Group had 49 (2018: 44) employees in total; 27 (2018: 27) in Hong Kong, 15 (2018: 11) in the PRC and 7 (2018: 6) in Argentina. During the reporting period, 13 employees left the Group, all of them were compensated in accordance with the applicable local labour and employment laws and regulations. There were 4 employees left in 2018. The employee turnover rate for 2019 is about 26.5% (2018: 9.1%), the increase in turnover rate when compared to last year was mainly caused by employee's pursuit of jobs with higher salary or better career development and employee's personal issues which mainly related to employees of the PRC operation.

To retain quality staff, we establish competitive remuneration scheme and regularly evaluate their salary levels to make sure that their remuneration packages are competitive. Though the remuneration scheme varies in different nations where we operate, we strive to build a fair, reasonable and competitive remuneration scheme. Staff salaries are determined based on their knowledge, skills, experiences and education background relevant to the job requirements. Basic remuneration of staff includes fixed salary, bonuses and paid holidays etc. We operate retirement plans (pension schemes for employees in the PRC and Argentina and Mandatory Provident Fund Scheme for employees in Hong Kong) for employees in compliance with the local law requirements.

Employment and Labour Practices (continued)

Working Hours, Promotion, Termination, Compensation and Other Benefits (continued)

In addition to national mandatory holidays, employees are entitled to annual leave, compensated leave and other compassionate leave. Those employees who have demonstrable experience in the oil industry are entitled to additional holidays under the laws in Argentina.

All staff are expected to discharge their job responsibilities within reasonable work hours. In general, we implement five-day work system with 40 working hours per week. We dismiss employees and compensate them in accordance with the relevant laws and regulations. Staff consent for working overtime is needed so as to prevent forced overtime work; and they are compensated in accordance with the requirement of the local laws and regulations.

Additional allowances that are also available to the employees include meal allowance, overseas travelling allowance and education subsidy. Education subsidy includes courses/modules/seminars that are directly relevant to the job and organised by reputable institutions, and membership fee to professional institutions which are relevant to the job. In order to improve employee satisfaction, to enhance the cohesion between employees and help them to build up sense of belongings, the Group continues to optimise the annual performance appraisal, remuneration, recognition and reward process, to improve the work environment and organise various recreational activities.

Health and Safety

The Group always puts health and safety of its employees as its first priority, and injury prevention is especially important as part of our management practices. The Group will not compromise health or safety in the workplace for production or profit. It is the goal of each location to have and maintain a safe workplace. Health and safety policies and procedures are published for all our plants, offices and work sites. All employees must perform their duties following the published health and safety rules, and must promptly report any concerns, safety violations or incidents. Work performance within the operation fields are checked to verify that it is executed safely so as to minimise incidents and potential risks.

The Group established strict risk assessment and management policies and procedures to identify and minimise potential hazard that might lead to injury, illness or human loss by providing staff training and planning in advance for the coordinated action in case of emergency. The policies and procedures provide clear and identified guidelines for staff to identify and assess risks, delineate procedures for handling situations involving security and safety of workers and facilities, carefully plan for business operations (including tools required for eliminating or controlling risks) and promote good working atmosphere. The Group aims to maintain and practice the highest standards in terms of preventing incidents and potential accidents by developing specific procedures, as well as identify, assess and minimise risks by scheduling operations performed in the work field.

Employment and Labour Practices (continued)

Health and Safety (continued)

We provide on-the-job technical training regularly, arrange safety assessment and organise team-building activities to promote job safety. This is to ensure that our employees are equipped with the required knowledge and skills to fulfill their job duties and able to meet the safety standards.

The Group also has insurance policies in place that are in compliance with the Employment Ordinance and the common law in Hong Kong, Regulation on Work-related Injury Insurance and Social Insurance Law in the PRC and Risks at Work Law in Argentina for injuries at work for every employee. We care about the occupational health and safety programmes as they strengthen safety awareness and self-protecting tendencies of employees and maintain a safe production environment.

The Group believes that good working relationship among staff can minimise hazards within the operation site. We set up comprehensive contingency plan detailing the handling procedures for different types of contingencies (fires, electrical failure, flood and water damage, earthquakes, typhoons, heavy rains, etc.). When a contingency occurs, the procedure starts by notifying through any available media, according to the employees' emergency roles. The primary purpose of the business contingency plan is to safeguard assets of the Group such as the physical safety and mental wellbeing of human life, to establish and resume critical functions as quickly as possible by providing an alternate-processing site and to re-establish critical functions of the Group. A responsible personnel is designated for coordinating and supervising the work necessary during and after the incident.

We also establish and optimise our occupational health management system to protect our workers and their rights. We provide all site workers with safety protective equipment such as protective gloves, shock-proof glasses, hearing protectors, fire resistant jacket, helmet, boots with toes and ankles protection, working clothes, etc. in sufficient quantity and quality and the use of the safety protective equipment is mandatory, in accordance with the instructions issued by the Group. All personnel involved in the operation and within the scope of the location are responsible for the use of the safety protective equipment which must be suitable to perform the work. In addition, prior to the start-up of any operational task within or outside the location, a meeting with the involved staff present on location is conducted to give knowledge of the involved maneuvers, identified risks and scope or needs that are required to complete such an operation.

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

Employment and Labour Practices (continued)

Development and Training

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, the Group encourages its employees to continue study and lifelong learning. The Group organised internal and external trainings in explaining the operational procedures by business, risk assessment and management policies and contingency plan; subsidised employees to attend training courses whenever necessary. New hires are required to participate in induction orientation introducing the corporate culture, industry knowledge, the Group's organisational structure, and operational safety, etc. Ongoing training can enhance the employees' professional knowledge and work skills; and also provide a reasonable guarantee to ensure that the employees have the necessary technical knowledge, professional skills and business ethics; and are able to discharge of duties efficiently and with integrity. For example, the Argentina finance team provided technical updates to the Group's employees on topics relating to their local tax, legal and accounting standards.

Labour Standards

The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labour, by conducting background checks and reference checks in its hiring process. The Group does not tolerate any form of harassment whether it is sexual, physical or mental harassment, e.g. bullying of employees. Employees are expected to be open, honest, and courteous with each other. We honour and respect all who choose to work for the organisation and the freedom of individual employee, to join legally authorised associations or organisations. We support human rights consistent with the Universal Declaration of Human Rights and consider carefully before trading with, or investing in, countries which are governed by regimes that do not adhere to the Universal Declaration of Human Rights. Also, employees are not allowed to work under the influence of drugs and alcohol. No form of threatens, weapons or illegal drugs are allowed in any work sites. During the reporting period, the Group did not hire any applicant under the legal working age in order to comply with the local laws and regulations in respect of child and forced labour.

Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, human rights and labour practices, and occupational health and safety.

Operating Practices

Supply Chain Management

Strengthening our relationships with suppliers depend on our determination for conducting all aspects of our businesses in a way that is mutually beneficial as well as open. The Group aims to develop relationships with its suppliers based on honesty, fairness and mutual trust. Suppliers are selected according to the quality of their product and service, their reliability and their competence of price. Each of the qualified suppliers is given a fair chance to sale of quality products to the Group. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations of laws or regulations when people are performing their duties for the Group. During the reporting period, the Group did not have significant issues relating to violations in this respect.

Operating Practices (continued)

Supply Chain Management (continued)

As abovementioned, the Group has the right to engage experts to drill new well and perform workover on our own wells. We are responsible to select and appoint experts and monitor the works performed by these experts. The experts must have the necessary qualification and be familiar with the basin where the oil field located. We have also established strict policy in selecting suppliers and service providers. Periodic supplier and service provider performance evaluation is conducted to better control and assure good quality.

The Group also serves to maintain long-term, stable and strategic cooperative relationships with suppliers with good credit history, high product or service quality, proven environmental compliance and sound commitment to social responsibility. Such bases are used to establish an efficient and green supply chain system in selecting suppliers and service providers; and to conduct regular performance reviews with an aim to effectively control its product and service quality.

Supplier/Service Provider Responsibility

American Petroleum Institute ("API") gravity is a measure to determine the grade of the crude oil. Crude oil extracted underground is treated through oil/water separation process before selling to the customer. Our customer, YPF S.A. checks the API gravity before oil is delivered and thus no after-sale quality problem exists.

For the money lending business, we handle confidential information of our clients with integrity and in accordance with applicable laws. Employees respect the confidentiality of information acquired as a result of business relationship and do not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to do so. Confidential information may be subject to disclosure requirements according to the applicable laws and regulations and shall be exchanged internally and exclusively on a "need-to-know" basis. Such information is also not used for personal advantage by any employee of the Group.

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

Anti-corruption

The Group always attach importance to creating a harmonious and honest working environment and we commit to achieving and maintaining high integrity and accountability standards with great emphasis on corporate governance, moral culture and staff quality. All employees should act in upright, impartial and honest manner, and strictly follow the applicable laws and regulations. If employees violate them, they will face disciplinary action or even termination of the employment contracts. Employees must observe our required ethical standards and make their own judgements as to the appropriateness of their conduct in business operation.

Operating Practices (continued)

Anti-corruption (continued)

When employees suspect violations occured, they may, in the case of absolute confidentiality, report through different channels to those charged with governance. The Group has designed a whistleblowing policy to encourage employees to raise serious concerns internally that are suspected to be malpractices or impropriety, in a responsible and effective manner rather than overlooking a problem or blowing the whistle outside. Employees who hide traces, evidences or avoid investigation of suspicious transactions may be considered as illegal.

In addition, in order to minimise the fraud risk, the Group has a pre-employment screening process under which all applicants would be asked whether he/she has ever committed any criminal offences in the past. We continue to optimise the reporting mechanism and resolutely fight against corruption for building a clean social environment.

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

Community Involvement

The Group views sustainable development and community contribution as our goals. We believe in people-oriented management principle, carry out a variety of activities in fulfilling our social responsibilities, actively pursue social contribution initiatives and strive to create a sustainable and harmonious society. Our performance over the long-term depends on sensitivity to local customs and conventions governing business relationships, and our commitment to make a positive contribution to the sustainable development of the communities in which we work. The Group considers ways of supporting communities in which it operates through charitable and educational activities and contributions (made within policies set by the Board). The Group strives to minimise any harmful effects of our operations on the natural environment and finite resources. In doing so, we set out environmental quality standards which are desirable and attainable and comply fully with all relevant environmental legislation.

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

E. SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2019	2018
Greenhouse gas emissions:			
Scope 1:			
Total *(Note)*	Tonne	30.53	16.52
Intensity *(Note)*	Tonne (per employee)	0.62	0.38
Scope 2:			
Total	Tonne	34.05	18.68
Intensity	Tonne (per employee)	0.69	0.42
Air emissions:			
Nitrogen Oxides *(Note)*	Kilogram	18.34	27.19
Sulfur Oxides *(Note)*	Kilogram	0.15	0.09
Particulate Matter *(Note)*	Kilogram	1.61	2.48
Energy and water consumption:			
Electricity:			
Total	kWh	35,702.00	21,390.00
Intensity	kWh (per employee)	728.61	486.14
Diesel:			
Total	Liter	1,213.82	1,699.09
Intensity	Liter (per employee)	24.77	38.62
Gasoline:			
Total	Liter	8,983.75	4,217.05
Intensity	Liter (per employee)	183.34	95.84
Natural gas:			
Total	Liter	2,943,744.00	2,402,930.00
Intensity	Liter (per employee)	60,076.41	54,612.05
Water:			
Total	Tonne	149.02	259.00
Intensity	Tonne (per employee)	3.04	5.89

Note: During the year, the Group has optimised the calculation method of scope 1 greenhouse emission and air emissions, and the data for year ended 31 December 2018 were restated accordingly.

Deloitte.

德勤

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 151, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loan and interest receivables	
We identified the impairment assessment of loan and interest receivables as a key audit matter due to the significance of balances to the Group's consolidated financial position and the involvement of significant management judgement in evaluating the expected credit losses ("ECL") of loan and interest receivables at the end of the reporting period. As detailed in Note 4 to the consolidated financial statements, in making the assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including the past due dates and default rates, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls. At every reporting date, the financial background, financial condition and historical settlement records are reassessed and changes in the forward-looking information are considered.	Our procedures in relation to impairment assessment of loan and interest receivables included: • Understanding the Group's policy on granting loans to its borrowers and the Group's credit and impairment assessments including the related credit control and loan monitoring process; • Checking the past due dates of outstanding loan and interest receivables against the loan agreements for the terms of the loans to identify any significant change in credit risk or default in loan and interest receivables; • Testing the integrity of information used by management to develop the impairment assessment of the loan and interest receivables as at year-end by checking the historical settlement records on a sample basis;

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loan and interest receivables (continued)	
The management further assess whether there has been a significant increase in credit risk for exposures since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgments involved. The carrying amount of the loan and interest receivables is HK$185,688,000 in aggregate and the Group's impairment allowance on loan and interest receivables is HK$68,755,000 in aggregate as at 31 December 2019 as set out in Note 23 to the consolidated financial statements.	• Assessing the reasonableness and appropriateness of the management's judgement on a staging criteria for determining if significant increase in credit risk has occurred or the financial asset is credit-impaired and the basis for classification of exposures into the 3 stages as required by HKFRS 9 and examining supporting information on a sample basis to assess the appropriateness of the classification of loan exposures as at the end of the reporting period; • Evaluating the expected cash shortfalls estimated by the management by checking the expected cash flows from the realisation of collaterals received against publicly available information; and • Assessing the reasonableness of forward-looking information used by the Group.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
3 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**60,560**	71,419
Sales of petroleum		**24,171**	43,998
Interest income		**35,287**	26,369
Others		**1,102**	1,052
Purchases, processing and related expenses		**(18,858)**	(29,017)
Other income and losses, net	7	**(1,609)**	(577)
Net loss on financial assets at fair value through profit or loss	8	**(32,736)**	(80,636)
Expected credit loss on loan and interest receivables and debt instruments at fair value through other comprehensive income		**(61,647)**	(6,008)
Provision of impairment loss of property, plant and equipment and right-of-use assets	9	**(47,306)**	(3,383)
Wages, salaries and other benefits		**(16,573)**	(13,768)
Depreciation		**(8,555)**	(6,657)
Gain on redemption of debt instruments at fair value through other comprehensive income		**328**	–
Loss on disposal of debt instruments at fair value through other comprehensive income		**–**	(610)
Net fair value changes on derivative component of convertible notes		**–**	(24,370)
Other expenses		**(10,692)**	(16,488)
Finance costs	10	**(239)**	(4,992)
Loss before tax		**(137,327)**	(115,087)
Income tax expense	11	**(772)**	(140)
Loss for the year attributable to owners of the Company	12	**(138,099)**	(115,227)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain (loss) on debt instruments at fair value through other comprehensive income		**9,284**	(13,583)
Release on disposal of debt instruments at fair value through other comprehensive income		**–**	610
Release on redemption of debt instruments at fair value through other comprehensive income		**(328)**	–
Exchange differences arising on translation of foreign operations		**(2,014)**	(4,631)
Other comprehensive income (expense) for the year, net of income tax		**6,942**	(17,604)
Total comprehensive expense for the year attributable to owners of the Company		**(131,157)**	(132,831)
Loss per share attributable to owners of the Company			
– Basic	16	**HK(2.64) cents**	HK(2.26) cents

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Exploration and evaluation assets	17	**–**	–
Property, plant and equipment	18	**605**	47,951
Right-of-use assets	19	**–**	–
Intangible asset	20	**420**	–
Debt instruments at fair value through other comprehensive income	21	**123,022**	115,708
Loan and interest receivables	23	**33,000**	–
Other tax recoverables	22	**–**	315
Total non-current assets		**157,047**	163,974
Current assets			
Debt instruments at fair value through other comprehensive income	21	**18,804**	14,622
Loan and interest receivables	23	**152,688**	251,652
Trade and other receivables and prepayments	24	**9,296**	12,780
Other tax recoverables	22	**881**	1,230
Income tax recoverable		**1,089**	–
Financial assets at fair value through profit or loss	25	**37,059**	71,816
Bank balances and cash	26	**92,400**	83,593
Total current assets		**312,217**	435,693
Current liabilities			
Trade and other payables	27	**16,913**	19,126
Income tax payable		**4,796**	5,204
Lease liabilities	28	**3,612**	–
Total current liabilities		**25,321**	24,330
Net current assets		**286,896**	411,363
Total assets less current liabilities		**443,943**	575,337

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liability			
Deferred tax liabilities	*29*	**47**	284
Net assets		**443,896**	575,053
Capital and reserves			
Share capital	*30*	**52,403**	52,403
Reserves		**391,493**	522,650
Total equity		**443,896**	575,053

The consolidated financial statements on pages 62 to 151 together with the Company's statement of financial position set out in Note 41 to the consolidated financial statements have been approved and authorised for issue by the Board of Directors on 3 April 2020 and are signed on its behalf by:

Liu Zhiyi	**Sue Ka Lok**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	50,181	770,285	201,645	1,672	–	(466,106)	557,677
Loss for the year	–	–	–	–	–	(115,227)	(115,227)
Net fair value loss on debt instruments at fair value through other comprehensive income	–	–	–	(13,583)	–	–	(13,583)
Release on disposal of debt instruments at fair value through other comprehensive income	–	–	–	610	–	–	610
Exchange differences arising on translation of foreign operations	–	–	–	–	(4,631)	–	(4,631)
Total comprehensive expense for the year	–	–	–	(12,973)	(4,631)	(115,227)	(132,831)
Issue of shares upon conversion of convertible notes *(Note)*	2,222	147,985	–	–	–	–	150,207
At 31 December 2018	52,403	918,270	201,645	(11,301)	(4,631)	(581,333)	575,053
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(138,099)**	**(138,099)**
Net fair value gain on debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**9,284**	**–**	**–**	**9,284**
Release on redemption of debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**(328)**	**–**	**–**	**(328)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(2,014)**	**–**	**(2,014)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**8,956**	**(2,014)**	**(138,099)**	**(131,157)**
At 31 December 2019	**52,403**	**918,270**	**201,645**	**(2,345)**	**(6,645)**	**(719,432)**	**443,896**

Note: During the year ended 31 December 2018, all the convertible notes with an aggregate principal amount of HK$80,000,000 were converted into ordinary shares of the Company at the conversion price of HK$0.36 per share and 222,222,222 ordinary shares of HK$0.01 each were issued to the holders of convertible notes. Details of the conversion are set out in Note 30.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before tax		**(137,327)**	(115,087)
Adjustments for:			
Depreciation of property, plant and equipment		**4,553**	6,657
Depreciation of right-of-use assets		**4,002**	–
Loss on disposal of debt instruments at fair value through other comprehensive income		**–**	610
Gain on redemption of debt instruments at fair value through other comprehensive income		**(328)**	–
Provision of impairment loss of property, plant and equipment and right-of-use assets	9	**47,306**	3,383
Expected credit loss on loan and interest receivables and debt instruments at fair value through other comprehensive income		**61,647**	6,008
Net loss on financial assets at fair value through profit or loss	8	**32,736**	80,636
Bank interest income		**(627)**	(662)
Interest expense	10	**239**	4,992
Dividend income		**(935)**	(1,052)
Interest income from money lending business		**(25,971)**	(16,814)
Interest income from debt instruments at fair value through other comprehensive income		**(9,316)**	(9,555)
Interest income from financial assets at fair value through profit or loss		**(167)**	–
Net fair value changes on derivative component of convertible notes		**–**	24,370
Operating cash flows before movements in working capital		**(24,188)**	(16,514)
Decrease in trade and other receivables and prepayments		**3,408**	32,721
Decrease (increase) in loan and interest receivables		**7,940**	(195,490)
Decrease in other tax recoverables		**664**	4,290
Decrease (increase) in financial assets at fair value through profit or loss		**2,021**	(56,603)
(Decrease) increase in trade and other payables		**(2,187)**	74
Cash used in operations		**(12,342)**	(231,522)
Withholding tax on interest income from a group entity paid		**(300)**	(560)
Dividend received		**935**	1,052
Income tax paid		**(2,180)**	–
Interest received from money lending business		**20,675**	16,814
Interest received from debt instruments at fair value through other comprehensive income		**9,300**	9,555
Interest received from financial assets at fair value through profit or loss		**167**	–
Net cash inflow (outflow) from operating activities		**16,255**	(204,661)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	18	**(117)**	(1,540)
Acquisition of assets through acquisition of a subsidiary	18, 20	**(1,300)**	–
Purchase of debt instruments at fair value through other comprehensive income		**(13,840)**	(34,808)
Proceeds from redemption of debt instruments at fair value through other comprehensive income		**11,700**	23,400
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**–**	15,133
Bank interest received	7	**627**	662
Net cash (outflow) inflow from investing activities		**(2,930)**	2,847
Cash flows from financing activities			
Repayment of lease liabilities		**(3,917)**	–
Interest paid		**(239)**	(1,917)
Net cash outflow from financing activities		**(4,156)**	(1,917)
Net increase (decrease) in cash and cash equivalents		**9,169**	(203,731)
Cash and cash equivalents at beginning of the year		**83,593**	287,349
Effect of foreign exchange rate changes		**(362)**	(25)
Cash and cash equivalents at end of the year, represented by bank balances and cash		**92,400**	83,593

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 3203, 32/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 39.

The consolidated financial statements are presented in HK$, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied for lease on properties located in Hong Kong, the PRC and Argentina are ranging from 1.38% to 5.0% per annum.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 "Leases" (continued)

As a lessee (continued)

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed at 31 December 2018	8,417
Lease liabilities discounted at relevant incremental borrowing rates	7,821
Less: Leases with lease term ending within 12 months from the date of initial application	(176)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	7,645
Analysed as:	
Current portion	4,211
Non-current portion	3,434
	7,645

The carrying amount of right-of-use assets for own use at 1 January 2019 comprises the following:

	At 1 January 2019 *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,645
By class:	
Buildings	7,645

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 "Leases" (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 at 1 January 2019 *HK$'000*
Non-current asset			
Right-of-use assets	–	7,645	7,645
Current liability			
Lease liabilities	–	4,211	4,211
Non-current liability			
Lease liabilities	–	3,434	3,434

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position at 1 January 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired by allocating the purchase price first to financial assets at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Lease liabilities (continued)

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

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

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset

Intangible asset acquired separately

Intangible asset, including vehicle license, with indefinite useful lives that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Oil and gas properties

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Property, plant and equipment other than oil and gas properties

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

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

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

Exploration and evaluation assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Impairment of exploration and evaluation assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Effective interest method

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

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net loss on financial assets at fair value through profit or loss" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan and interest receivables, bank balances and debt instruments at FVTOCI) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL is assessed individually for trade receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions or the counterparty can meet the financial commitment.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and loan and interest receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Taxation

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

Current tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision of the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Retirement benefits costs

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

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees and directors

Equity-settled share-based payments to employees and directors providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

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

Judgement on significant increase in credit risk

The management assesses whether there has been a significant increase in credit risk for exposures since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative factors and quantitative modelling to support reasonable and supportable forward-looking information available without undue cost or effort with significant judgments involved. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 23 and 38 respectively.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

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

Impairment assessment of oil and gas properties

The carrying amounts of the oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amounts of the oil and gas properties may exceed their recoverable amounts. The Group's determination as to whether they are impaired requires an estimation of the recoverable amount of the assets. The Group relies on experts to assess the geological prospects for the discovery of oil in the oil field and engaged an independent valuer to estimate the value of oil to be produced in the future with reference to the local and international oil prices study based on market research at a suitable discount rate in order to calculate the present value. The carrying value of oil and gas properties at 31 December 2019 was HK$85,000 (2018: HK$46,130,000).

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment assessment of loan and interest receivables

Management regularly reviews the impairment assessment and evaluates the ECL of the loan and interest receivables. Appropriate impairment allowance is recognised in profit or loss.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one as at the date of initial recognition. In making this assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including past due dates and default rates, of each borrower and reasonable and supportable forward-looking information (such as macroeconomic factors including Gross Domestic Product growth and unemployment rate with adjustment on different scenarios of economic environment prospect) that is available without undue cost or effort.

Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 38 and 23 respectively.

5. REVENUE

Revenue from major products and services

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

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

	2019	2018
	HK$'000	*HK$'000*
Sales of petroleum	**24,171**	43,998
Interest income from money lending business*	**25,971**	16,814
Interest income from debt instruments at FVTOCI*	**9,316**	9,555
Dividend and interest income from financial assets at FVTPL	**1,102**	1,052
	60,560	71,419

* Under effective interest method

During the year, revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales.

This is consistent with the revenue information disclosed for each operating segment.

6. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on the information provided to the chief operating decision maker representing the Board, for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

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

(i) Petroleum exploration and production

(ii) Money lending

(iii) Investment in securities

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2019

	Petroleum exploration and production *HK$'000*	Money lending *HK$'000*	Investment in securities *HK$'000*	Total *HK$'000*
Segment revenue				
External sales/sources	24,171	25,971	10,418	60,560
Results				
Segment results before provision of impairment loss and ECL	(4,233)	25,963	(21,516)	214
Provision of impairment loss	(42,377)	–	–	(42,377)
(Provision) reversal of ECL	–	(61,703)	56	(61,647)
Segment results	(46,610)	(35,740)	(21,460)	(103,810)
Other income and losses, net				(1,555)
Provision of impairment loss of property, plant and equipment and right-of-use assets				(4,929)
Corporate expenses				(26,794)
Finance costs				(239)
Loss before tax				(137,327)
Income tax expense				(772)
Loss for the year				(138,099)
Other information				
Depreciation of property, plant and equipment	(3,715)	–	–	(3,715)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2018

	Petroleum exploration and production HK$'000	Money lending HK$'000	Investment in securities HK$'000	Total HK$'000
Segment revenue				
External sales/sources	43,998	16,814	10,607	71,419
Results				
Segment results before provision of impairment loss and ECL	2,921	16,406	(71,167)	(51,840)
Provision of Impairment loss	(3,383)	–	–	(3,383)
Provision of ECL	–	(5,613)	(395)	(6,008)
Segment results	(462)	10,793	(71,562)	(61,231)
Other income and losses, net				(1,257)
Corporate expenses				(23,237)
Net fair value changes on derivative component of convertible notes				(24,370)
Finance costs				(4,992)
Loss before tax				(115,087)
Income tax expense				(140)
Loss for the year				(115,227)
Other information				
Depreciation of property, plant and equipment	(6,571)	–	–	(6,571)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss incurred/profit earned by each segment without allocation of certain other income and losses, net, certain impairment loss of property, plant and equipment and right-of-use assets, corporate expenses, net fair value changes on derivative component of convertible notes, finance costs and income tax expense.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2019	2018
	HK$'000	*HK$'000*
Segment assets		
Petroleum exploration and production	**5,645**	54,355
Money lending	**206,630**	268,145
Investment in securities	**180,290**	204,723
Total segment assets	**392,565**	527,223
Unallocated:		
Property, plant and equipment	**520**	1,783
Bank balances and cash	**70,433**	65,185
Other assets	**5,746**	5,476
Consolidated assets	**469,264**	599,667
Segment liabilities		
Petroleum exploration and production	**3,108**	2,406
Money lending	**419**	1,210
Investment in securities	**47**	414
Total segment liabilities	**3,574**	4,030
Unallocated:		
Lease liabilities	**3,612**	–
Other liabilities	**18,182**	20,584
Consolidated liabilities	**25,368**	24,614

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

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

- all liabilities are allocated to operating segments other than lease liabilities and certain other liabilities.

6. SEGMENT INFORMATION (continued)

Geographical information

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

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

	Revenue from external customers/sources		Non-current assets *(Note)*	
	Year ended 31 December		At 31 December	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Argentina	**24,171**	43,998	**85**	46,168
Hong Kong	**31,322**	21,863	**940**	258
The PRC	**5,067**	5,558	**–**	1,525
	60,560	71,419	**1,025**	47,951

Note: Non-current assets excluded debt instruments at FVTOCI, loan and interest receivables and other tax recoverables.

Information about major customers

Revenue from customer of petroleum exploration and production business contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2019	2018
	HK$'000	HK$'000
Customer A	**24,171**	43,998

7. OTHER INCOME AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**627**	662
Interest and other income from a securities broker	**1**	276
Exchange losses, net	**(2,120)**	(2,157)
Others	**(117)**	642
	(1,609)	(577)

8. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Net unrealised loss on financial assets at FVTPL *(Note (i))*	**27,876**	55,237
Net realised loss on disposal of financial assets at FVTPL *(Note (ii))*	**4,860**	25,399
	32,736	80,636

Notes:

(i) Amount represents the change in the fair values of the securities acquired during the year and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the year as compared to the fair values of the financial assets at FVTPL held by the Group as of 31 December 2019 and 2018.

(ii) Amount represents the change in the fair values of the securities acquired during the year and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition of the securities (if any) during the year as compared to the fair values of the financial assets at FVTPL disposed of upon disposal.

9. PROVISION OF IMPAIRMENT LOSS OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	2019	2018
	HK$'000	*HK$'000*
Provision of impairment loss of property, plant and equipment *(Note 18)*	**43,777**	3,383
Provision of impairment loss of right-of-use assets	**3,529**	–
	47,306	3,383

10. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on lease liabilities	**239**	–
Interest on convertible notes	**–**	4,992
	239	4,992

11. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Tax charge for the year comprises:		
Current tax		
Hong Kong	**155**	2,461
The PRC	**678**	749
Argentina		
– Withholding tax paid on interest income from a group entity	**300**	560
	1,133	3,770
(Over)underprovision in prior year		
Hong Kong	**(70)**	277
The PRC	**(54)**	–
	(124)	277
Deferred tax *(Note 29)*	**(237)**	(3,907)
Income tax expense recognised in profit or loss	**772**	140

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Argentina withholding tax on interest income received from an Argentinean subsidiary by the Group was calculated at 35% on such income for both years.

11. INCOME TAX EXPENSE (continued)

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

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(137,327)**	(115,087)
Tax at the applicable rates of 16.5% (2018: 16.5%)	**(22,659)**	(18,989)
Tax effect of income not taxable for tax purpose	**(1,179)**	(6,109)
Tax effect of expenses not deductible for tax purpose	**15,458**	7,979
Tax effect of taxable temporary difference not recognised	**68**	301
(Over)underprovision in prior year	**(124)**	277
Tax effect of tax losses not recognised	**8,867**	16,031
Withholding tax on interest income from a group entity	**300**	560
Income tax at concessionary rate	**(155)**	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**196**	255
Income tax expense for the year	**772**	140

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2019	2018
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,553**	6,657
Depreciation of right-of-use assets	**4,002**	–
Total depreciation	**8,555**	6,657
Staff costs		
– directors' emoluments *(Note 13)*	**3,055**	3,109
– other staff costs	**11,848**	9,551
– other staff's retirement benefits schemes contributions (excluding directors)	**1,670**	1,108
Total staff costs	**16,573**	13,768
Auditor's remuneration	**2,400**	2,200
Professional and consultancy fees	**5,337**	6,618

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the nine (2018: nine) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

Name	Note	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2019					
Executive Directors					
Mr. Liu Zhiyi		–	1,300	18	1,318
Mr. Sue Ka Lok		–	390	20	410
Mr. Yiu Chun Kong		–	130	7	137
Mr. Chan Shui Yuen		–	455	23	478
Non-executive Director					
Mr. Suen Cho Hung, Paul		260	–	13	273
Independent Non-executive Directors					
Mr. To Yan Ming, Edmond	*(i)*	79	–	–	79
Mr. Pun Chi Ping		120	–	–	120
Ms. Leung Pik Har, Christine		120	–	–	120
Mr. Kwong Tin Lap		120	–	–	120
Total		699	2,275	81	3,055

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

Name	Notes	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2018					
Executive Directors					
Mr. Liu Zhiyi		–	1,259	11	1,270
Mr. Sue Ka Lok		–	390	20	410
Mr. Yiu Chun Kong		–	130	7	137
Mr. Chan Shui Yuen		–	505	23	528
Mr. Suen Cho Hung, Paul	*(ii)*	–	260	19	279
Non-executive Director					
Mr. Suen Cho Hung, Paul	*(ii)*	120	–	–	120
Independent Non-executive Directors					
Mr. To Yan Ming, Edmond		120	–	–	120
Mr. Pun Chi Ping		120	–	–	120
Ms. Leung Pik Har, Christine		120	–	–	120
Mr. Kwong Tin Lap	*(iii)*	5	–	–	5
Total		485	2,544	80	3,109

The emoluments of the Chief Executive Officer, namely, Mr. Sue Ka Lok (who stepped down on 17 January 2018) and Mr. Liu Zhiyi (who was appointed on 26 January 2018), disclosed above included those for services rendered by each of them as chief executive.

Mr. To Yan Ming, Edmond ("Mr. To"), an Independent Non-executive Director, passed away on 28 August 2019. Mr. To was also the Chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Pun Chi Ping, an Independent Non-executive Director, has been appointed as the Chairman of the Audit Committee with effect from 2 September 2019; and Mr. Kwong Tin Lap, an Independent Non-executive Director, has been appointed as the Chairman of the Corporate Governance Committee with effect from 2 September 2019.

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

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

Notes:

(i) Passed away on 28 August 2019

(ii) Re-designated from an executive director to a non-executive director on 1 July 2018

(iii) Appointed on 17 December 2018

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

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2018: two) is/are director(s) whose emoluments are included in the disclosure in Note 13. The emoluments of the remaining four (2018: three) individuals were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries and other benefits	**5,573**	4,365
Retirement benefits schemes contributions	**544**	508
	6,117	4,873

Their emoluments were within the following bands:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$3,000,001 to HK$3,500,000	**1**	1

15. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods.

16. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share	**(138,099)**	(115,227)

	2019	2018
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,240,344**	5,103,586

The diluted loss per share for the years ended 31 December 2019 and 2018 are not presented since the assumed exercise of the Company's share options would result in a decrease in loss per share.

17. EXPLORATION AND EVALUATION ASSETS

	2019	2018
	HK$'000	*HK$'000*
Cost		
At 1 January and 31 December	**3,778,574**	3,778,574
Impairment		
At 1 January and 31 December	**3,778,574**	3,778,574
Carrying values		
At 1 January	**–**	–
At 31 December	**–**	–

17. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets are related to the oil exploration rights in the Chañares Herrados area ("CHE Area") and Puesto Pozo Cercado area ("PPC Area") (together the "Concessions") in the Cuyana Basin, Mendoza Province of Argentina, covering a total surface area of approximately 40.0 and 169.4 square kilometres, respectively.

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

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

At 31 December 2015, based on prevailing available information on oil price forecast, investment costs and operating costs, the Group considered the future development of the investment plan on the Concessions using methods of breakeven analysis and investment return analysis and concluded that it was not economically feasible to drill any new wells. Given the nature of the Group's activities, information on the fair value of the exploration and evaluation assets was difficult to obtain unless negotiation with potential purchasers were taking place such that no reliable fair value information in the market could be found. Therefore, in the opinion of the directors of the Company, the exploration and evaluation assets were fully impaired during the year ended 31 December 2015. At 31 December 2016, the Group reconsidered the future development of the investment plan on the Concessions and concluded that no well drilling programme would be launched.

As disclosed in the announcement of the Company dated 15 August 2017, the Group was notified by Chañares that the Executive of the Province of Mendoza had published a decree on 9 August 2017 declaring the lapse of the concession in respect of the PPC Area by 30 October 2017, of which the exploration and evaluation assets in respect of the Group's right over the hydrocarbon production was fully impaired during the year ended 31 December 2015. The Group was also notified by Chañares that the concession in respect of the CHE Area would be extended until 14 November 2027.

At 31 December 2017 and 31 December 2018, the Group reconsidered the future development of the investment plan on the concession in respect of the CHE Area (the "CHE Concession") and concluded that no further well drilling programme would be launched.

As disclosed in the announcement of the Company dated 24 May 2019, the Group was notified by Chañares that the Executive of the Province of Mendoza had issued a decree (the "Decree") in respect of the termination of the CHE Concession as Chañares had not fulfilled its investment commitment. The Decree did not state the effective date of the termination of the CHE Concession but stated that the CHE Concession would be made available for other investors to invest and operate under a formal bidding process to be conducted (the "Bidding Process"). Accordingly, in view of the forthcoming termination of the CHE Concession, the Group had not reconsidered the future development of the investment plan on the CHE Concession.

18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties *HK$'000*	Others *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2018	497,532	2,212	499,744
Additions	–	1,540	1,540
Written-off	–	(3)	(3)
At 31 December 2018	497,532	3,749	501,281
Additions	–	117	117
Acquired through acquisition of a subsidiary	–	880	880
Written-off	–	(37)	(37)
Exchange adjustment	–	(26)	(26)
At 31 December 2019	**497,532**	**4,683**	**502,215**
Depreciation and impairment			
At 1 January 2018	441,599	1,694	443,293
Provided for the year	6,420	237	6,657
Provision of impairment loss	3,383	–	3,383
Eliminated on written-off	–	(3)	(3)
At 31 December 2018	451,402	1,928	453,330
Provided for the year	3,712	841	4,553
Provision of impairment loss	42,333	1,444	43,777
Eliminated on written-off	–	(37)	(37)
Exchange adjustment	–	(13)	(13)
At 31 December 2019	**497,447**	**4,163**	**501,610**
Carrying values			
At 31 December 2019	**85**	**520**	**605**
At 31 December 2018	46,130	1,821	47,951

18. PROPERTY, PLANT AND EQUIPMENT (continued)

As described in Notes 17 and 32, due to the forthcoming termination of CHE Concession, the Group is entitled to its share of production under the operation agreement signed with Chañares until the delivery of the concession to the new concessionaire which is expected be around the end of June 2020 (the "Expected Delivery Date") (the Expected Delivery Date will be delayed as the Bidding Process is postponed). In view of the concession being shortened from its extended expiry in November 2027 to the Expected Delivery Date, for the year ended 31 December 2019, a provision of impairment loss on the oil and gas properties of HK$42,333,000 was recognised and the oil and gas properties were depreciated on a unit-of-production basis over the estimated production up to the Expected Delivery Date. For the year ended 31 December 2018, the oil and gas properties were depreciated on a unit-of-production basis over the total proved reserve.

At 31 December 2018, the Group carried out a review of the recoverable amount of its oil and gas properties, having regard to the operating results of its developed oil and gas properties in the oil field in Mendoza, Argentina and the expected future oil prices in the local market. According to the selling price of crude oil being offered to the Group during 2018 and the international oil price forecast released by the U.S. Energy Information Administration, the management estimated that the range of crude oil selling price projected for the next five years (i.e. 2019 to 2023) would be in the range from US$47.15 to US$79.41 per barrel, which was lower than the forecasted range of crude oil selling price estimated last year. As such, primarily owing to a drop in the forecasted range of crude oil selling price of the next five years, a provision of impairment loss on the oil and gas properties of HK$3,383,000 was recognised in profit or loss. The recoverable amount of the oil and gas cash-generating unit amounting to HK$47,190,000 was determined on the basis of its value in use, which was based on the discounted cash flow projections derived from production reserves covering the current term of the concession period until 2027 and the estimated future oil prices with a discount rate of 17.80%. Significant estimates adopted including the discount rate, production decline rates and expected changes in future oil prices. If the pre-tax discount rate was used, it would be 19.56%. Should the expected future oil price increase/decrease by 10%, the Group would have recognised reversal of impairment loss of HK$7,069,000 and provision of impairment loss of HK$14,225,000 respectively in respect of the oil and gas properties.

The remaining items of property, plant and equipment were depreciated on a straight-line basis at 20% to $33^1/_3$% per annum after taking into account their estimated residual values.

19. RIGHT-OF-USE ASSETS

	Buildings *HK$'000*
Carrying amount	
At 31 December 2019	–
At 1 January 2019	7,645
For the year ended 31 December 2019	
Depreciation charge	**4,002**
Impairment loss recognised	**3,529**
Expense relating to short-term leases and other leases with lease terms end within 12 months from the date of initial application of HKFRS 16	**210**
Total cash outflow for leases	**4,366**

For both years, the Group leases buildings for its operations. Lease contracts are entered into for a fixed term of one to three years, but may have termination option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings. At 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases which related to the short-term lease expense disclosed above.

The Group has termination option in a lease for buildings. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. This termination option held is exercisable only by the Group and not by the lessor. The Group reassessed the lease term at the reporting date and concluded it is reasonably certain not to exercise this termination option.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the equity interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

20. INTANGIBLE ASSET

	Vehicle license HK$'000
Cost and carrying values	
At 1 January 2018 and 31 December 2018	–
Additions *(Note)*	420
At 31 December 2019	**420**

Note: The Group purchased the motor vehicle and vehicle license through the acquisition of a subsidiary. Other than the motor vehicle (as included in property, plant and equipment) and vehicle license, there were no significant assets and liabilities owned by this subsidiary at the date of completion of acquisition.

The directors are of the opinion that the vehicle license has indefinite useful life as the vehicle license is transferable and renewable with minimal cost, which is therefore carried at cost less accumulated impairment, if any. The directors had assessed that there was no impairment on the vehicle license at 31 December 2019 with reference to the recently completed transaction prices.

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 ***HK$'000***	2018 *HK$'000*
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or overseas with fixed interests ranging from 4.70% to 11.75% (2018: 4.70% to 8.75%) per annum and maturity dates ranging from 19 July 2020 to 28 June 2025 (2018: 13 February 2019 to 28 June 2025)	**141,826**	130,330
Analysed as:		
Current portion	**18,804**	14,622
Non-current portion	**123,022**	115,708
	141,826	130,330

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

At 31 December 2019 and 2018, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

Debt instruments at FVTOCI are listed bonds with the credit loss allowance measured on ECL basis as the credit risks on financial instruments have not increased significantly since initial recognition. The Group assessed the ECL for debt instruments at FVTOCI by reference to credit rating of the bond investment by rating agencies, macroeconomic factors affecting the respective industry for each issuer, corporate historical default and loss rate and exposure at default of each bond investment.

Reversal of ECL of HK$56,000 (2018: provision of ECL of HK$395,000) was recognised for the current year.

Details of impairment assessment are set out in Note 38.

All debt instruments at FVTOCI were denominated in US$.

22. OTHER TAX RECOVERABLES

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future sales of petroleum which the Group expects with reference to the current oil production from the existing wells. The directors of the Company expect that an amount of HK$881,000 (2018: HK$1,230,000) and nil (2018: HK$315,000) will be recovered from the sales of petroleum within and after twelve months from the end of the reporting period respectively, accordingly, such amounts were classified as current assets and non-current assets respectively.

23. LOAN AND INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed-rate loan receivables	**241,365**	250,997
Interest receivables	**13,078**	7,707
	254,443	258,704
Less: Impairment allowance	**(68,755)**	(7,052)
	185,688	251,652
Analysed as:		
Current portion	**152,688**	251,652
Non-current portion	**33,000**	–
	185,688	251,652
Analysed as:		
Guaranteed (unsecured)	**–**	46,535
Secured	**158,619**	167,349
Unsecured	**27,069**	37,768
	185,688	251,652

At 31 December 2019, the range of interest rate and maturity dates attributed to the Group's performing loan receivables were 8% to 18% (2018: 10% to 18%) per annum and from 12 March 2020 to 15 March 2022 (2018: 3 January 2019 to 16 November 2019) respectively.

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

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one at the date of initial recognition. In making this assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including past due dates and default rates, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the expected loss given default including taking into account the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records of each borrower are reassessed and changes in the forward-looking information are considered.

At 31 December 2019, included in the Group's loan and interest receivables balance are debtors with aggregate carrying amount of HK$59,420,000 which are past due as at the reporting date, which mainly includes HK$33,879,000 has been past due more than 30 days but less than 90 days and HK$24,532,000 has been past due 90 days or more. The directors of the Company considers those past due more than 90 days as credit-impaired.

At 31 December 2018, all the Group's loan and interest receivables balance were not past due.

The exposure of the Group's loan and interest receivables and their contractual maturity dates are as follows:

	2019	2018
	HK$'000	*HK$'000*
Loan and interest receivables:		
Within one year	**152,688**	251,652
In more than one year but not more than two years	**33,000**	–
	185,688	251,652

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers. There have not been any significant changes in the quality of the collateral held for the loan and interest receivables.

The movement of impairment allowance on loan and interest receivables for the year was as follows:

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018	–	1,439	–	1,439
Changes due to loan and interest receivables recognised at 1 January 2018:				
– Impairment allowance recognised	–	2,771	–	2,771
New loans granted during the year *(Note (i))*	46	2,796	–	2,842
At 31 December 2018	46	7,006	–	7,052
Changes due to loan and interest receivables recognised at 1 January 2019:				
– Transfer to credit-impaired *(Note (ii))*	–	(4,808)	4,808	–
– Impairment allowance recognised *(Note (ii))*	3	–	54,268	54,271
– Impairment allowance reversed	–	(40)	–	(40)
New loans granted during the year *(Note (iii))*	–	348	7,124	7,472
At 31 December 2019	**49**	**2,506**	**66,200**	**68,755**

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

Notes:

(i) The impairment loss of HK$2,796,000 was related to loan and interest receivables with gross carrying amount of HK$52,746,000 transferred from 12m ECL to lifetime ECL (not credit-impaired).

(ii) The impairment loss of HK$54,268,000 was related to loan and interest receivables with gross carrying amount of HK$41,848,000 transferred from 12m ECL to lifetime ECL (credit-impaired), and HK$78,420,000 transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired).

(iii) The impairment loss of HK$7,472,000 was related to loan and interest receivables with gross carrying amount of HK$15,524,000, which mainly comprised loan and interest receivables of HK$7,124,000 transferred from 12m ECL to lifetime ECL (credit-impaired), and HK$5,907,000 transferred from 12m ECL to lifetime ECL (not credit-impaired).

No loan and interest receivables were derecognised during both years.

Details of ECL assessment are set out in Note 38.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note (i))*	**1,261**	1,060
Deposits and prepayments	**4,693**	5,001
Deposits held for petroleum exploration and production operation	**1,676**	3,265
Others *(Note (ii))*	**1,666**	3,454
	9,296	12,780

Notes:

(i) The oil selling price for the Argentina operation is quoted in US$ and converted into ARS for invoicing. The Group allows an average credit period of 30 to 60 days. The trade receivables of HK$1,261,000 (2018: HK$1,060,000) were neither past due nor impaired and aged within 30 days based on the invoice date. At 1 January 2018, trade receivables from contracts with customers amounted to HK$2,253,000.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly.

Details of impairment assessment of trade receivables are set out in Note 38.

(ii) The amount included HK$1,405,000 (2018: HK$2,578,000) placed with securities brokers in relation to securities trading activities in Hong Kong.

(iii) No ECL had been recognised on other receivables *(Note 38)* as the directors of the Company considered that the amount was immaterial.

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

	2019	2018
	HK$'000	*HK$'000*
ARS	**1,836**	4,727
US$	**887**	887

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	**37,059**	71,816

Listed equity securities were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange.

26. BANK BALANCES AND CASH

Bank balances carried interest ranging from 0.01% to 3.00% (2018: 0.01% to 2.25%) per annum.

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

	2019	2018
	HK$'000	*HK$'000*
ARS	**632**	1,879
US$	**5,064**	4,493
RMB	**10**	30

27. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**866**	338
Other tax payables	**1,644**	3,885
Accrued professional fees	**10,719**	10,865
Other payables and accruals	**3,684**	4,038
	16,913	19,126

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

	2019 HK$'000	2018 HK$'000
0 – 30 days	**866**	338

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

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

Included in trade and other payables were the following amount denominated in currencies other than the functional currency of the relevant group entities:

	2019 HK$'000	2018 HK$'000
ARS	**2,566**	4,499
US$	**390**	504

28. LEASE LIABILITIES

	2019 *HK$'000*
Lease liabilities payable within one year	**3,612**

Included in lease obligations were the following amount denominated in currency other than the functional currency of the relevant group entities:

	2019 *HK$'000*
ARS	**54**

29. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities recognised and movements thereon during the current and prior years were as follows:

	Temporary difference related to net unrealised gain on financial assets at FVTPL *HK$'000*
At 1 January 2018	4,191
Credited to profit or loss *(Note 11)*	(3,907)
At 31 December 2018	284
Credited to profit or loss *(Note 11)*	(237)
At 31 December 2019	**47**

At 31 December 2019, the Group had unused tax losses of HK$150,683,000 (2018: HK$148,964,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$17,073,000 (2018: HK$52,020,000) that will expire within five years. All other tax losses may be carried forward indefinitely.

30. SHARE CAPITAL

	Number of ordinary shares *'000*	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2018, 31 December 2018 and **31 December 2019**	**100,000,000**	**1,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2018	5,018,122	50,181
Issue of shares upon conversion of convertible notes *(Note)*	222,222	2,222
At 31 December 2018 and **31 December 2019**	**5,240,344**	**52,403**

Note: During the year ended 31 December 2018, convertible notes with aggregate principal amount of HK$80,000,000 were converted into ordinary shares at the conversion price of HK$0.36 per share and 222,222,222 ordinary shares of HK$0.01 each were issued.

All ordinary shares issued by the Company during the year ended 31 December 2018 ranked pari passu with the then existing ordinary shares in all respects.

31. SHARE OPTION SCHEME

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

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

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

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

31. SHARE OPTION SCHEME (continued)

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

On 4 May 2017, the Company granted share options to eligible persons to subscribe for a total of 436,710,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of the options granted is HK$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

In the annual general meeting of the Company held on 22 June 2017, the shareholders of the Company approved the refreshment of the Scheme Mandate Limit (the "Scheme Mandate Limit Refreshment"). The total number of shares of the Company available for issue under the Share Option Scheme is 436,712,182 shares as refreshed, representing approximately 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit Refreshment and approximately 8.3% of the issued shares of the Company as at the date of this annual report.

31. SHARE OPTION SCHEME (continued)

Details of the movements in the number of share options during the year ended 31 December 2019 under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$ *(Note (ii))*	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Reclassified during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2019
Directors:									
Mr. Liu Zhiyi	4 May 2017	4 May 2017 - 3 May 2020	0.53	43,500,000	-	-	-	-	43,500,000
Mr. Sue Ka Lok	4 May 2017	4 May 2017 - 3 May 2020	0.53	22,800,000	-	-	-	-	22,800,000
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 - 3 May 2020	0.53	600,000	-	-	-	-	600,000
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 - 3 May 2020	0.53	900,000	-	-	-	-	900,000
Mr. To Yan Ming, Edmond *(Note (iii))*	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	-	-	(300,000)	-	-
Mr. Pun Chi Ping	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	-	-	-	-	300,000
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	-	-	-	-	300,000
				68,700,000	-	-	(300,000)	-	68,400,000
Employees:									
In aggregate	4 May 2017	4 May 2017 - 3 May 2020	0.53	368,010,000	-	-	-	-	368,010,000
Others *(Note (iii))*	4 May 2017	4 May 2017 - 3 May 2020	0.53	-	-	-	300,000	-	300,000
				436,710,000	-	-	-	-	436,710,000

31. SHARE OPTION SCHEME (continued)

Details of the movements in the number of share options during the year ended 31 December 2018 under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$ (Note (ii))	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Reclassified during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2018
Directors:									
Mr. Liu Zhiyi	4 May 2017	4 May 2017 - 3 May 2020	0.53	43,500,000	–	–	–	–	43,500,000
Mr. Sue Ka Lok	4 May 2017	4 May 2017 - 3 May 2020	0.53	22,800,000	–	–	–	–	22,800,000
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 - 3 May 2020	0.53	600,000	–	–	–	–	600,000
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 - 3 May 2020	0.53	900,000	–	–	–	–	900,000
Mr. To Yan Ming, Edmond	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	–	–	–	–	300,000
Mr. Pun Chi Ping	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	–	–	–	–	300,000
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	–	–	–	–	300,000
				68,700,000	–	–	–	–	68,700,000
Employees:									
In aggregate	4 May 2017	4 May 2017 - 3 May 2020	0.53	368,010,000	–	–	–	–	368,010,000
				436,710,000	–	–	–	–	436,710,000

31. SHARE OPTION SCHEME (continued)

Notes:

(i) The share options granted are vested upon granted.

(ii) The exercise price of the share options is subject to adjustments in case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.

(iii) Mr. To, an Independent Non-executive Director, passed away on 28 August 2019. According to the Share Option Scheme, the legal personal representative of the grantee can exercise the share options by giving notice in writing to the Company, up to 31 December 2019, no such notification had been received.

No share-based payments expense was recognised during the years ended 31 December 2019 and 2018.

32. JOINT OPERATIONS

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

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

32. JOINT OPERATIONS (continued)

On 2 December 2010, Have Result sent a letter to the Third Party acknowledging the notice of the termination of the 2007 JV Agreement (the "Termination") while as advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remains entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Concessions (the "Existing Wells"), provided that Have Result continues to pay the relevant operating costs as required by the production allocated to it.

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

Pursuant to the 2010 JV Agreement, the total consideration for the oil exploration and production right was subject to adjustment with reference to whether or not Chañares could obtain the extension of the term of Concessions (the "Extension") by 31 December 2011. On 14 July 2011, the Company was informed by Chañares that the Mendoza Government issued a decree, pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions until 2027. EP Energy paid an aggregate amount of US$4,000,000 (equivalent to approximately HK$31,200,000) to Chañares in consideration for the oil exploration and production right in the Concessions during the extended term of the Concessions. A sum of US$1,404,000 (equivalent to approximately HK$10,952,000) was paid in 2011 and the remaining balance of US$2,596,000 (equivalent to approximately HK$20,248,000) was paid in 2012.

According to the 2010 JV Agreement, EP Energy is obliged to drill a minimum of five production wells per year during the five consecutive years from 2012, and two production wells per year for the following years until the seventh year before the expiration of the extended term of the Concessions. Failure to meet the minimum drilling requirements may render the 2010 JV Agreement to be terminated and EP Energy will be forfeited any rights to continue drilling but it will not be forfeited any right in respect of the wells already drilled.

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

32. JOINT OPERATIONS (continued)

Pursuant to the Operation Agreement, Chañares agreed to release EP Energy from the above commitment. EP Energy, however, retains the right to drill and invest in the Concessions during the life of the Concessions awarded with respect to any extension thereof. If five or more new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 72% and Chañares shall be entitled to 28% of the hydrocarbon production of the new wells; and if less than five new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 65% and Chañares shall be entitled to 35% of the hydrocarbon production of the new wells. The Operation Agreement confirms that the hydrocarbon production of the existing five wells drilled by EP Energy shall continue to be distributed in accordance with the 2010 JV Agreement, i.e. 72% to EP Energy and 28% to Chañares. On the other hand, Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Concessions.

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

In August 2017, the Group was notified by Chañares that the concession in respect of the PPC Area was lapsed, and the CHE Concession would be extended until 14 November 2027 *(Note 17)*.

In May 2019, the Group was notified by Chañares that the CHE Concession had been terminated according to the Decree *(Note 17)*. Despite this, as disclosed in the announcement of the Company dated 18 June 2019, the Company had been advised by its legal advisor in Argentina that, as stated in the Decree, before the successful bidder takes over the concession, Chañares can continue to operate in the CHE Concession under the same contractual conditions previously granted. In light of the advice from the legal advisor in Argentina and the Company's understanding that Chañares continues to operate in the CHE Concession since the issuance of the Decree, the Company considers that the termination of the CHE Concession contemplated under the Decree has no immediate impact on the Group's operations in Argentina unless and until there is a successful bidder who takes over the CHE Concession after the Bidding Process. As stated in the Company's circular dated 12 March 2020, the Company also intends to submit a bid offer under the Bidding Process. Therefore, the directors of the Company are of the opinion that the joint operations will continue until the Expected Delivery Date *(Note 18)*.

32. JOINT OPERATIONS (continued)

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

	2019	2018
	HK$'000	*HK$'000*
Assets	**5,645**	54,355
Liabilities	**3,108**	2,406
Revenue	**24,171**	43,998
Expenses	**70,781**	44,460

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	**Convertible notes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2018	–	76,145	76,145
Financing cash flows	–	(1,917)	(1,917)
Interest expense	–	4,992	4,992
Conversion of convertible notes	–	(79,220)	(79,220)
At 31 December 2018	–	–	–
Adjustment upon application of HKFRS 16	7,645	–	7,645
At 1 January 2019 (restated)	7,645	–	7,645
Financing cash flows	(4,156)	–	(4,156)
Exchange adjustment	(116)	–	(116)
Interest expense	239	–	239
At 31 December 2019	**3,612**	**–**	**3,612**

34. OPERATING LEASE

	2018
	HK$'000
Minimum lease payments paid under operating leases	2,735

The Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	HK$'000
Within one year	4,366
In the second to fifth year, inclusive	4,051
	8,417

At 31 December 2018, the Group leased its office properties and buildings under operating lease arrangements. Leases for properties were negotiated for terms of three years.

35. RETIREMENT BENEFIT SCHEMES

The Group contributes to MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Contributions to the MPF Scheme by the Group and the employees are calculated as a percentage of the employee's relevant income. The retirement benefit scheme costs recognised in profit or loss represent contributions payable by the Group to the schemes. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

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

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

The total expense recognised in profit or loss of HK$1,751,000 (2018: HK$1,188,000) represents contribution paid/payable to these schemes by the Group at rates specified in the rules of the schemes.

36. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2019	2018
	HK$'000	*HK$'000*
Short-term employee benefits	**8,547**	7,845
Post-employment benefits	**625**	594
	9,172	8,439

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

37. CAPITAL RISK MANAGEMENT

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

In order to maintain the capital structure, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new debts.

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

38. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

38. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at FVTPL	**37,059**	71,816
Financial assets at amortised cost	**284,984**	345,048
Debt instruments at FVTOCI	**141,826**	130,330
	463,869	547,194
Financial liabilities		
Amortised cost	**1,663**	1,693

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan and interest receivables, debt instruments at FVTOCI and lease liabilities. The Group is also exposed to cash flow interest rate risk relates primarily to the Group's short-term deposits placed with banks and variable-rate bank balances that are interest-bearing at market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest revenue/income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest revenue		
Financial assets at amortised cost	**25,971**	16,814
Debt instruments at FVTOCI	**9,316**	9,555
Other income and losses, net		
Financial assets at amortised cost	**627**	662
Revenue/interest income under effective interest method	**35,914**	27,031

38. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, loss after tax for the year ended 31 December 2019 of the Group would decrease/increase by HK$462,000 (2018: HK$418,000).

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's other comprehensive income (2018: other comprehensive expense) for the year ended 31 December 2019 would increase/decrease by HK$592,000 (2018: decrease/increase HK$544,000) as a result of the changes in the fair value of debt instruments at FVTOCI.

Foreign currency risk management

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

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

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
ARS	**2,468**	6,606	**(2,620)**	(4,499)
US$	**147,777**	135,710	**(390)**	(504)
RMB	**10**	30	**–**	–

38. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to 10% increase and decrease in HK$ against the relevant foreign currencies. Under the pegged exchange rate system, the financial impact on exchange difference between HK$ and US$ will be immaterial as most US$ denominated monetary assets are held by group entities having HK$ as their functional currency, and therefore no sensitivity analysis has been prepared against US$.

Sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The analysis represents the sensitivity of trade payables, trade receivables and bank balances that are denominated in ARS and RMB, the Group's major foreign currency items. A positive number below indicates an increase in loss after tax where Hong Kong dollars strengthen 10% (2018: 10%) against the relevant currencies. For a 10% (2018: 10%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss after tax.

	ARS impact		RMB impact	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in loss after tax	**(11)**	137	**1**	3

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

Other price risk

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

Sensitivity analysis

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

If equity prices had been 20% higher/lower, loss after tax for the year ended 31 December 2019 would decrease/increase by HK$6,189,000 (2018: HK$11,993,000) as a result of the change in fair value of financial assets at FVTPL.

38. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, loan and interest receivables, bank balances and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with certain loan and interest receivables are mitigated because they are secured by collaterals.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently settles after due dates	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

38. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2019 Gross carrying amount** ***HK$'000***	2018 Gross carrying amount *HK$'000*
Debt instruments at FVTOCI						
Investments in listed bonds	*21*	B- to BB (2018: B+ to BB-)	N/A	12m ECL	**127,082**	116,768
		N/A	Low risk	12m ECL	**14,744**	13,562
Financial assets at amortised cost						
Loan and interest receivables	*23*	N/A	Low risk	12m ECL	**7,514**	56,151
			Medium risk	12m ECL	**–**	82,767
			High risk	Lifetime ECL	**119,536**	119,786
			Loss	Lifetime ECL	**127,393**	–
Other receivables	*24*	N/A	*(Note (i))*	12m ECL	**5,635**	8,743
Trade receivables	*24*	N/A	*(Note (ii))*	Lifetime ECL (simplified approach)	**1,261**	1,060
Bank balances	*26*	BBB- to AA (2018: BBB to AA-)	N/A	12m ECL	**92,335**	83,505

Notes:

(i) For the purpose of internal credit assessment, the Group considers if there is any past due record or other relevant information available without undue cost or effort to assess whether credit risk has increased significantly since initial recognition.

(ii) The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance for trade receivables on lifetime ECL basis.

38. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Trade receivables

At 31 December 2019, the Group had concentration of credit risk for its trade receivables as 100% (2018: 100%) of the amount was attributable to the Group's only trading customer in Argentina and it contributed to 40% (2018: 62%) of the Group's revenue. However, since the trade receivable is due from a state-owned oil company of good creditability, the management considers that the Group's credit risk is low and ECL is minimal at 31 December 2019 and 2018.

Loan and interest receivables

At 31 December 2019, the carrying amount of loan and interest receivables was HK$185,688,000 (2018: HK$251,652,000). The Group had concentration of credit risk for its loan and interest receivables as 74% (2018: 70%) of the carrying amount at 31 December 2019 was due from five (2018: five) borrowers. The loan and interest receivables due from these borrowers amounted to HK$136,782,000 (2018: HK$176,094,000) at 31 December 2019. The Group seeks to maintain strict control over its outstanding loan and interest receivables to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

Impairment allowances on outstanding loan and interest receivables are determined by an evaluation of the financial background, financial condition and historical settlement records, including past due rates and default rates, of the borrowers and reasonable and supportable forward-looking information (such as forecast of macroeconomic factors including Gross Domestic Product growth and unemployment rate with adjustment on different scenarios of economic environment prospect) that is available without undue cost or effort at the end of each reporting period. The borrowers are assigned different risk grading under internal credit ratings to calculate the ECL, taking into consideration the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the expected loss given default including taking into account the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. The collaterals comprise properties in Hong Kong or the PRC or unlisted debt instruments issued by listed company in Hong Kong with the estimated fair value of most of the collaterals are higher than the related loan balances individually. In relation to credit-impaired loan and interest receivables amounting to HK$139,274,000, no loss allowance has been recognised because of sufficiency of collaterals. During the year ended 31 December 2019, net ECL on loan and interest receivables amounting to HK$61,703,000 (2018: HK$5,613,000) was recognised in profit or loss.

Debt instruments at FVTOCI

The Group assesses the credit risk of the investments in debt securities at the end of each reporting period. The Group's debt instruments at FVTOCI mainly comprise listed bonds that are graded by credit-rating agencies as per globally understood definitions and some bonds without external credit rating are assessed by internal credit rating.

38. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI (continued)

The Group assessed the ECL for debt instruments at FVTOCI by reference to credit rating of the bond investment by rating agencies, corporate historical default and loss rate and exposure of default of each bond investment. The Group also considered macroeconomic factors and recent forward-looking information (such as Gross Domestic Product growth and unemployment rate with adjustment on different scenarios of economic environment prospect) affecting the respective industry for each issuer in the assessment.

During the year ended 31 December 2019, reversal of ECL on debt instruments at FVTOCI amounting to HK$56,000 (2018: provision of ECL of HK$395,000) was recognised in profit or loss. At 31 December 2019, the impairment allowance for debt instruments at FVTOCI amounted to HK$2,530,000 (2018: HK$2,586,000).

	12m ECL *HK$'000*
At 1 January 2018	2,191
Changes due to debt instruments at FVTOCI recognised at 1 January 2018:	
– Impairment allowance recognised	165
– Impairment allowance reversed *(Note (i))*	(535)
New debt instruments purchased *(Note (ii))*	765
At 31 December 2018	2,586
Changes due to debt instruments at FVTOCI recognised at 1 January 2019:	
– Impairment allowance recognised	40
– Impairment allowance reversed *(Note (i))*	(551)
New debt instruments purchased *(Note (ii))*	455
At 31 December 2019	**2,530**

Notes:

(i) The impairment allowance reversed of HK$551,000 (2018: HK$535,000) was attributed to (i) the derecognition of debt instruments with gross carrying amount of HK$11,700,000 (2018: HK$38,533,000) which resulted in a reversal of impairment allowance of HK$422,000 (2018: HK$535,000) and (ii) the reassessment of the impairment allowance of debt instruments held at the year end with gross carrying amount of HK$112,366,000 (2018: HK$104,979,000) which resulted in a reversal of impairment allowance of HK$129,000 (2018: nil).

(ii) The gross carrying amount of new debt instruments purchased amounting to HK$13,840,000 (2018: HK$36,844,000) during the year ended 31 December 2019.

38. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest in effect at the end of the reporting period.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 to 6 months HK$'000	7 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2019						
Non-derivative financial liabilities						
Trade payables	–	866	–	–	866	866
Other payables	–	797	–	–	797	797
		1,663	–	–	1,663	1,663
Lease liabilities	4.40	342	1,712	1,623	3,677	3,612
		2,005	1,712	1,623	5,340	5,275
At 31 December 2018						
Non-derivative financial liabilities						
Trade payables	–	338	–	–	338	338
Other payables	–	1,355	–	–	1,355	1,355
		1,693	–	–	1,693	1,693

38. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

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

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

	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	2019	2018		
	HK$'000	*HK$'000*		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	**141,826**	130,330	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL				
Listed equity securities	**37,059**	71,816	Level 1	Quoted bid prices in an active market

There were no transfers among Level 1, 2 and 3 of fair value hierarchy in the current and prior years.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2019 and 2018, are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
EP Energy S.A.	Argentina	ARS303,600 (2018: ARS303,600)	–	100% (2018: 100%)	Petroleum exploration and production
Have Result Investments Limited	British Virgin Islands/ Argentina	US$10,000 (2018: US$10,000)	–	100% (2018: 100%)	Petroleum exploration and production
Have Result Finance Limited	Hong Kong	HK$100 (2018: HK$100)	–	100% (2018: 100%)	Money lending
EPI Management Limited	Hong Kong	HK$1 (2018: HK$1)	–	100% (2018: 100%)	Investment in securities and management
Mobilewise (Hong Kong) Limited	Hong Kong	HK$1 (2018: HK$1)	–	100% (2018: 100%)	Investment in securities and management
Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership) (literal translation of its Chinese name 廈門兆聯恒天智創投資管理合夥企業(有限合夥)	The PRC	RMB60,824,578 (2018: RMB60,824,578)	–	100% (2018: 100%)	Investment holding and money lending
Mobilewise Network Technology (Beijing) Limited (literal translation of its Chinese name 携智網絡技術(北京)有限公司)	The PRC	US$1,400,000 (2018: US$1,400,000)	–	100% (2018: 100%)	Money lending

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group. To give details of other insignificant subsidiaries which are mainly inactive or engaged in investment holding would, in the opinion of the directors, result in particulars of excessive length.

During the year ended 31 December 2018, the Group disposed of one inactive subsidiary by transfer of interest to an independent third party and the financial impact is insignificant. No disposal of subsidiary noted during the year ended 31 December 2019.

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

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

On 8 November 2017, two indirect wholly owned subsidiaries of the Company entered into a limited partnership agreement ("Limited Partnership Agreement") with two independent third parties in respect of, among other matters, the establishment of a limited partnership ("Limited Partnership") and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership is RMB120,000,000 in which the Group had committed to contribute RMB61,510,000. Details of these were set out in the announcement of the Company dated 8 November 2017. At 31 December 2018, no capital had been injected by the Group to the Limited Partnership. During the year ended 31 December 2019, the Limited Partnership Agreement had lapsed.

40. EVENT AFTER THE REPORTING PERIOD

As disclosed in the circular of the Company dated 12 March 2020, the Company intends, through its indirect wholly owned subsidiary, to submit a bid offer for the Bidding Process. At the reporting date, the Bidding Process has not yet commenced.

The outbreak of COVID-19 pandemic that is affecting many nations, the global and local investment and credit markets and the international oil prices has adverse impact on the Group's operations. The directors of the Company considered it is difficult to predict the evolution and duration of the pandemic and that at the reporting date, the extent of its impact to the Group's operation cannot be reliably quantified or estimated. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the pandemic to the Group.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	–	1
Interests in subsidiaries – unlisted	8	8
Amounts due from subsidiaries	150,204	185,853
Total non-current assets	150,212	185,862
Current assets		
Other receivables, prepayment and deposits	449	449
Amounts due from subsidiaries	396,521	390,063
Bank balances and cash	504	474
Total current assets	397,474	390,986
Current liabilities		
Other payables	11,808	13,489
Amounts due to subsidiaries	93,102	93,745
Tax payable	3,092	2,938
Total current liabilities	108,002	110,172
Net current assets	289,472	280,814
Total assets less current liabilities	439,684	466,676
Capital and reserves		
Share capital	52,403	52,403
Reserves *(Note)*	387,281	414,273
Total equity	439,684	466,676

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

Note:

Movements of the Company's reserves are as follows:

	Share premium *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2018	770,285	201,645	(629,156)	342,774
Loss and total comprehensive expense for the year	–	–	(76,486)	(76,486)
Issue of shares upon conversion of convertible notes	147,985	–	–	147,985
At 31 December 2018	918,270	201,645	(705,642)	414,273
Loss and total comprehensive expense for the year	**–**	**–**	**(26,992)**	**(26,992)**
At 31 December 2019	**918,270**	**201,645**	**(732,634)**	**387,281**

Five-Year Financial Summary

For the year ended 31 December 2019

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**60,560**	71,419	57,870	62,253	66,571
Loss before tax	**(137,327)**	(115,087)	(48,424)	(30,988)	(276,548)
Income tax expense	**(772)**	(140)	(6,431)	(91)	–
Loss for the year	**(138,099)**	(115,227)	(54,855)	(31,079)	(276,548)

ASSETS AND LIABILITIES

	At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**469,264**	599,667	706,920	367,734	92,903
Total liabilities	**(25,368)**	(24,614)	(147,804)	(21,892)	(217,828)
Equity attributable to owners of the Company	**443,896**	575,053	559,116	345,842	(124,925)