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**AUDITED ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCKEXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “**Directors**”) of Polyard Petroleum International Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## ANNUAL RESULTS

Reference is made to (i) the announcement of the Company dated 31 March 2020 in relation to, among others, the unaudited management accounts of the Company for the year ended 31 December 2019 and delay in publication of the annual results announcement (the “**2019 Annual Results**”) and the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); (ii) the announcement of the Company dated 18 May 2020 in relation to the further delay in publication of 2019 Annual Results; (iii) the announcement of the Company dated 11 June 2020 in relation to, among others, the updated unaudited management accounts of the Company for the year ended 31 December 2019 (the “**2019 Updated Unaudited Annual Results Announcement**”) ; and (iv) the announcement of the Company dated 15 June 2020 in relation to, among others, the further delay in publication of 2 019 Annual Results and 2019 Annual Report. Unless the contexts require otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Unaudited Annual Results Announcement.

Shareholders of the Company (the “**Shareholder**”) and potential investors should be aware that this announcement of audited results for the year ended 31 December 2019 was made to replace the 2019 Updated Unaudited Annual Results Announcement which has not been agreed with the auditor of the Company and was made pursuant to the joint statement issued by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited on 4 February 2020 in relation to results announcements in light of the outbreak of the COVID-19 Pandemic. As certain changes have been made to the unaudited annual results of the Group for the year ended 31 December 2019 as contained in the 2019 Updated Unaudited Annual Results Announcement, the differences between the unaudited annual results set out in the 2019 Updated Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement are set out in the section headed “Reconciled Consolidated Statement of Financial Position” in this announcement.

The board of Directors (the “**Board**”) of the Company announces the audited consolidated results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the previous year, as set out below:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

		2019 HK\$'000	2018 HK\$'000
	<i>Notes</i>		
<b>Turnover</b>	5	—	—
Other Income	5	596	1,897
Administrative and other operating expenses		(18,059)	(26,262)
Finance costs	6	(18,407)	(16,535)
Impairment losses recognised on deferred exploration expenditure		—	(141)
Share of results of a joint venture		(84,841)	(37)
		<hr/>	<hr/>
<b>Loss before tax</b>	7	(120,711)	(41,078)
Income tax credit	8	—	36
		<hr/>	<hr/>
<b>Loss for the year</b>		<b>(120,711)</b>	<b>(41,042)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>			
Owners of the Company		(88,611)	(40,694)
Non-controlling interests		(32,100)	(348)
		<hr/>	<hr/>
		<b>(120,711)</b>	<b>(41,042)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share</b>	9		
— Basic		<b>HK(3.02) cents</b>	<b>HK(1.39) cents</b>
		<hr/> <hr/>	<hr/> <hr/>
— Diluted		<b>HK(3.02) cents</b>	<b>HK(1.39) cents</b>
		<hr/> <hr/>	<hr/> <hr/>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(120,711)</b>	<b>(41,042)</b>
<b>Other comprehensive expense</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>(661)</u>	<u>(647)</u>
<b>Total comprehensive expense for the year</b>	<b><u>(121,372)</u></b>	<b><u>(41,689)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>(88,834)</b>	<b>(41,531)</b>
Non-controlling interests	<u>(32,538)</u>	<u>(158)</u>
	<b><u>(121,372)</u></b>	<b><u>(41,689)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		<b>2019</b>	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>144</b>	363
Interests in associates		—	—
Interests in a joint venture		<b>270,685</b>	361,377
Deferred exploration expenditure		—	—
		<b>270,829</b>	361,740
<b>CURRENT ASSETS</b>			
Amounts due from associates		—	—
Other receivables	<i>11</i>	<b>45,001</b>	41,516
Cash and cash equivalents		<b>296</b>	243
		<b>45,297</b>	41,759
<b>CURRENT LIABILITIES</b>			
Other payables	<i>12</i>	<b>(63,151)</b>	(36,981)
Amounts due to directors		<b>(11,758)</b>	(10,540)
Convertible bonds	<i>13</i>	<b>(150,000)</b>	(150,000)
Promissory note payable		<b>(2,000)</b>	—
Obligations under finance leases — current portion		—	(58)
		<b>(226,909)</b>	(197,579)
<b>NET CURRENT LIABILITIES</b>		<b>(181,612)</b>	(155,820)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>89,217</b>	205,920

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)***At 31 December 2019*

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITY</b>		
Amounts due to a shareholder	<u>(67,209)</u>	<u>(62,540)</u>
<b>NET ASSETS</b>	<u><b>22,008</b></u>	<u>143,380</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>117,502</b>	117,502
Reserves	<u>(113,453)</u>	<u>(24,619)</u>
Equity attributable to owners of the Company	<b>4,049</b>	92,883
Non-controlling interest	<u><b>17,959</b></u>	<u>50,497</u>
<b>TOTAL EQUITY</b>	<u><b>22,008</b></u>	<u>143,380</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2018	117,502	998,012	985	15	3,285	(985,385)	134,414	50,655	185,069
Loss for the year	—	—	—	—	—	(40,694)	(40,694)	(348)	(41,042)
Other comprehensive income (expense) for the year	—	—	—	(837)	—	—	(837)	190	(647)
Total comprehensive expense for the year	—	—	—	(837)	—	(40,694)	(41,531)	(158)	(41,689)
At 31 December 2018 and 1 January 2019	117,502	998,012	985	(822)	3,285	(1,026,079)	92,883	50,497	143,380
Loss for the year	—	—	—	—	—	(88,611)	(88,611)	(32,100)	(120,711)
Other comprehensive expense for the year	—	—	—	(223)	—	—	(223)	(438)	(661)
Total comprehensive expense for the year	—	—	—	(223)	—	(88,611)	(88,834)	(32,538)	(121,372)
At 31 December 2019	<u>117,502</u>	<u>998,012</u>	<u>985</u>	<u>(1,045)</u>	<u>3,285</u>	<u>(1,114,690)</u>	<u>4,049</u>	<u>17,959</u>	<u>22,008</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 1. GENERAL INFORMATION

Polyard Petroleum International Group Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. Its parent is Silver Star Enterprises Holdings Inc. (incorporated in the British Virgin Islands) and the ultimate controlling party is Mr. Lam Nam. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are the exploration, exploitation and development of oil and natural gas and provision of technical services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

### 2. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

#### Going concern

The Group incurred a net loss attributable to owners of the Company of approximately HK\$88,611,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately HK\$181,612,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to ensure the Group’s ability to operate as a going concern, the directors of the Company have implemented measures as follow:

- (i) In relation to the convertible bonds with principal amount of HK\$100,000,000 (“CB A”), subsequent to the reporting period, on 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding (“MOU”) with East Asia Oil Engineering Group Limited (“East Asia”) where East Asia had undertaken to take over CB A from the original holder (“Original Holder”). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 (“\$75M CB A1”) to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of \$25M CB A2.

In relation to the convertible bonds with principal amount of HK\$50,000,000 (“CB B”), up to the date of this report, the Company and the holder of CB B are in the negotiation regarding the settlement arrangement of CB B.

- (ii) The Company has planned and is in negotiation with potential investors to raise sufficient funds through fund-raising arrangement.
- (iii) The ultimate controlling party has undertaken to provide adequate funds to enable the Group to meet its liabilities and to settle financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approval of these consolidated financial statements. In addition, the ultimate controlling party will not demand the Company for repayment of his loans until all other liabilities of the Group have been satisfied.



- (iv) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of the above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2019 have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

### **3. 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 and an interpretation 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 above new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **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. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

On transition, the Group has not made any adjustments upon application of HKFRS 16 because the Group had no right-of-use assets and liabilities for lease at 1 January 2019.

The reconciliation from operating lease commitments as at 31 December 2018 to lease liabilities as at 1 January 2019 is shown as follows:

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	<b>1,324</b>
Less: commitments relating to leases exempt from capitalisation	
- Practical expedient – leases with lease term ending within 12 months from the date of initial application	<b>(925)</b>
- Change in allocation basis between lease and non-lease components	<b>(399)</b>
	<hr/>
Remaining lease payment	<hr/> <hr/> <b>—</b>

### *Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies HKFRS 9 Financial Instruments (“HKFRS 9”), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The application is not expected to have impact as the Group’s existing accounting policies are consistent with the requirements clarified by the amendments.

### **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 <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRS 16	COVID-19 – Related Rent Concession <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> 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.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 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.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

#### 4. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

For the years ended 31 December 2019 and 2018, the Group has two reportable and operating segments— (1) exploration of oil and natural gas and (2) provision of technical services for oil and gas exploration and development. These segments are managed separately as they belong to different industries and require different operating systems and strategies.

The Group accounts for inter-segment revenue and transfers as if the revenue or transfers were to third parties. All inter-segment revenue and transfers are eliminated on consolidation.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit or loss reported by each segment without allocation of central administration costs including directors' emoluments, finance costs and income tax. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

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

- all assets are allocated to operating segments other than unallocated corporate assets.
- all liabilities are allocated to operating segments other than unallocated corporate liabilities.

An analysis of the Group's reportable segment revenues, results, assets, liabilities and other selected financial information is presented below.

**(a) Reportable Segments**

**2019**

	<b>Exploration of oil and natural gas HK\$'000</b>	<b>Provision of technical services HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Total HK\$'000</b>
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	<u>2,454</u>	<u>(2,454)</u>	—
Reportable segment revenue	<u>—</u>	<u>2,454</u>	<u>(2,454)</u>	—
Reportable segment loss before tax	(3,020)	(6,071)	—	(9,091)
Unallocated corporate expenses				(8,372)
Share of results of a joint venture	(84,841)			(84,841)
Unallocated interest expenses				<u>(18,407)</u>
Loss before tax				<u>(120,711)</u>

**2018**

	<b>Exploration of oil and natural gas HK\$'000</b>	<b>Provision of technical services HK\$'000</b>	<b>Elimination HK\$'000</b>	<b>Total HK\$'000</b>
Revenue from external customer	—	—	—	—
Inter-segment revenue	—	<u>5,515</u>	<u>(5,515)</u>	—
Reportable segment revenue	<u>—</u>	<u>5,515</u>	<u>(5,515)</u>	—
Reportable segment loss before tax	(4,806)	(7,160)	—	(11,966)
Unallocated corporate expenses				(12,399)
Share of results of a joint venture	(37)			(37)
Impairment losses recognised on deferred exploration expenditure	(141)			(141)
Unallocated interest expenses				<u>(16,535)</u>
Loss before tax				<u>(41,078)</u>

<b>2019</b>	<b>Exploration of oil and natural gas <i>HK\$'000</i></b>	<b>Provision of technical services <i>HK\$'000</i></b>	<b>Elimination <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Assets:				
Segment assets	43,334	923	—	44,257
Interests in a joint venture	270,685			270,685
Unallocated corporate assets				<u>1,184</u>
Total assets				<u><u>316,126</u></u>
Liabilities:				
Segment liabilities	3,830	10,815	—	14,645
Unallocated corporate liabilities				<u>279,473</u>
Total liabilities				<u><u>294,118</u></u>
<b>2018</b>	<b>Exploration of oil and natural gas <i>HK\$'000</i></b>	<b>Provision of technical services <i>HK\$'000</i></b>	<b>Elimination <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Assets:				
Segment assets	39,620	1,266	—	40,886
Interests in a joint venture	361,377			361,377
Unallocated corporate assets				<u>1,236</u>
Total assets				<u><u>403,499</u></u>
Liabilities:				
Segment liabilities	2,857	7,660	—	10,517
Unallocated corporate liabilities				<u>249,602</u>
Total liabilities				<u><u>260,119</u></u>

*Other segment information*

<b>2019</b>	<b>Exploration of oil and natural gas <i>HK\$'000</i></b>	<b>Provision of technical services <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Depreciation	98	21	122	241
Additions to non-current assets	<u>—</u>	<u>24</u>	<u>—</u>	<u>24</u>
<b>2018</b>	<b>Exploration of oil and natural gas <i>HK\$'000</i></b>	<b>Provision of technical services <i>HK\$'000</i></b>	<b>Unallocated <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Depreciation	99	36	166	301
Additions to non-current assets	<u>3,960</u>	<u>—</u>	<u>—</u>	<u>3,960</u>

**(b) Geographical Information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, interests in a joint venture ("specified non-current assets"). The geographical location of customers is based on the location in which the services were provided or the goods delivered. The geographic allocation of the specified non-current assets is based on the physical location of the assets in the case of property, plant and equipment, and the location of operation in the case of interests in a joint venture.

	<b>Revenue from external customers</b>		<b>Specified non-current assets</b>	
	<b>2019 <i>HK\$'000</i></b>	<b>2018 <i>HK\$'000</i></b>	<b>2019 <i>HK\$'000</i></b>	<b>2018 <i>HK\$'000</i></b>
Mainland China, including Hong Kong and Macau	—	—	78	213
Philippines	<u>—</u>	<u>—</u>	<u>270,751</u>	<u>361,527</u>
	<u>—</u>	<u>—</u>	<u>270,829</u>	<u>361,740</u>

## 5. TURNOVER AND OTHER INCOME

The Group did not have any turnover during the year (2018: Nil) and an analysis of the Group's other income for the year is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	1	1
Other miscellaneous income	45	793
Administrative income	<u>550</u>	<u>1,103</u>
	<b><u>596</u></b>	<b><u>1,897</u></b>

## 6. FINANCE COSTS

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expenses on bank overdraft	104	87
Late charges of interest expenses on convertible bonds	3,082	1,222
Interest expenses on convertible bonds	15,000	15,219
Finance lease charges	1	7
Interest expenses on promissory note payable	<u>220</u>	<u>—</u>
	<b><u>18,407</u></b>	<b><u>16,535</u></b>

## 7. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following items:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Staff costs (including directors' emoluments)		
— Salaries, allowances and benefits in kind	<b>12,270</b>	15,529
— Retirement scheme contributions	<b>67</b>	128
	<b>12,337</b>	15,657
Auditor's remuneration		
— Audit service	<b>600</b>	600
— Non-audit service	<b>—</b>	—
	<b>600</b>	600
Depreciation of property, plant and equipment	<b>159</b>	205

## 8. INCOME TAX CREDIT

Income tax credit recognised in profit or loss

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
— Hong Kong profits tax	<b>—</b>	—
— PRC enterprise income tax	<b>—</b>	—
— Other jurisdictions	<b>—</b>	—
Deferred tax	<b>—</b>	36
Income tax credit for the year	<b>—</b>	36



No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2018: Nil).

Under the law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group’s PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax asset has been recognised in respect of such tax losses due to unpredictability stream of future taxable profits that will be available against which the tax losses can be utilised.

There was no material unprovided deferred tax liabilities as at the end of the year (2018: Nil).

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

	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
Loss before tax	<u><b>(120,711)</b></u>	<u>(41,078)</u>
Notional income tax, calculated at the tax rates applicable to the jurisdictions concerned	<b>(31,301)</b>	(6,612)
Tax effect of share of results of a joint venture	<b>25,452</b>	11
Tax effect of income not taxable for tax purpose	<b>(109)</b>	(192)
Tax effect of expenses not deductible for tax purpose	<b>5,755</b>	6,813
Tax effect of allowable losses not recognised	<b>203</b>	—
Utilisation of allowable losses previously not recognised	—	(20)
Deferred tax on convertible bonds	<u>—</u>	<u>36</u>
Income tax credit for the year	<u><b>—</b></u>	<u>36</u>

## 9. LOSS PER SHARE

### Basic and diluted loss per share

The calculations of the basic and diluted loss per share are based on the following data:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to the owners of the Company	<u><b>(88,611)</b></u>	<u>(40,694)</u>
	<b>2019</b> <b>'000</b>	2018 <b>'000</b>
Weighted average number of ordinary shares	<u><b>2,937,538</b></u>	<u>2,937,538</u>

During the years ended 31 December 2019 and 2018, the computation of diluted loss per share does not assume the conversion of the outstanding convertible bonds since it would result in a decrease in loss per share, and is regarded as anti-dilutive.

## 10. DIVIDEND

No dividend has been paid, declared or proposed during the year, nor has any dividend been proposed since the end of reporting period (2018: Nil).

## 11. OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Prepayments	1,446	1,499
Deposits and other debtors	1,426	1,378
Amounts due from parties to a joint venture ( <i>Note a</i> )	38,697	38,639
Amounts due from a joint venture ( <i>Note b</i> )	3,432	—
	<u>45,001</u>	<u>41,516</u>

### *Notes:*

- a. The amounts due from parties to a joint venture represent the expenditure for the joint venture to be recovered from parties to a joint venture. The amounts are interest-free, repayable on demand and could be recovered from the parties to a joint venture through their participating interests and profit sharing in their joint venture.
- b. The amounts due from a joint venture are interest-free, unsecured and repayable on demand. The recoverability of the amounts has been taken into account in the recoverable amount of interests in a joint venture.

The carrying amounts of the Group's other receivables are denominated in the following currencies:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK dollars	486	552
Renminbi	868	1,126
Macau Pataca	8	12
Philippine Peso	65	61
US dollars	43,574	39,765
	<u>45,001</u>	<u>41,516</u>

None of the other receivables is either past due or impaired. The financial assets included in the above balances are related to receivables for which there has been no recent history of default.

The maximum exposure to credit risk at the reporting date is carrying value of each class of receivables mentioned above.

## 12. OTHER PAYABLES

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accrued charges	26,307	18,246
Interest payables	36,086	17,784
Other payables	758	951
	<u>63,151</u>	<u>36,981</u>

The carrying amounts of the above balances are denominated in the following currencies:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK dollars	59,720	34,457
Renminbi	114	199
Macau Pataca	3,284	2,280
US dollars	33	45
	<u>63,151</u>	<u>36,981</u>

## 13. CONVERTIBLE BONDS

	<b>Convertible Bonds A</b> <i>HK\$'000</i>	<b>Convertible Bonds B</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2018	100,000	49,781	149,781
Interest charged	10,000	5,219	15,219
Interest paid/payable	<u>(10,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>
At 31 December 2018 and 1 January 2019	100,000	50,000	150,000
Interest charged	10,000	5,000	15,000
Interest paid/payable	<u>(10,000)</u>	<u>(5,000)</u>	<u>(15,000)</u>
At 31 December 2019	<u>100,000</u>	<u>50,000</u>	<u>150,000</u>

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Carrying amount repayable:		
Overdue	<u>150,000</u>	<u>150,000</u>

The details of convertible bonds issued by the Company are as follows:

	<b>Convertible Bonds A (“CB A”)</b>	<b>Convertible Bonds B (“CB B”)</b>
<b>Principal amount:</b>	HK\$100,000,000 in HKD settlement	HK\$50,000,000 in HKD settlement
<b>Interest:</b>	10% p.a. payable quarterly	10% p.a. payable semi-annually
<b>Default interest:</b>	5% p.a. payable	20% p.a. payable
<b>Issue date:</b>	21 July 2015	28 January 2016
<b>Maturity date:</b>	21 July 2017 ( <i>Note (a)</i> )	28 January 2018 ( <i>Note (b)</i> )
<b>Conversion price per share:</b>	HK\$0.4	HK\$0.414
<b>Particulars of guarantee:</b>	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company	Personal guarantee given by Mr. Lam Nam, the controlling shareholder of the Company
<b>Survival of conversion right:</b>	Exercisable until fully settled	Exercisable until fully settled

*Notes:*

- (a) On 31 May 2018, the Company, its holding Company, Silver Star, and Mr. Lam Nam, the ultimate controlling party of the Company (“Personal Guarantor”) and the holder of CB A entered into the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, (the “Extension Arrangement”) pursuant to which the parties agreed that the maturity date of CB A to be extended from 21 July 2017 to 21 May 2019.

Subsequent to reporting period, on 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding (“MOU”) with East Asia Oil Engineering Group Limited (“East Asia”) where East Asia had undertaken to take over CB A from the original holder (“Original Holder”). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 (“\$75M CB A1”) to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CBA by the Company within thirty months from the date of the MOU. The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of \$25M CB A2.

- (b) On 15 October 2018, the Company and holder of CB B entered into an amendment deed pursuant to which both parties agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019. Up to the date of this report, the Company and the holder of CB B are in the process of negotiation regarding the settlement arrangement of CB B.

## RECONCILED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Taking into account that the financial information contained in the 2019 Updated Unaudited Annual Results Announcement was unaudited as at the date of its publication and subsequent adjustments have been made to such information, the Shareholders and potential investors of the Company are advised to pay attention to the material differences between the unaudited annual results set out in the 2019 Updated Unaudited Annual Results Announcement and the audited annual results disclosed in this announcement, the principal details and reasons are set out below:

At 31 December 2019

	<b>Audited</b> <i>HK\$'000</i>	<b>Unaudited</b> <i>HK\$'000</i>	<b>Difference</b> <i>HK\$'000</i>	<i>Note</i>
<b>NON-CURRENT ASSETS</b>	270,829	270,829	-	
<b>CURRENT ASSETS</b>	45,297	45,296	1	
<b>Total assets</b>	<u>316,126</u>	<u>316,125</u>	<u>1</u>	
<b>CURRENT LIABILITIES</b>				
Other payable	(63,151)	(63,151)	-	
Amounts due to directors	(11,758)	(11,758)	-	
Convertible bonds	(150,000)	(150,000)	-	
Promissory note payable	(2,000)	-	(2,000)	<i>1</i>
	<u>(226,909)</u>	<u>(224,909)</u>	<u>(2,000)</u>	
<b>NON-CURRENT LIABILITIES</b>				
Amounts due to a shareholder	(67,209)	(67,209)	-	
Promissory note payable	-	(2,000)	2,000	<i>1</i>
	<u>(67,209)</u>	<u>(69,209)</u>	<u>2,000</u>	
<b>Total liabilities</b>	<u>(294,118)</u>	<u>(294,118)</u>	<u>-</u>	
<b>NET CURRENT LIABILITIES</b>	(181,612)	(179,613)	(1,999)	<i>1</i>
<b>TOTAL ASSETS LESS</b>				
<b>CURRENT LIABILITIES</b>	89,217	91,216	(1,999)	<i>1</i>
<b>NET ASSETS</b>	22,008	22,007	1	

*Note:*

1. The difference represented reclassification of promissory note payable from non-current liabilities to current liabilities due to the holder's right to request for early redemption at any time prior to maturity date by giving the Company not less than three months prior written notice.

## **EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2019.

### **Opinion**

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.

### **Material Uncertainty Related to Going Concern**

The accompanying consolidated financial statements for the year ended 31 December 2019 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a net loss attributable to owners of the Company of approximately HK\$88,611,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately HK\$181,612,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

### **FINANCIAL REVIEW**

The Group did not generate any turnover for the year ended 31 December 2019 (2018: Nil). The Group recorded a net loss attributable to owners of the Company of approximately HK\$88,611,000 for 2019 (2018: approximately HK\$40,694,000).

Loss for the year included a share of results of a joint venture of approximately HK\$84,841,000 (2018: approximately HK\$37,000) on the oil and gas project in South Cebu, the Philippines. The share of loss from a joint venture mainly due to the significant drop in crude oil price during the year.

Administrative and other operating expenses for the year ended 31 December 2019 amounted to approximately HK\$18,059,000 representing a decrease of approximately HK\$8,203,000 or 31%, as compared with the corresponding period last year. The decrease was mainly attributable to decrease in various business expenses such as employee costs, travel and entertainment expenses.

Finance costs for the year ended 31 December 2019 amounted to approximately HK\$18,407,000 (2018: approximately HK\$16,535,000). The increase in interest costs was mainly resulted from late charges of interest expenses on convertible bonds.

## **LIQUIDITY, FINANCIAL RESOURCES, CAPITAL AND GEARING**

As at 31 December 2019, the Group had net assets amounted to approximately HK\$22.0 million (2018: approximately HK\$143.4 million) and net current liabilities amounted to approximately HK\$181.6 million (2018: approximately HK\$155.8 million). The current ratio was 20% (2018: 21%). The gearing ratio of the Group based on the net debt to the total equity was 1,335% (2018: 181%).

Operations of the Group are mainly conducted in Renminbi (“RMB”), Hong Kong Dollars (“HKD”), United States Dollars (“USD”) and Philippine Pesos (“PHP”) and its revenue, expenses, assets and liabilities and borrowings are principally denominated in RMB, HKD, USD and PHP, which do not pose significant foreign currency risk at present. The Group currently does not have a foreign currency hedging policy. However, the management monitors closely foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

On 31 May 2018, the Company, Silver Star, Mr. Lam Nam, a ultimate controlling party of the Company (“Personal Guarantor”) and the holder of Convertible Bonds A in principal amount of HK\$100,000,000 entered into a the Deed of Undertaking; and the Company, the Personal Guarantor and the holder of CB A entered into the Supplemental Deed, together with the Deed of Undertaking, pursuant to which both parties had agreed that the maturity date of CB A to be been extended from 21 July 2017 to 21 May 2019. On 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding (“MOU”) with East Asia Oil Engineering Group Limited (“East Asia”) where East Asia had undertaken to take over CB A from the original holder (“Original Holder”). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 (“\$75M CB A1”) to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of \$25M CB A2.

On 15 October 2018, the Company and holder of Convertible Bonds B in principal amount of HK\$50,000,000 also entered into an amendment deed pursuant to which both parties had agreed that the maturity date of CB B to be extended from 28 January 2018 to 31 March 2019. Up to the date of this report, the Company and the holder of CB B are in the process of negotiation regarding the settlement arrangement of CB B.

Details were disclosed in the Company’s announcements dated 31 May 2018, 15 October 2018 and 6 January 2020.



## **EMPLOYEE INFORMATION**

The Group had a total number of staff of 46 (2018: 58). Remuneration packages are reviewed on a periodical basis. Bonus is awarded to employees according to the assessment of individual performance. Staff cost (including directors' emoluments) was approximately HK\$12.3 million for the year as compared with that of approximately HK\$15.7 million in 2018.

## **BUSINESS REVIEW AND PROSPECTS**

### **Philippines Central Luzon Gas Project**

Central Luzon Gas Project's original 2012 work program was for reentering Victoria-3 and drilling a new well. However, the work program was delayed due to rig availability. Instead, the project management conducted a further support study for new drilling plan. As a result of the above-described delay, the project was granted by the Department of Energy to extend the expiry of the current exploration sub-phase to 9 November 2019. On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding memorandum of understanding ("MOU") with an independent third party pursuant to which the subsidiary of the Company has agreed to disposal of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in the Central Luzon Gas Project ("Disposal transaction") at the consideration of HK\$1. As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) calculated by the Group were all less than 5%, the Disposal transaction did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. Subsequent to reporting period, on 19 June 2020, the Disposal transaction had been completed.

### **Philippines San Miguel Coal Mine Project**

San Miguel Coal Mine Project has progressed into the development phase Phase-2 Road Construction was launched to have vehicles accessing to the initial mining area, but was pending for the governmental agencies overseeing environmental protection to issue a tree-cutting permit. The construction can be resumed any time after the issuance of tree-cutting permit.

### **Philippines South Cebu Oil and Gas Project ("SC49")**

SC49 is situated in the southern part of Cebu, central Philippines, where hydrocarbon had been discovered in previous drillings. China International Mining and Petroleum Company Limited ("CIMP") acquired 80% participating interest of SC49 and became the operator of SC49 project in July 2009. The Group indirectly acquired 51% of CIMP's issued share capital in October 2012 and an additional 12% in April 2014, bringing the effective interest in the project to 50.4% after the latest acquisition.

On 11 January 2019, China International Mining Petroleum Company Limited ("CIMP") signed a crude oil sales contract with Greater Alegria Oil Inc. ("GAO"), a Philippine buyer. In April 2019, GAO dispatched a vessel to Cebu hauling oil for the first time, launching the oil shipping. The oil sale continues to date. Besides GAO, Tom's Power Petroleum Distributor Inc. ("TPPDI") lifted oil from time to time and several other potential buyers have shown their interest in buying oil from CIMP and collected oil samples for further analysis.

Based on renewed production forecast from single-well flowing in 2019 and positive testing results conducted from May to July in the same year, CIMP preferred to deploy new wells adjacent to the existing production wells. CIMP completed planning of new wells by integrating reservoir study and geological analysis, and has reached agreement on land lease with the land owners.

In July 2019, potential partners contacted CIMP, expressing their intention to build a small refinery with an annual output of 750,000 barrels in the wellsite area, and completed the feasibility assessment and preliminary plan. Further cooperation is under development.

In November 2019, CIMP submitted to the Department of Energy the 2020 annual work program and budget. CIMP plans to drill three production wells in 2020 and then will drill another additional well, which depends on the results of drilling. The procurement of drilling materials and production facilities is under way.

In December 2019, another potential partner contacted CIMP, hoping to make good use of the associated gas produced in crude oil production and proposing to install LPG equipment at the well site to can LPG for sale in Cebu market. Potential partners are currently designing the scheme. Further cooperation is under development.

In preparing ourselves for production, the Company will at the same time continue to evaluate commercial feasibility of potential projects, in particular in respect of small to medium-sized oil fields, and continue its efforts in seeking operating funds from the financial market despite the increased cautiousness of the capital market in investing in oil projects.

An impairment loss of approximately HK\$85,244,000 (2018: approximately HK\$37,000) was made in the financial year in respect of the oil and gas project.

At the end of reporting period, the management of the Group engaged an independent professional valuer to assist the management of the Group in determining the recoverable amounts of the Group's interests in a joint venture. The recoverable amounts were determined based on value in use calculations. Those calculations used cash flow projections based on financial budgets approved by the management of the Group. Cash flow beyonds the twenty-two years (2018: twenty-two years) period using estimated growth rate of 3% (2018: 3%). The cash flows are discounted using a discount rate of 15.05% (2018: 16.15%) p.a.

### Summary of Expenditure Incurred for Projects

A summary of expenditure incurred for the above projects by the Group for the year ended 31 December 2019 is as follows:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Philippines Central Luzon Gas Project	—	141
Philippines San Miguel Coal Mine Project	—	—
Philippines South Cebu Oil and Gas Project	<b>7,591</b>	3,944

## **Significant Investments, Acquisitions and Disposals**

Apart from the investment as disclosed in the “Business Review and Prospects” section, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group throughout the year ended 31 December 2019. Our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 December 2019.

## **Charges on Assets**

As at 31 December 2019, the Group did not charge any of its assets (31 December 2018: nil) as securities for any facilities granted to the Group.

## **Contingent Liabilities**

The Group did not have any other material contingent liabilities as at 31 December 2019.

## **Subsequent events**

On 3 January 2020, the Company had entered into a legally binding Memorandum of Understanding (“MOU”) with East Asia Oil Engineering Group Limited (“East Asia”) where East Asia had undertaken to take over CB A from the original holder (“Original Holder”). On the same date, the Original Holder of CB A had completed transfer of convertible bond with principal amount of HK\$75,000,000 (“\$75M CB A1”) to East Asia. By the same MOU between the Company and East Asia, East Asia had committed that it would not demand for repayment of CB A by the Company within thirty months from the date of the MOU. The remaining principal balance of HK\$25,000,000 of CB A not yet transferred to East Asia (“\$25M CB A2”) are still registered in the name of the Original Holder and is guaranteed by Mr. Lam Nam, the ultimate controlling party of the Company, until its disposal. Up to the date of this report, the \$25M CB A2 is still outstanding and had not been called for repayment. The Company and the Original Holder are in the negotiation regarding the settlement arrangement of \$25M CB A2.

On 3 January 2020, the Company has entered into a memorandum of understanding (the “MOU”) for share subscription with GuangDong Namyue Capital Investment Co., Ltd. (the “Subscriber”) pursuant to which, the Company is agreeing to allot and the Subscriber is willing to subscribe 200,000,000 shares at the price of HK\$0.18 per share which shall rank pari passu with all existing shares of the Company. Up to the date of this report, the Company is still in the negotiation with the subscriber regarding the terms and conditions of the share subscription. The MOU is still in validity.

On 31 December 2019, a wholly-owned subsidiary of the Company entered into a legally binding memorandum of understanding (“MOU”) with an independent third party pursuant to which the subsidiary of the Company has agreed to disposal of the entire interest in Modern Lucky International Limited and its subsidiaries which held 89% equity interest in the Central Luzon Gas Project (“Disposal transaction”) at the consideration of HK\$1. As the relevant applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) calculated by the Group were all less than 5%, the Disposal transaction did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules. Subsequent to reporting period, on 19 June 2020, the Disposal transaction had been completed.

Subsequent to the end of the reporting period, the outbreak of novel coronavirus (“COVID-19”) in January 2020 has caused disruptions to many industries, including oil and petroleum industry, in China as well as other countries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group’s subsequent financial statements. The Group will closely monitor the development of the epidemic and assess its impact on its operations.

Subsequent to the year end, the recent drop in international crude oil price caused by the price cut in Saudi Arabia may potentially cause a reduction in capital and operating expenditure by the customers which may result in a slow-down in the overall exploration and production activities and casts uncertainty over the future development of the industry. The Group has been actively communicating with its major customers on the progress of their ongoing and future projects. Up to the date of this report, the impacts of the drop in the oil price on the Group's ongoing and future projects remain uncertain and it is unable to quantify the related financial effects. The Group will continue to monitor and assess the international crude oil price and evaluate its financial impact on the Group.

## **RISK FACTORS**

The Group's business and financial performance may be affected by risks and uncertainties as set out below. Such risks are by no means exhaustive and there may be other risks which are not known to the Group.

### **1. Price Fluctuation of Crude Oil Risk**

The Group is engaged in the exploration and development of oil and natural gas and trading of petroleum-related products. The prices of crude oil, natural gas and refined products in the international market are affected by various factors such as changes in demand and supply of oil and gas and the general state of the global economy, which could adversely affect the valuation of the projects and financial results of the Group.

### **2. Overseas Investment Risk**

As the Group's principal investment projects are all located in the Philippines, it is subject to the influences of the stability of the local political environment, taxation policies and other legal and regulatory requirements. The Group will continue to mitigate the concentration investment risk by exploring other investment opportunities in other countries.

### **3. Operational Risk**

Oil and gas exploration and development involve hazard risks such as accidents, personal injuries or death, property and environment damages, natural disasters such as typhoon and tsunami etc., which may cause stoppage and losses to the operations. The Group has implemented a HSE (Health, Safety and Environment) management system which requires strict compliance by the employees, contractors, sub-contractors, suppliers and third party personnel working on the Group's project sites or facilities.

### **4. Financial and Capital Risk**

The Group also faces financial risks including foreign currency risk, interest rate risk, credit risk and liquidity risk as well as capital risk, details of which are set out in note 32 to the consolidated financial statements.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group's operations are subject to the environmental laws and regulations in relation to the oil and gas exploration and development in the Philippines. An independent environmental consultant is engaged by the Group to conduct environmental impact assessments at all of the projects, which are submitted to the Department of Environment and Natural Resources (DENR) for approval. After satisfying the requirements in the application, and with the recommendation of the Environmental Management Bureau (EMB), the DENR will grant the Environmental Compliance Certificate (ECC) to the project. With the issue of the ECC, the Group will need to implement measures to protect and mitigate the project's adverse impacts on community health, welfare and the environment throughout all phases of the project. The Group is required to secure all necessary permits in areas such as hazardous waste materials and wastewater management and control, transportation of oil, drainage systems and road networks etc. The environmental consultant and Company team will ensure the compliance of the project with the requirements of the ECC conditions. The Group has also put in place a strict HSE management system in the protection of health, safety and environment. The Group is in compliance in all material aspects with the applicable environmental laws and regulations in the Philippines.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, all Directors confirmed that they have fully complied with the code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 December 2019.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

Throughout the year, the Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include reviewing the Company's annual report, half-year report and quarterly financial reports and providing advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing the Company's financial controls, risk management and internal control systems. It is also responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of engagement of the external auditor, reviewing and monitoring the external auditor's independence and objectivity, and meeting the external auditor at least twice a year regarding the review of the financial reports and accounts.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Pai Hsi-ping, Ms. Xie Qun and Mr. Kwan King Chi George. Mr. Kwan King Chi George is the Chairman of the Audit Committee.

The Group's unaudited quarterly and interim results and audited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure have been made.

## SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on the preliminary announcement.

For and on behalf of the Board

**Zhao Zhi Yong**

*Chairman*

Hong Kong, 22 June 2020

*At the date of this announcement, the executive directors of the Company are Mr. Zhao Zhiyong, Mr. Lai Chun Liang and Mr. Lin Zhang; the independent non-executive directors of the Company are Mr. Pai Hsi-ping, Ms. Xie Qun and Mr. Kwan King Chi George.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Listed Company Information" page for at least seven days from the date of its posting and on the website of the Company at [www.ppig.com.hk](http://www.ppig.com.hk).*