金禧國際
CENTURY INTL

Golden Century International Holdings Group Limited
金禧國際控股集團有限公司

(formerly known as International Standard Resources Holdings Limited ***標準資源控股有限公司****)*
(Incorporated in Hong Kong with limited liability)
(Stock code: 91)

ANNUAL REPORT
2019

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Pan Jibiao *(Chairman)*
Lo Tsz Fung Philip
Tam Tak Wah
Shao Yanxia (appointed on 6 April 2020)
Cheng Wai Keung (resigned on 6 April 2020)

Non-Executive Director

Shiu Shu Ming

Independent Non-Executive Directors

Chan Yim Por Bonnie
Lai Kin Keung (appointed on 6 April 2020)
Yeung Chi Wai (appointed on 6 April 2020)
Chan Tsz Kit (resigned on 6 April 2020)
Wang Li (resigned on 6 April 2020)

CHIEF EXECUTIVE OFFICER

Lyu Guoping

AUTHORISED REPRESENTATIVES

Lo Tsz Fung Philip
Tam Tak Wah

COMPANY SECRETARY

Lee Kin Fai (appointed on 9 April 2020)
Huen Felix Ting Cheung (appointed on 9 April 2020)
Lo Tsz Fung Philip (resigned on 9 April 2020)

AUDIT COMMITTEE

Yeung Chi Wai *(Chairman)* (appointed on 6 April 2020)
Chan Yim Por Bonnie
Lai Kin Keung (appointed on 6 April 2020)
Chan Tsz Kit (resigned on 6 April 2020)
Wang Li (resigned on 6 April 2020)

NOMINATION COMMITTEE

Lai Kin Keung *(Chairman)* (appointed on 6 April 2020)
Chan Yim Por Bonnie
Yeung Chi Wai (appointed on 6 April 2020)
Chan Tsz Kit (resigned on 6 April 2020)
Wang Li (resigned on 6 April 2020)

REMUNERATION COMMITTEE

Chan Yim Por Bonnie *(Chairman)*
Lai Kin Keung (appointed on 6 April 2020)
Yeung Chi Wai (appointed on 6 April 2020)
Chan Tsz Kit (resigned on 6 April 2020)
Wang Li (resigned on 6 April 2020)

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited

LEGAL ADVISERS

Patrick Chu, Conti Wong Lawyers LLP
TC & Co., Solicitors

AUDITOR

HLM CPA Limited
Certified Public Accountants
Rooms 1501-8, 15th Floor
Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

REGISTERED OFFICE

Unit E, 29/F, Tower B
Billion Centre
No. 1 Wang Kwong Road
Kowloon

SHARE REGISTRAR

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

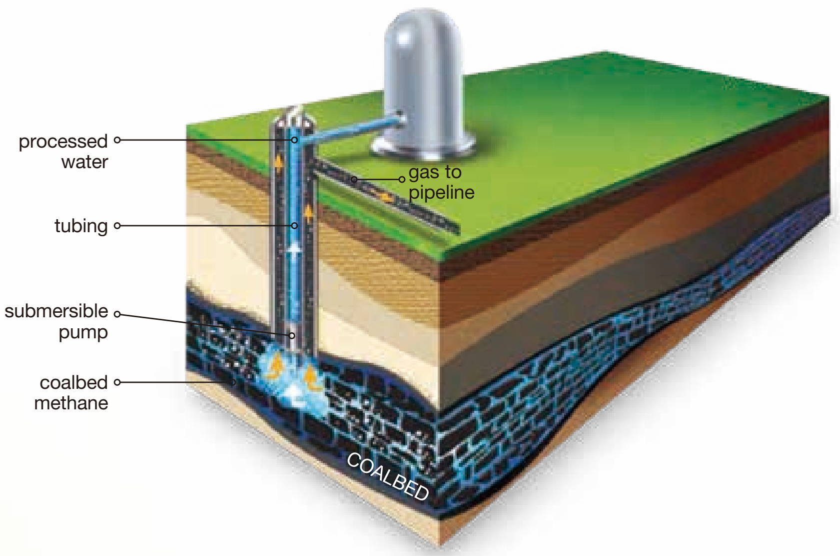
The Stock Exchange of Hong Kong Limited
Stock code: 91
Warrant code: 1807

COMPANY WEBSITE

www.goldencenturyintl.com

CONTENTS

CHAIRMAN'S STATEMENT



Dear shareholders,

On behalf of the board of directors (the "Board" or "Director(s)") of Golden Century International Holdings Group Limited (formerly known as International Standard Resources Holdings Limited) (the "Company" together with its subsidiaries, the "Group"), I hereby present the annual results of the Group for the financial year ended 31 December 2019.

BUSINESS REVIEW

During the year ended 31 December 2019, the Group was mainly engaged in coalbed methane ("**CBM**") exploration and production in the People's Republic of China (the "**PRC**"), electronic components trading and treasury businesses.

Coalbed Methane Business

The Group explores, develops and produces CBM in Anhui Province with a total exploration area of 567.843 square kilometres (the "**Contract Area**"). As at the end of the year of 2019, the CBM operation was still in exploration stage, a total of 42 exploration wells were drilled and 7 of them were production wells. However, the pumps of these wells were stuck by coal fine and were broken down due to the long term of dewatering and only 4 of the production wells were under actual production during the year of 2018. As the technical experts considered that it is not cost effective to replace the pumps, these wells eventually ceased production in July 2018. Thus, there was no contribution from the CBM business for the year.

Despite the fact that there is a gain on fair value change of the embedded derivative portion of the convertible notes of HK$32,250,000 (2018: loss of HK$6,546,000), a loss of HK$473,628,000 (2018: HK$574,086,000) was recorded mainly due to the amortisation of production sharing contract (the "**PSC**") of HK$15,701,000 (2018: HK$51,228,000), the imputed interest on convertible notes of HK$44,095,000 (2018: HK$38,336,000), and the impairment loss on PSC of HK$413,598,000 (2018: HK$454,192,000) which was resulted from the further delay on the implementation and the scaledown of the business plan for exploration and exploitation of the CBM and the continuous low level of domestic natural gas price in the PRC.

The Group, through its wholly-owned subsidiary, Canada Can-Elite Energy Limited ("**Can-Elite**"), entered into the PSC with China United Coalbed Methane Corporation Limited ("**China United**"), a state-owned company wholly-owned by China National Offshore Oil Corporation and authorised by the PRC government to partner with foreign companies to explore, develop and produce CBM assets. Pursuant to the PSC, Can-Elite is the operator of the Anhui CBM assets and hold 70% of participating interests in the PSC for a term of 30 years starting from the year of 2008.

The Contract Area is divided into Area A (part of Luling Block with an area of 23.686 square kilometres that has its proven reserves submitted) and Area B (primary part of Su'nan Block with an area of 544.157 square kilometres, which the proven reserve yet to be submitted). Area A can start production as soon as the overall development proposal ("**ODP**") has been filed by relevant government authorities of the PRC. Pursuant to the fourth modification agreement entered into between Can-Elite and China United in August 2017, the exploration period of Area B has been extended to 31 March 2020. Can-Elite has applied the extension of the modification agreement for the exploration period of Area B with China United. Negotiation is still in progress with a view of agreed terms and conditions, and the management considered that the chance to complete the extension of the modification agreement is highly probable.

In view of the tight financial constraints suffered by the Group and the revamp of the overall business plan, Can-Elite did not carry out new exploration works in both Area A and Area B during the year, but has focused on adapting to the CBM technical specification, reinforcing coordination with China United, adjusting and improving the management team of the project. Can-Elite made efforts on optimising the technical deployment, cutting down operation cost, and commencing on the preparation of the pre-development of project. Moreover, it has sought cooperation with energy corporations in the region to share engineering information and geological information such as horizontal wells in order to increase the success rate of the horizontal wells.

Following the completion of exploration work which led to the gathering of 3.158 billion cubic metres of underground proven reserves, Area A has proceeded into trial development phrase; most of the exploration wells are undergoing reasonable maintenance and small scale of extraction works and will be transformed to production wells, while extraction testing and fracturing transformation will be performed on some low production wells in order to increase the production level. In Area B, exploration wells that drilled in the past years are undergoing reasonable maintenance and Can-Elite will perform extraction testing, fracturing transformation, drainage and extraction observation following the national reserve specification and put into production testing and evaluation analysis in order to obtain necessary data to prepare the reserve report.

Due to the recent outbreak of novel coronavirus (COVID-19) epidemic ("**Coronavirus**"), the Chinese government implemented various measures to prevent the spread of the Coronavirus, including but not limited to new border control measures and restrictions on production resumption. These containment efforts have impeded the Group from executing its plan to continuing the necessary procedures, requirements and conditions for submission of the ODP. As such, most of the exploration work done originally planned by the Group, have been postponed to the second and third quarter of 2020, and together with the existing financial constraints, it is assessed by the Board that the submission of the ODP will be postponed likely to early 2021.

During the period under review, the Group had been (i) continuing drilling trail and building additional horizontal wells for trail production with Huaibei Coal Mining Group; (ii) exploring the feasibility of constructing gas gathering stations for gas gathering; (iii) performing small scale gas extraction tests; and (iv) filed the application for extension of Product Sharing Contract for additional three years to March 2023. Further, in order to gather the relevant key production data such as geological and geophysical parameters, the Group has already commenced to restore the breakdown of coalbed methane pilot extraction activities.

In 2020, Can-Elite will focus on all necessary preparation work in order to submit the ODP to the relevant government authorities of the PRC for filing in 2021 and start commercial production in 2022. Pursuant to the fourth modification agreement entered into between Can-Elite and China United in August 2017, the exploration period of Area B will end on 31 March 2020. Can-Elite has applied the extension with China United for three years to 31 March 2023. In order to adapt to technical requirements and safeguard the legal rights of the resources in this area, Can-Elite has proposed the more reasonable "Proposal for the Supplemental Exploration of Coalbed Methane and Declaration of Reserve in Southern Part of the Su'nan Block, Anhui" after further corroboration, and actively coordinated with China United to continue extending the exploration period, for which both parties shall further modify the agreement, jointly overcome difficulties to ensure the continuous and effective cooperation of the blocks and prepare the reserve report as soon as possible.

Treasury Business

The treasury business includes securities trading, securities brokerage and money lending business.

The Group adopts a prudent approach for all its investments with the view for short to medium term profit. At 31 December 2019, the Group held an investment portfolio of listed securities in Hong Kong with an aggregate amount of approximately HK$10,125,000. During the year, the Group recorded a net unrealised gain of approximately HK$941,000 (i.e. unrealised gains of approximately HK$1,235,000 and unrealised losses of approximately HK$294,000). The unrealised gain was attributable to the Group's investments in Styland Holdings Limited ("**STYLAND**"). Details of the investments in STYLAND are as follows:

	For the year ended 31 December 2019			At 31 December 2019		At 31 December 2018
	Fair value (loss) gain	**Approximate percentage of fair value loss on held-for-trading investments**	**Approximate percentage of fair value gain on held-for-trading investments**	**Market value**	**Approximate percentage of held-for-trading investments**	**Market value**
	HK$'000			*HK$'000*		*HK$'000*
STYLAND						
– shares	**(294)**	**100%**	**–**	**8,890**	**87.80%**	8,749
– warrants	**1,235**	**–**	**100%**	**1,235**	**12.20%**	1,261
Total	**941**	**100%**	**100%**	**10,125**	**100.00%**	10,010

STYLAND is principally engaged in investment holdings, financial services, mortgage financing, property development and investment and trading of securities.

Despite the recent US-China trade war, with the launch of the Shenzhen-Hong Kong Stock Connect, the Shanghai Hong Kong Stock Connect and the Bond Connect in the past years, the Board believes that the financial services business, especially the securities trading and brokerage business, in the banking and financial sectors will continue to have a good prospect. However, due to the outbreak of Coronavirus, the Board will monitor market development closely, review the investment portfolio in accordance with the Group's investment objective and policy with a view of gaining good investment yields for the shareholders. The Board will maintain resources on hand against the upcoming economic situation and take cautious and appropriate investment action with a view of identifying attractive and short to medium term investment opportunities.

The Group carries its money lending business by providing both secured and unsecured loans to corporate and individual customer. Strict internal policies for granting and on-going review of the loan are established so as to ensure the business risk is manageable. Moreover, to meet the statutory requirements and to cope with the complexity of business environment, regular review and updates of internal policy are performed.

During the year, due to the reallocation of funds, the Group did not distribute any amount of funds to the money lending business. As a result, no revenue was generated from this segment (i.e. interest income) (2018: HK$46,000).

Electronic Components Business

The Group continued to be affected by the weak global demand dragged on the consumables market, as a result, revenue generated from the electronic components segment dropped to HK$7,587,000, which represent a 11.26% decrease as compared to year 2018. The Group will regularly review the range of products distributed to confront with the increasingly difficult business environment so as to generate stable revenue and return. However, it shall be expected that the situation will not be improved in the short run.

PROSPECTS

The strategy of enhancing the capability of securing oil and gas resources and facilitating a high-quality development in the industry are rising to become a part of the national energy security strategy. On the basis of the implementation of the "Notice Regarding the Subsidy Standards for Development and Utilisation of Coalbed Methane (Gas) During the Course of the 'Thirteenth Five-Year Plan'" promulgated by the Ministry of Finance and the "Thirteenth Five-Year Plan on Development and Utilisation of Coalbed Methane (Coal Mine Gas)" promulgated by the National Energy Administration, in 2019, the Central People's Government of the PRC together with relevant departments have successively introduced major policies, which brought new and important benefits to the oil and gas industry. On 27 February 2019, the State Council of the PRC issued the "Decision on Cancelling and Delegating a Group of Administrative Licensing Items" (Guo Fa [2019] No. 6), which changed the PRC's National Development and Reform Commission's (the "**NDRC**") "Approval of the Overall Development Plan for Oil and Gas (Including Coalbed Methane) Foreign Cooperation Projects" (i.e. ODP Approval) to a filing system. According to this policy, it is expected that the preparation, reporting and filing of ODP in relation to Area A of the CBM project can be accelerated and the project can be put into formal development stage as soon as possible. In June 2019, the "Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition)" issued by the NDRC and the Ministry of Commerce of the PRC cancelled the restriction that the exploration and development of oil and gas are limited to joint venturing and cooperation, which means upstream exploration and development of oil and gas will be completely opened to foreign and private enterprises. On 31 December 2019, the Ministry of Natural Resources has published the "Opinions on Several Matters Concerning Promoting the Reform of Mineral Resources Administration (for Trial Implementation)" (No. 7 [2019] of the Ministry of Natural Resources), which specified that "pilot programs for competition-based assignment of oil and gas prospecting rights are commenced, and practical experience should be explored and accumulated, so as to steadily advance the reform of oil and gas prospecting and exploitation administration.", "registration as well as management at the same level for the assignment of prospecting right and exploitation right for same type of minerals are implemented.", "the system regarding unified exploration and exploitation for oil and gas are implemented." and "holders of oil and gas prospecting rights who had discovered oil and gas resources suitable for exploration can conduct exploration upon reporting to the relevant natural resource authorities.", shorten the development cycle of CBM companies, enhanced the efficiency for gas exploitation and production, and provided protection in the form of policies.

In response to the PRC government's decision and requirements, the oil and gas industry is accelerating the pace of exploration and development, and the related drilling and fracturing projects have increased. At the same time, resource blocks in cooperation with state-owned enterprises are also subject to the demand of increasing efforts in project exploration and development. It also involves the cooperation project between Can-Elite and China United. This provides a good policy environment for the development of the Group as a whole.

Can-Elite has been looking for breakthroughs and progress through long-term exploration in the Luling and Su'nan blocks, in particular, various exploration works such as deep drilling and horizontal drilling, seismic and geophysical studies are adopted. The CBM resources in the blocks are special in terms of geological conditions and are not suitable for an extensive exploration and development in a blanket fashion, as such the rolling method of exploration has to be postponed and the blocks are explored and developed simultaneously. In this regard, Can-Elite and China United have reached a consensus.

In the future, Can-Elite will, according to changes in situation, capitalise on the progress of cooperation in the blocks, draw on the experience and lessons learnt, actively coordinate with its partner, China United, and also comprehensively take into account factors such as the expected investment benefits and the trend of the natural gas market, making full use of the new policy of "unified exploration and exploitation" and supporting measures such as financial subsidy. During the term of the cooperation agreement, pursuant to the relevant terms of the production sharing contract signed with China United, Can-Elite will focus on the development and exploration of Area A, which is the area with proven reserves; deploy a certain number of stable production wells to increase production capacity and output of the blocks and achieve the annual production target as soon as possible; complete the construction of the gathering and transportation facilities for ground gas concurrently to collect, process and sell well-produced natural gas in a timely manner. In addition, it strives to protect the legal rights and interests of the resources in Area B in order to continue the exploration and completing the declaration of reserve. While adapting to the market to meet the needs of the society for natural gas, the Group will also bring income returns to its shareholders and partners.

The Group through a wholly-owned subsidiary, GCINT Limited (formerly known as International Standard Resources Securities Limited), held two licenses granted by the Securities and Futures Commission, namely Type 1 (Dealing in Securities) and Type 4 (Advising on Securities). It is in the course of applying for the admission as a stock exchange participant of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and a direct clearing participant of HKSCC. It is expected that this new segment will generate income from brokerage services and margin financing in the mid of 2020.

The Group's stringent financial position will nevertheless hinder the Group's development. The Group will continue to adopt a prudent approach, adapt to the situation and follow closely to the national policies with a view to improving its net liabilities position and to creating value to its shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their support over the past year and to our staff for their contributions and diligence.

Pan Jibiao
Chairman

Hong Kong, 31 March 2020

MANAGEMENT
DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year was HK$7,587,000 (2018: HK$9,109,000), representing a decrease of 16.71%. The revenue generated by the sale of electronic components decreased by 11.26% from HK$8,550,000 in 2018 to HK$7,587,000 in 2019. The CBM exploration and exploitation operating subsidiary and the treasury segment did not contribute to the Group's revenue in 2019. The Group recorded a gross profit of HK$840,000 in 2019, a decrease from HK$928,000 in 2018.

The Group's loss for the year was HK$397,161,000 (2018: HK$530,791,000). Substantial part of the Group's performance was mainly due to the accounting recognition of various items, such as the impairment loss on the PSC amounted to HK$413,598,000 (2018: HK$454,192,000), gain on fair value change of convertible notes' embedded derivatives amounted to HK$32,250,000 (2018: loss of HK$6,546,000), imputed interest on convertible notes amounted to HK$44,095,000 (2018: HK$38,336,000), imputed interest on bonds amounted to HK$4,567,000 (2018: HK$5,056,000), imputed interest on lease liabilities amounted to HK$79,000 (2018: Nil), amortisation of the PSC amounted to HK$15,701,000 (2018: HK$51,228,000), net gain on revaluation of financial assets at fair value through profit or loss amounted to HK$941,000 (2018: loss of HK$15,625,000), net foreign exchange loss of HK$5,819,000 (2018: HK$11,082,000), impairment loss on property, plant and equipment amounted to HK$12,461,000 (2018: Nil), depreciation on property, plant and equipment amounted to HK$9,274,000 (2018: HK$10,428,000) and the deferred tax credit amounted to HK$108,653,000 (2018: HK$128,889,000). The aggregate net result of the abovementioned accounting loss for 2019 is HK$363,750,000 (2018: HK$469,721,000). The accounting profits and losses mentioned above did not have actual impact on the cash flow position of the Group.

For comparison purpose, the loss after tax for 2019 and 2018, if excluding those accounting profits and losses, was HK$33,411,000 and HK$61,070,000 respectively.

The Group recorded a loss attributable to owners of the Group of approximately HK$396,791,000 (2018: HK$530,452,000), and basic and diluted loss per share was approximately HK$0.72 (2018: HK$1.11). The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had current assets of HK$22,326,000 (2018: HK$69,424,000) and current liabilities of HK$86,039,000 (2018: HK$124,338,000) and cash and bank balances of HK$10,509,000 (2018: HK$6,374,000). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 25.95% (2018: 55.83%).

In March 2019, a bondholder, with 3-year 7% coupon unlisted straight bonds in an aggregate principal amount of HK$10,000,000, entered into a supplemental agreement with the Company to extend the maturity date for the redemption of the outstanding principal amount for three years to the sixth anniversary of the date of issue (i.e. extended to 2022). During the year, bonds with aggregate principal amount of HK$38,000,000 were matured and redeemed by the Company.

In March 2019, the maturity date of promissory notes with principal amount of HK$6,000,000 and HK$7,500,000 were extended from 14 August 2019 to 30 September 2020 and from 31 July 2019 to 30 September 2020 respectively, and the interest rate was changed from 8% per annum to 15% per annum payable in one lump sum on the maturity date. In July 2019, promissory note with principal amount of HK$6,000,000 was redeemed. In September 2019, promissory notes with principal amount of HK$5,000,000 and HK$7,500,000 were redeemed with a discount of HK$100,000 and HK$150,000 provided by the promissory note holder respectively.

In September 2019, the Company successfully raised net proceeds of approximately HK$27,352,000 by issuing 239,592,308 new ordinary shares on the basis of one rights share for every two shares at a subscription price of HK$0.12 per rights share. Net proceeds were utilised as intended (i) as to approximately HK$20,000,000 for repayment of the corporate bonds which matured in or around November 2019; (ii) as to approximately HK$5,800,000 for repayment of part of the promissory notes; and (iii) the remaining balance for the general working capital of the Group.

On 16 October 2019, a total of 143,755,385 bonus warrants were issued by the Company on the basis of one warrant for every five shares held on 30 September 2019, being the record date for ascertaining the entitlements of shareholders to the bonus warrant issue. The holders of these bonus warrants are entitled to subscribe in cash for 143,755,385 new shares at an initial subscription price of HK$0.04 per share at any time during the period commencing from 16 October 2019 to 15 October 2020 (both dates inclusive). If all bonus warrants are exercised, net proceeds of approximately HK$5,750,000 will be raised. The net proceeds received as and when subscription rights are exercised will be applied as general working capital of the Group. During the period from 16 October 2019 to 31 December 2019, 11,015,979 new ordinary shares were issued upon the exercise of 11,015,979 units of these bonus warrants. Net proceeds of approximately HK$441,000 were raised upon the exercise of the bonus warrants and were used as the general working capital of the Group.

The Group will constantly review its financial resources and will consider various plans to enhance its financial capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group are set out in note 34 to the consolidated financial statements.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operated in Hong Kong and the PRC with most of the transactions settled in Hong Kong dollars, Renminbi and United States dollars; the existing currency peg of Hong Kong dollars with United States dollars will likely continue in the near future, the exposure to foreign exchange fluctuation is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENCIES

Save as disclosed in note 35 to the consolidated financial statements, the Group had no other contingencies as at 31 December 2019.

LITIGATION

On 2 August 2019, Can-Elite, a wholly subsidiary of the Company, received a statement of claim issued by Shandong Taishan Resource Exploration Company Limited ("**Taishan**") and filed with the Beijing Dongcheng District People's Court (the "**Beijing Dongcheng Court**") for alleged default in payment of outstanding engineering fees under agreement in an aggregate amount of RMB736,898 and all related interests and expenses; a hearing notification from the Beijing Dongcheng Court to attend a hearing on 7 August 2019; and a civil ruling issued by the Beijing Dongcheng Court dated 18 July 2019 pursuant to which, the bank accounts of Can-Elite shall be frozen up to the amount of RMB830,000 or other assets of equivalent value.

On 20 September 2019, Can-Elite received a civil mediation order (民事調解書) and a civil judgement (民事裁定書) dated 10 September 2019 and 12 September 2019 respectively issued by the Beijing Dongcheng Court. Pursuant to the civil mediation order (民事調解書), Can-Elite shall (i) settle an aggregate amount of RMB132,000 by transferring 69 sets of casing with model number Φ139 (N80) to Taishan; (ii) repay Taishan in an aggregate amount of RMB200,000 before 15 October 2019; (iii) repay Taishan in an aggregate amount of RMB404,898 by three instalments, payable on or before 30 November 2019, 23 January 2020 and 31 March 2020 respectively; and (iv) pay all related interest expenses for any default in such instalment payments. Pursuant to the civil judgement (民事裁定書), the frozen bank accounts of Can-Elite up to the amount of RMB830,000 or other assets of equivalent value were released. Please refer to the announcement of the Company dated 23 September 2019 for further details.

As of 31 December 2019, the payment settlements were completed pursuant to the above civil mediation order (民事調解書).

Save as disclosed above, there was no litigation, arbitration or claim of material importance in which the Company is engaged or pending or which was threatened against the Company.

CHARGE ON ASSETS

The short-term bank deposits, amounted to approximately HK$120,000, have been pledged as securities for banking facilities granted to the Group as at 31 December 2019. Equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with carrying amount of HK$10,125,000 are placed in margin accounts of a regulated securities broker. No margin facility was utilised as at 31 December 2019.

One of the margin accounts of a regulated securities broker secured a borrowing amounting to HK$15,000,000 at 31 December 2019. The margin accounts has listed securities of approximately HK$9,987,000 and cash balances of approximately HK$1,000.

SHARE CONSOLIDATION

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 25 July 2018, the share consolidation on the basis that every ten issued shares consolidated into one consolidated share was approved. The share consolidation was completed and became effective on 26 July 2018.

RESTRUCTURING OF CONVERTIBLE NOTES DUE 2018 AND ISSUE OF NEW CONVERTIBLE NOTES DUE 2021

On 24 August 2018, the Company entered into the convertible notes restructuring agreement with New Alexander Limited (the "**Noteholder**"), pursuant to which the Noteholder agreed to a consensual restructuring of its rights and obligations under the existing convertible notes due 31 December 2018 (the "**Convertible Notes Restructuring Agreement**"). Upon completion of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement, new convertible notes due 31 December 2021 would be issued for the settlement of the existing convertible notes. Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 30 October 2018, the special mandate for the issue of the new convertible notes with principal amount of HK$365,000,000 and bearing interest at 2% per annum due 31 December 2021 (the "**Convertible Note**") upon completion of the Convertible Note Restructuring Agreement and issue and allot of the conversion shares was approved. All the conditions precedent under the Convertible Notes Restructuring Agreement were fulfilled and the completion took place on 6 November 2018.

TRANSFER OF CONVERTIBLE NOTES

On 30 September 2019, Century Gold Millennium International Holdings Group Limited ("**Century Gold**") as purchaser and New Alexander Limited ("**New Alexander**") as vendor entered into a transfer agreement dated 30 September 2019 (the "**CN Transfer Agreement**") in relation to the transfer of the Convertible Notes, pursuant to which Century Gold conditionally agreed to acquire and New Alexander conditionally agreed to sell the Convertible Notes issued by the Company in the aggregate outstanding principal amount of HK$365,000,000, which are convertible into a total of 3,041,666,666 new shares upon full conversion at the conversion price of HK$0.12 per shares, at a total consideration of HK$310,250,000 (equivalent to approximately HK$0.102 per shares of the Company).

As at 14 November 2019, an aggregate amount of HK$90,000,000, representing approximately 29.01% of the total consideration for the Convertible Notes, was paid by Century Gold to New Alexander and in consideration thereof New Alexander transferred the Convertible Notes in the principal amount of HK$105,000,000, representing approximately 28.77% of the entire Convertible Notes in the principal amount of HK$365,000,000, to Century Gold. As at the reporting date, the transfer of the remaining Convertible Notes has not yet been completed.

RIGHTS ISSUE

In September 2019, the Company allotted 239,592,308 new ordinary shares on the basis of one rights share for every two shares at a subscription price of HK$0.12 per rights share. Net proceeds of approximately HK$27,352,000 were utilised (i) as to approximately HK$20,000,000 for repayment of the corporate bonds which were matured in or around November 2019; (ii) as to approximately HK$5,800,000 for repayment of part of the promissory notes; and (iii) the remaining balance for the general working capital of the Group.

BONUS WARRANTS

On 16 October 2019, the Company issued a total of 143,755,385 bonus warrants on the basis of one warrant for every five shares of the Company held by the shareholders on 30 September 2019. The holders of these bonus warrants are entitled to subscribe in cash at any time during the period commencing from 16 October 2019 to 15 October 2020 (both dates inclusive) for 143,755,385 new shares at an initial subscription price of HK$0.04 per share (subject to adjustment). As at 31 December 2019, 132,739,406 units of these bonus warrants remained outstanding.

Subsequent to 31 December 2019 and up to the approval date of these consolidated financial statements, 4,194,000 new ordinary shares were issued upon the exercise of 4,194,000 units of these bonus warrants and net proceeds of approximately HK$168,000 were raised for the general working capital of the Group.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 41 to the consolidated financial statements, the Group had no material event after the reporting period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 40 employees, of which 20 were in Hong Kong and 20 were in the PRC. Employee remuneration policy of the Group is reviewed periodically and is determined based on performance of the Group and employees' responsibilities, qualifications and performances. Remuneration packages comprised basic salary, discretionary bonus, medical schemes, share options, mandatory provident fund schemes for employees in Hong Kong and the state-managed employee pension schemes for employees in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

PAN Jibiao, aged 46, was appointed as the chairman and an executive director of the Company in December 2019. He completed a PhD program in law from China University of Political Science and Law in the PRC in 2015. Mr. Pan has twenty years of management and investment experience in financial and treasury services in the PRC. He was a legal consultant of Shenzhen Jinze Shiye Development Company Limited* (深圳市金澤實業有限公司) during the period from 1996 to 2004, and was a general manager of Guangzhou Jinxi Credit Guarantee Company Limited* (廣州市金禧信用擔保有限公司) during the period from 2004 to 2009. Mr. Pan is a founder and has been a director of Yongzhou Jinxi Guarantee Company Limited* (永州市金禧投資擔保有限公司) since 2009. He is also a founder and has been a director of Hunan Shengda Jinxi Financial Services Company Limited* (湖南盛大金禧金融服務有限公司) since 2011.

LO Tsz Fung Philip, aged 53, was appointed as an executive director of the Company in September 2019. He is also the authorised representative, the company secretary and the chief financial officer of the Company. Mr. Lo graduated from the University of Wollongong, NSW Australia in 1992 with a Bachelor of Commerce degree. He is a member of the Certified Public Accountants of Australia and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lo has extensive experience in the areas of corporate management, financial accounting and auditing. He is currently the director and listing executive of Great Vision Capital Limited which is a listing advisor approved by the Dutch Caribbean Securities Exchange; an independent director of Dragon Jade International Limited, a company listed on OTCQX in the United States of America; an independent non-executive director of Styland Holdings Limited, a company listed on the Stock Exchange; and the chief financial officer of China Keli Electric Company Limited, a company listed on the NEX board of TSX Venture Exchange in Canada. Mr. Lo was a director and chief financial officer of ZZLL Information Technology Inc., a company listed on OTCQB in the United States of America, for the period from March 2017 to February 2018.

TAM Tak Wah, aged 54, was appointed as an executive director and the corporate development director of the Company in September 2009. Mr. Tam is also the authorised representative of the Company. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an independent non-executive director of Future World Financial Holdings Limited (Stock Code: 572) and is a non-executive director of Kingbo Strike Limited (Stock Code: 1421), both companies are listed on the main board of the Stock Exchange.

SHAO Yanxia, aged 41, was appointed as an executive director of the Company in April 2020. Ms. Shao was graduated from Shandong University of Finance in the PRC with a bachelor's degree in economics in July 2001. She received her master's degree in business administration from Central South University, the PRC, in May 2011. Ms. Shao has extensive experience in the areas of corporate management and investment. Prior to joining the Group, Ms. Shao worked for Founder Securities (Hong Kong) Limited as an executive director of channel sales department from May 2015 to September 2019, where she was responsible for managing the operation in Hong Kong. Ms. Shao was also a licensed representative of (i) Founder Securities (Hong Kong) Limited which was licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") to carry on Type 1 (Dealing in Securities) regulated activities during April 2016 to September 2019; and (ii) Founder Futures (Hong Kong) Limited which was licensed under the SFO to carry on Type 2 (Dealing in Futures Contracts) regulated activities during September 2017 to September 2019. Before joining the Hong Kong branch, Ms. Shao had worked for Founder Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601901).

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

NON-EXECUTIVE DIRECTOR

SHIU Shu Ming, aged 50, was appointed as a non-executive director of the Company in March 2020. Mr. Shiu holds a bachelor's degree in accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in 1993 and is a member of Hong Kong Institute of Certified Public Accountants. He is also a licensed person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. He has more than 20 years' experience in corporate finance, mergers and acquisitions, initial public offerings and fund raising exercises in various ventures and projects with a deal portfolio covering private entities, China state owned enterprises and publicly listed companies in Hong Kong, the PRC, Malaysia, Singapore and Indonesia. Mr. Shiu is currently the responsible officer of Euto Capital Partners Limited. From May 2014 to April 2015, Mr. Shiu was a responsible officer of Upbest Assets Management Limited and Upbest Securities Company Limited which are wholly owned subsidiaries of Upbest Group Limited (stock code: 0335), a company listed on the main board of the Stock Exchange. From November 2010 to September 2013, Mr. Shiu was a responsible officer of Grand Vinco Capital Limited, a wholly owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a company listed on the GEM of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Yim Por Bonnie, aged 54, was appointed as an independent non-executive director of the Company in July 2011. He is also the chairman and a member of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Chan is a solicitor and notary public (practicing) in Hong Kong who was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1992. He is currently a member of The Law Society of Hong Kong as well as the Hong Kong Society of Notaries. Mr. Chan obtained a Bachelor's Degree of Laws in 1988 and a Master's Degree of Laws in 1993 and has been practicing as a solicitor in the commercial field in Hong Kong since 1991. He established his own firm, Messrs. Yeung & Chan, Solicitors in 1996 and is now sole proprietor of the firm. He has been a part time lecturer and tutor of the Postgraduate Certificate in Laws in The University of Hong Kong since 2002 and was admitted as an adjunct lecturer of the HKU School of Professional and Continuing Education in 2009.

LAI Kin Keung, aged 69, was appointed as an independent non-executive director of the Company in April 2020. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Lai received his Doctor of Philosophy degree in civil engineering from Michigan State University, United States of American, in September 1977. He is currently a professor at the College of Economics, Shenzhen University, the PRC and an honorary professor at the Department of Industrial and Manufacturing Systems Engineering, the University of Hong Kong. Mr. Lai is also currently an independent non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (a company listed on the Stock Exchange, stock code: 1157) since June 2015 and an independent director of Bank of Communications Schroders in Shanghai since October 2018. Mr. Lai was an independent non-executive director of Minshang Creative Technology Holdings Limited (formerly known as Food Wise Holdings Limited) (a company listed on the Stock Exchange, stock code: 1632) from November 2016 to July 2018. Mr. Lai was teaching at the City University of Hong Kong from July 1985 to August 2016 where his last post was the chair professor of management science between September 2003 and August 2016. Mr. Lai was also the dean of the College of Business Administration of Hunan University, the PRC, from February 2005 to February 2008.

YEUNG Chi Wai, age 59, was appointed as an independent non-executive director of the Company in April 2020. He is also a chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Mr. Yeung has over 30 years of experience in accounting, finance and audit. He is the founder and director of Edwin Yeung & Company (CPA) Limited, which was incorporated in 2008. Mr. Yeung has been currently an independent non-executive directors of China Outfitters Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1146) since June 2011, and Wah Sun Handbags International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2683) since January 2018. Mr. Yeung has been a director of The Hong Kong Independent Non-Executive Director Association Limited since September 2019. He is a member of the Chinese People's Political Consultative Conference in Shandong Province, a committee member of Home Purchase Allowance Appeals Committee and a member of the Appeal Board Panel (Town Planning), an independent statutory body established by the Government of Hong Kong. Mr. Yeung has been an associate of the Chartered Association of Certified Accountants since 1988. He became an associate member and a fellow member of the Hong Kong Institute of Certified Public Accountants in 1989 and 1996, respectively. He is also a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He has been a fellow member of the Association of Chartered Certified Accountants since 1993, a fellow member of the Institute of Chartered Accountants in England and Wales since 2005 and a fellow member of CPA Australia since 2010. He was the president of the Society of Chinese Accountants and Auditors in 2008. He was awarded the Medal of Honour by the Government of the Hong Kong in 2010.

SENIOR MANAGEMENT

LYU Guoping, aged 55, joined the Group as a project consultant in January 2011 and was appointed as chief executive officer of the Company in addition to his current position in July 2013. He currently also serves as a director and a legal representative of High-Spirited Investment Limited and a supervisor of Shenzhen Clouds Energy Technology Limited, both companies are subsidiaries of the Group in the PRC. He graduated from the Wuhan Institute of Geology (currently known as China University of Geosciences (Wuhan)) with a bachelor's degree in geology in 1983 and from the Nankai University with a doctor's degree in economics in 1996. He has over 25 years of experience in geology and mineral exploration, gems and jewelry, journalism and natural resources management in both private and public sectors in the PRC. Prior to joining the Group in January 2011, Mr. Lyu was the deputy general manager of China Resources Coal Holdings Co., Limited and has extensive experience in administration, law and policy, corporate management, asset acquisition and energy exploration. Mr. Lyu is currently an independent non-executive director of Green Leader Holders Group Limited (Stock Code: 61), the securities of which are listed on the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "**Board**" or "**Director(s)**") of Golden Century International Holdings Group Limited (formerly known as International Standard Resources Holdings Group Limited) ("**Company**") is pleased to present this Corporate Governance Report for the year ended 31 December 2019 (the "**Year**").

The Company recognises the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company and essential for maintaining and promoting investor's confidence and maximising shareholders' returns.

During the Year, the Company had complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with an exception of code provisions A.4.1, details of which will be explained below.

In order to protect and enhance the benefits of the shareholders, the Board and its executive management will continue to monitor and review the governance policies so as to ensure that such policies comply with the increasingly stringent regulatory requirements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors' securities transactions on exactly the terms and required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Before the Group's interim and annual results are announced, notifications are sent to the Directors to remind them not to deal in the securities of the Company during the blackout periods. Having made specific enquiry to all the Directors, they confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

The primary responsibilities of the Board are to make decision on the objectives, strategic plans, budgets and management structure of the Company; to oversee the management of the business and affairs of the Company and its subsidiaries (collectively the "**Group**"); to supervise the management of the business and affairs with the objective of enhancing the Company and its shareholders' value with the proper delegation of the power to the management for its day-to-day operation; to implement the Board's decision by implementing the budgets and strategic plans and developing the organisation of the Company.

The Board has reviewed, inter alia, the performance and formulated business strategy of the Group during the Year. Also, the Board has reviewed and approved the annual and interim results of the Group for the year ended 31 December 2018 and the six months ended 30 June 2019 respectively.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management of the Company.

Composition

The Board reviews and approves corporate matters such as business strategies and investments as well as the general administration and management of the Group. The Board as at the date of this report consists of four executive Directors, one non-executive Director and three independent non-executive Directors ("**INED(s)**"):

Executive Directors:
Mr. Pan Jibiao *(Chairman)* (appointed on 11 December 2019)
Mr. Lo Tsz Fung Philip (appointed on 11 September 2019)
Mr. Tam Tak Wah
Mr. Cheng Wai Keung
Ms. Tsang Ching Man (resigned on 11 September 2019)

Non-executive Director:
Mr. Shiu Shu Ming (appointed on 18 March 2020)

Independent non-executive Directors:
Mr. Chan Yim Por Bonnie
Mr. Chan Tsz Kit
Mr. Wang Li
Mr. Albert Saychuan Cheok (resigned on 3 September 2019)

The Directors as aforesaid, accompanied by their respective biographical details, are listed in the section of "Biographical Details of Directors and Senior Management" in this annual report and that the INEDs are expressly identified in all the Company's publication such as announcement, circular or relevant corporate communications in which the names of directors of the Company as disclosed.

Out of the three INEDs, Mr. Chan Tsz Kit possesses appropriate professional accounting qualifications and related financial management expertise required under Rule 3.10(2) of the Listing Rules. Each of the INEDs has made an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considered all INEDs are independent.

The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current Board size is adequate for its present operations. Each of the Directors keeps abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are updated from time to time with development in the laws and regulations applicable to the Company.

The Board has regularly reviewed the contribution required from the Directors to perform their responsibilities to the Company, and whether they are spending sufficient time performing them.

Board Meetings

The Board conducts meeting on a regular basis at approximately quarterly intervals and on an ad hoc basis, as required by business needs. The articles of association of the Company (the "**Articles**") allow Board meetings to be conducted by way of telephone or otherwise orally and any resolutions to be passed by way of written resolutions circulated to and signed by all Directors from time to time when necessary unless any matters in which a substantial shareholder or a Director has a conflict of interest. Notices of regular Board meetings were served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings so as to ensure that each of them had an opportunity to attend the meetings. Agendas and accompanying Board papers were given to all Directors in a timely manner before the appointed date of Board meetings and at least 3 days before the regular Board meetings. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. Sufficient information was also supplied by the management to the Board to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make decisions, which are made in the best interests of the Company. Separate independent professional advice would be provided to the Directors, upon reasonable request, to assist them to discharge their duties. The Company has also arranged appropriate insurance cover in respect of legal action against the Directors. Minutes of Board meetings recorded in sufficient detail of matters considered and the decisions reached were kept by the company secretary and available for inspection by the Directors.

The attendance record of each Director at Board meetings and general meeting during the Year is set out below:

	Attendance/Number of		
Name of Directors	**Board Meetings**	**Extraordinary General Meetings**	**Annual General Meeting**
Mr. Pan Jibiao *(note 1)*	3/3	N/A	N/A
Mr. Lo Tsz Fung Philip *(note 2)*	17/17	1/1	N/A
Mr. Tam Tak Wah	47/47	1/1	1/1
Mr. Cheng Wai Keung	45/47	1/1	1/1
Ms. Tsang Ching Man *(note 3)*	29/30	N/A	1/1
Mr. Shiu Shu Ming *(note 4)*	N/A	N/A	N/A
Mr. Chan Yim Por Bonnie	26/26	1/1	1/1
Mr. Chan Tsz Kit	26/26	1/1	1/1
Mr. Albert Saychuan Cheok *(note 5)*	16/16	N/A	1/1
Mr. Wang Li	24/26	0/1	0/1

Notes:

(1) Mr. Pan Jibiao was appointed as the executive Director and the chairman on 11 December 2019.

(2) Mr. Lo Tsz Fung Philip was appointed as the executive Director on 11 September 2019.

(3) Ms. Tsang Ching Man resigned as the executive Director on 11 September 2019.

(4) Mr. Shiu Shu Ming was appointed as the non-executive Director on 18 March 2020.

(5) Mr. Albert Saychuan Cheok resigned as the independent non-executive Director on 3 September 2019.

Ms. Tsang Ching Man and Mr. Albert Saychuan Cheok resigned as they would like to devote more time on their family commitments.

The chairman promotes a culture of openness and debate by facilitating the effective contribution of INEDs in particular and ensuring constructive relations between executive Directors and INEDs. During the Year, the chairman held a meeting with the INEDs without the presence of executive Directors.

Chairman and Chief Executive Officer
Under the code provision A.2.1, the roles of chairman and chief executive officer ("**CEO**") should be separate people and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing.

During the Year, Mr. Albert Saychuan Cheok resigned as the chairman and INED of the Company with effective from 3 September 2019. On 11 December 2019, Mr. Pan Jibiao was appointed as the chairman and executive director of the Company.

The chairman, Mr. Pan Jibiao, who is also an executive Director, has led the Board and ensured that the Board works effectively and that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Company and all important issues are discussed in a timely manner, while the CEO, Mr. Lyu Guoping, implement major strategies and policies of the Company. The positions of the chairman and the CEO of the Company are held by separate individuals so as to ensure an effective segregation of duties and a balance of power and authority.

Non-executive Directors (Deviation from Code Provision A.4.1)
Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing INEDs is appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, more than one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting ("**AGM**") under the Articles. As such, the Company considers that sufficient measures have been taken to ensure that the corporate governance practices of the Company are no less exacting than those in the CG Code.

Appointments, Re-election and Removal of Directors
The procedures and process of appointment, re-election and removal of directors are laid down in the Articles. The Board as a whole is responsible for reviewing the Board composition, monitoring the appointment of Directors and assessing the independence of INEDs.

Under the code provision A.4.2 and in accordance with the Articles, directors are subject to retirement by rotation at least once every three years and any new directors appointed to fill a casual vacancy or as an addition to the board should be subject to election by shareholders at the next AGM after their appointment.

Attendance of Non-executive Directors at General Meetings
Under the code provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to personal and/or other overseas commitment, Mr. Wang Li, an INED, did not attend the AGM held on 12 June 2019 and the extraordinary general meeting ("**EGM**") held on 18 September 2019. However, at the respective general meetings of the Company, there were executive Directors and INEDs present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Policy**") which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how. The ultimate decision shall be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will monitor the implementation of the Policy and review the Board composition under diversified perspectives annually to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the businesses of the Company. As at the date of this report, the Board comprises eight Directors. Three of them are INEDs, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

Directors' Continuous Training and Development Programme

All Directors are provided with necessary induction and information to ensure that they have a proper understanding of the operations and businesses of the Company as well as their responsibilities under relevant statues, laws, rules and regulations. Moreover, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the Year, all Directors are provided with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. Some Directors also attended seminars and/or conferences and/or talks organised by professional bodies on topics including corporate governance, Listing Rules updates, legal supervising or financial updates. A summary of training received by Directors during the year ended 31 December 2019 according to the records provided by the Directors is as follows:

Name of Directors	Types of Training
Mr. Lo Tsz Fung Philip (appointed on 11 September 2019)	A, B
Mr. Pan Jibiao (appointed on 11 December 2019)	B
Mr. Tam Tak Wah	A, B
Mr. Cheng Wai Keung	B
Ms. Tsang Ching Man (resigned on 11 September 2019)	A, B
Mr. Shiu Shu Ming (appointed on 18 March 2020)	N/A
Mr. Chan Yim Por Bonnie	A, B
Mr. Chan Tsz Kit	A, B
Mr. Wang Li	B
Mr. Albert Saychuan Cheok (resigned on 3 September 2019)	A, B

A: Attending seminars and/or conferences and/or talks

B: Reading updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements

BOARD COMMITTEE

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee (collectively "**Board Committees**"), with defined written terms of reference which are in line with the code provisions of the CG Code describing their respective authority and duties and for overseeing particular aspects of the Company's affairs. The terms of reference of the Board Committees are set out in the websites of the Company www.goldencenturyintl.com and the Stock Exchange (www.hkexnews.hk). All the members of the Board committees are INEDs. All Board Committees are provided with sufficient resources to discharge their duties, and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. Minutes of the Board Committees meetings recorded sufficient detail of matters and the decisions reached were kept by the company secretary and available for inspection by the respective committee members.

Remuneration Committee

The Remuneration Committee is responsible for reviewing and making recommendations to the Board on the overall remuneration structure and policy, determining the specific remuneration packages of all executive Directors and the senior management as well as making recommendations to the Board the remuneration of non-executive Directors with reference to the corporate goals and objectives of the Board. No Director takes part in any discussion on his/her own remuneration. As at the date of this report, members of the Remuneration Committee comprise Mr. Chan Yim Por Bonnie *(Chairman)*, Mr. Chan Tsz Kit and Mr. Wang Li, all of whom are INEDs. Mr. Albert Saychuan Cheok resigned as the member of the Remuneration Committee with effect from 3 September 2019.

The Remuneration Committee held two meetings during the Year and has determined the remuneration packages of Mr. Lo Tsz Fung Philip as the executive director, the company secretary, the authorised representative and the chief financial officer of the Company and Mr. Pan Jibiao as the executive director and chairman of the Company. The attendance record is set out below:

Name of Directors	Attendance/Number of Remuneration Committee Meetings
Mr. Chan Yim Por Bonnie *(Chairman)*	2/2
Mr. Chan Tsz Kit	2/2
Mr. Wang Li	2/2
Mr. Albert Saychuan Cheok (resigned on 3 September 2019)	N/A

Nomination Committee

The Nomination Committee is responsible for, take into account candidates' qualifications, in particular any qualifications as required in the Listing Rules, ability, working experience, leadership and professional ethics in considering and recommending to the Board suitable persons for appointment as Directors, reviewing the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience to complement the corporate strategy of the Company, and assessing the independence of the INEDs. As at the date of this report, members of the Nomination Committee comprise Mr. Chan Yim Por Bonnie *(Chairman)*, Mr. Chan Tsz Kit and Mr. Wang Li, all of whom are INEDs. Mr. Albert Saychuan Cheok resigned as the chairman of the Nomination Committee with effect from 3 September 2019 and Mr. Chan Yim Por Bonnie has been appointed as the chairman of the Nomination Committee with effect from 3 September 2019.

The Nomination Committee held two meetings during the Year and has determined the suitability and duties and responsibilities of Mr. Lo Tsz Fung Philip as the executive director, the company secretary, the authorised representative and the chief financial officer of the Company and Mr. Pan Jibiao as the executive director and chairman of the Company. The attendance record is set out below:

Name of Directors	Attendance/Number of Nomination Committee Meetings
Mr. Chan Yim Por Bonnie *(Chairman)*	2/2
Mr. Chan Tsz Kit	2/2
Mr. Wang Li	2/2
Mr. Albert Saychuan Cheok (resigned on 3 September 2019)	N/A

Audit Committee

The Audit Committee is responsible for assisting the Board in providing an independent view of the effectiveness of the financial reporting process and internal control and risk evaluation, overseeing the audit process, and liaison among shareholder, the Board and the auditor of the Company. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year from ceasing to be a partner or having any financial interest in the auditing firm. As at the date of this report, members of the Audit Committee comprise Mr. Chan Tsz Kit *(Chairman)*, Mr. Chan Yim Por Bonnie and Mr. Wang Li, all of whom are INEDs. Mr. Albert Saychuan Cheok resigned as the member of the Audit Committee with effect from 3 September 2019.

Two meetings were held during the Year. The Audit Committee reviewed (i) the audited financial statements for the year ended 31 December 2018 and unaudited interim financial statement for the six months ended 30 June 2019 of the Group with recommendation to the Board for approval; (ii) the accounting policies adopted by the Group and issues related to accounting practices with the senior management and auditor of the Company, the audit scope and fees, and qualifications, independence and performance of the auditor of the Company; and (iii) the financial reporting system and internal control and risk management systems of the Group. The attendance record is set out below:

Name of Directors	Attendance/Number of Audit Committee Meetings
Mr. Chan Tsz Kit *(Chairman)*	2/2
Mr. Chan Yim Por Bonnie	2/2
Mr. Wang Li	0/2
Mr. Albert Saychuan Cheok (resigned on 3 September 2019)	2/2

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for ensuring sound and effective risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Company. The Group has outsourced the internal control systems auditing function. The outsourced internal auditor reports directly to the Audit Committee and is responsible for conducting regular audits on the major activities of the Group. The objective is to ensure that all important controls, including financial, operational compliance, and risk management functions are in place and functioning effectively.

Internal Control

During the Year, the Audit Committee approved the annual internal audit plan. The plan includes a number of cyclical reviews of key operational functions to ensures that, while there is focus on areas deemed to be higher risk, all parts of the business will be covered over a three-year cycle. The annual internal audit plan will be reviewed at least annually to ensure that it is adapted as necessary to any changes in the Group's risk profile and is considered to be effective and adequate.

The Board has received a report from the outsourced internal auditor summarising the audits concluded in the Year. The report summarised internal audit findings and any action to be taken by management as a result. A summary of the internal audit activities during the Year is as follows:

(a) performed operational audits on business units of the Group to ascertain the adequacy and integrity of their system of internal controls and made recommendations for improvement where weaknesses were found; and

(b) conducted follow-up review to determine the adequacy, effectiveness and timeliness of actions taken by the management on audit recommendations and provided updates on their status to the Audit Committee.

After each audit, the findings and recommendations for improvement will be communicated to the respective management for their responses and corrective actions. The Audit Committee has reviewed the findings and recommendations made by the outsourced internal auditor and have ensured that any issues arising from the audit are appropriately resolved by management in an efficient and timely manner.

It should be recognised that such an audit can comply provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives.

Risk Management

The successful management of risk is essential for the long term growth and sustainability of the Group's business. The principal activities of the Group are the coalbed methane exploration and exploitation in the PRC, sale of electronic components and treasury which includes securities trading and money lending. These can only be achievable if certain risks are managed effectively.

The Board has overall accountability for determining the type and level of risk it is prepared to take. The Board is assisted by the Audit Committee which seeks to identify risks for Board's consideration. Further, the Audit Committee monitors, and deploys appropriate actions to control or mitigate the risks. They also assess the likelihood of these risks occurring. Risk mitigation factors are reviewed and documented based on the level and likelihood of occurrence. The Audit Committee reviews the risk register and monitors the implementation of risk mitigation procedures via executive management.

Based on the report from the outsourced internal auditor, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considers them to be adequate and effective and the Group has complied with the CG Code.

COMPANY SECRETARY

Mr. Lo Tsz Fung Philip has been appointed as the company secretary of the Company to replace Ms. Tsang Ching Man on 11 September 2019. Mr. Lo is also the executive Director, the authorized representative and the chief financial officer of the Company. The company secretary has day-to-day knowledge of the Company's affairs. The company secretary reports to the chairman and is responsible for advising the Board on governance matters. For the Year under review, the company secretary has confirmed that he has taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

The biographical details of Mr. Lo are set out on page 16 of this annual report.

FINANCIAL REPORTING

Financial Reporting

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the state of affairs of the Group as at 31 December 2019, results and cash flows for the year then ended and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance; appropriate accounting policies have been selected, consistently used and applied, and reasonable judgements and estimates are properly made.

As at 31 December 2019, the Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of the Company to continue as a going concern. Accordingly, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements. The statement of the auditor of the Company regarding their responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 61 to 66 of this annual report.

Auditor's Remuneration
During the Year, the fees paid to the auditor of the Company comprise services charges for the following:

	2019	2018
	HK$'000	*HK$'000*
Statutory audit	**630**	630
Review of interim results	**100**	130
Other non-audit services	**140**	–

SHAREHOLDERS' RIGHTS

Enquiries to the Board
The Shareholders may direct their questions about their shareholdings to the share registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. They may also at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company with the contact details provided by post, telephone, fax or email.

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

In accordance with sections 566, 567 and 568 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Ordinance**"), shareholders representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a written request to convene an extraordinary general meeting ("**EGM**") in hard copy form (by depositing at the registered office of the Company at Unit E, 29/F., Tower B, Billion Centre, No. 1 Wang Kwong Road, Kowloon for the attention of the Board) or in electronic form (by email: info@gci.com.hk). Such requisition, signed by the shareholders concerned, must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. If the Directors do not within 21 days from the date of the deposit of a request (after being verified to be valid) proceed to convene an EGM on a day not more than 28 days after the date on which the notice convening the EGM is given, the shareholders concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months after the date on which the Directors become subject to the requirement to call a meeting.

To put forward proposals at the shareholders' meeting, shareholders are requested to follow sections 580 and 615 of the Ordinance, which a request in writing must be made by:

(a) shareholders holding at least 2.5% of the total voting rights of all shareholders having the right to vote at the shareholder's meeting; or

(b) at least 50 shareholders holding shares of the Company having the right to vote at the meeting,

to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an AGM, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Board not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. Upon the request verified to be valid, the Company will give notice of the resolution or circulate the statement.

If a shareholder of the Company intends to propose a person other than a Director for election as a director of the Company at any general meeting, the shareholder concerned shall lodge with the registered office of the Company for the attention of the company secretary (i) a written notice of his intention to propose that person for election as a director of the Company; and (ii) a notice in writing by that person of his/her willingness to be elected together with the necessary information within the period commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than seven days prior to the date of such general meeting.

Detailed procedures can be found in the following documents which are available on the website of the Company:

- "Shareholders Communication Policy"

- "Procedures for shareholders to propose a person for election as a director"

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, use AGM or other general meetings to communicate with shareholders and encourage their participation.

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

Details of poll voting procedures will be explained during the proceedings of meetings. The poll results will be posted on the websites of the Company and the Stock Exchange following the general meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The chairman of all the committees or in the absence of the chairman of such committee, another member of the committee or failing this, his duly appointed delegate, is available to answer questions at the general meetings.

To promote effective communication, the Company maintains websites at www.goldencenturyintl.com, which contains corporation information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Company, to enable the shareholders of the Company to have timely and updated information of the Company. Shareholders can refer to the "Shareholders Communication Policy" posted on the website of the Company for more details.

CONSTITUTIONAL DOCUMENTS

During the Year, there is no change in the Company's constitutional documents.

The latest and consolidated version of the Articles is available for inspection on the websites of the Company and the Stock Exchange.

On behalf of the Board
Pan Jibiao
Chairman

Hong Kong, 31 March 2020

I. ABOUT THIS REPORT

The board of directors (the "**Board**") of Golden Century International Holdings Group Limited (formerly known as International Standard Resources Holdings Limited) (the "**Company**") is pleased to present the Environmental, Social and Governance ("**ESG**") Report (the "**Report**") of the Company and its subsidiaries (hereinafter referred as the "**Group**"). The Report summarises the ESG policy, sustainability strategy, management approach, measures and performance of the Group.

The Report discloses ESG information in relation to the coalbed methane ("**CBM**") and electronic component businesses of the Group for the year ended 31 December 2019, and is prepared in accordance with the relevant requirements of the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Detailed information about the ESG Reporting Guide of the Stock Exchange is provided at the end of the Report. The Report does not cover treasury business as it only accounts for immaterial contribution to the Group's revenue. During the reporting period, the Group has complied with the "comply or explain" provision of the ESG Reporting Guide.

The Board is responsible for the Group's ESG strategy and reporting and the evaluation and determination of the Group's ESG-related risks, as well as ensuring that appropriate and effective ESG risk management and internal control systems are in place. In order to determine the scope of the Report, the Group has discussed with management personnel and made a list of major stakeholders to determine and evaluate the ESG issues related to the Group. A summary of material ESG issues is listed in the Report.

II. STAKEHOLDER ENGAGEMENT

The Group is committed to maintaining the sustainable development of its businesses and providing support to environmental protection and the community in which it operates. The Group maintains a close tie with its stakeholders, including governments/regulatory bodies, shareholders/investors, employees, customers, suppliers and the community, and strives to balance opinions and interests through constructive communications so as to determine the direction for sustainability of the Group. The Group assesses and determines its ESG risks, and ensures that the relevant risk management and internal control systems are operating properly and effectively.

Stakeholders	Expectations and requirements	Management's response
Governments/ regulatory bodies	➢ Compliance with laws and regulations ➢ Fulfilment of tax obligation	➢ Uphold integrity and compliance in operations ➢ Pay tax on time in return contributing to the society ➢ Establish a comprehensive and effective internal control system
Shareholders/ investors	➢ Investment return ➢ Information transparency ➢ Corporate governance system	➢ The management has relevant experience and expertise to ensure sustainability in the businesses ➢ Publish information regularly through the websites of the Stock Exchange and the Company ➢ Endeavour to improve internal control and risk management

Stakeholders	Expectations and requirements	Management's response
Employees	➢ Labour rights ➢ Career development ➢ Remuneration and benefit ➢ Health and safety	➢ Establish contractual obligations to protect labour rights ➢ Encourage the participation of employees in continuous educational and professional trainings to enhance competencies ➢ Establish a fair, reasonable and competitive remuneration system ➢ Attach importance to occupational health and safety
Customers	➢ High quality products and services ➢ Timely delivery ➢ Reasonable price	➢ Continuously provide high quality products and services to meet customer needs ➢ Build an efficient and green supply chain ➢ Develop a comprehensive quality assurance Process and recall procedure ➢ Ensure contractual obligations are fulfilled
Suppliers	➢ Stable supply ➢ Timely payment ➢ Maintaining good relationship with the Company ➢ Corporate reputation	➢ Ensure contractual obligations are fulfilled ➢ Develop supply chain management policy and procedure ➢ Maintain a steady and long term collaborative relationship ➢ Strictly select suppliers
Community	➢ Environmental protection ➢ Community involvement ➢ Economic development	➢ Pay attention to climate change ➢ Encourage employees to actively participate in charity events and voluntary services ➢ Ensure sound financial results and business growth

III. MATERIALITY MATRIX

During the reporting period, the Group has identified a number of environmental, social and operational related matters, and has evaluated the importance of each items on stakeholders and the Group through different channels. Such evaluation enabled the Group to ensure that its business development meets the expectations and requirements of the stakeholders, and matters that are of concern to the Group and the stakeholders are presented in the materiality matrix below.

Materiality Matrix

Importance to Stakeholders	Low	Medium	High
High	◆ Anti-discrimination ◆ Protection of human rights	◆ Human resource management ◆ Staff training and promotion ◆ Staff remuneration and benefit	➢ Customer satisfaction ➢ Product quality and safety ➢ Supplier management ◆ Occupational health and safety ✧ Cleaner production and green products
Medium		➢ Anti-corruption ➢ Protection of customer privacy ✧ Greenhouse gas emission ✧ Energy saving measures	➢ Operational compliance ➢ Social participation ✧ Air emission ✧ Wastewater discharge
Low	◆ Preventive measures on child and forced labour	✧ Water consumption ✧ Discharge of hazardous waste ✧ Discharge of non-hazardous waste	

Importance to the Group

✧ Environmental aspect ◆ Staff aspect ➢ Operational aspect

IV. ENVIRONMENTAL PROTECTION

1. Management of Emissions

Coalbed Methane Business

CBM is a type of quality natural gas existing in coal mines. The People's Republic of China (the "**PRC**") is estimated to have the world's third largest coalbed methane resources. According to The Outline of the 12th Five-Year Plan for National Economic and Social Development of the PRC (hereinafter the "**12th Five-Year Plan**"), new energy is one of the seven strategic emerging industries, with its foundation laid out in the "12th Five-Year Plan" and further emphasised in the "13th Five-Year Plan" by the PRC government who has been supporting the development of related industries. As such, developing the CBM business plays an important role in the country's plan to become a low-carbon economy. CBM is not only an effective alternative energy source for the PRC, the exploration and utilisation of it could also be helpful to avoid coal mine accidents as well as reducing the emission of methane, a type of greenhouse gas. To achieve the target of developing business in an economical, clean and safe way, the Group developed the CBM business in the PRC since 2008. The Group, via its wholly- owned subsidiary Canada Can-Elite Energy Limited ("**Can-Elite**"), runs the CBM business in Anhui Province, the PRC. Its principal business activities are coalbed methane exploration, development and production. Can-Elite entered into the production sharing contract with China United Coalbed Methane Corporation Limited ("**China United**", a state-owned CBM company wholly-owned by China National Offshore Oil Corporation and authorised by the PRC government to partner with foreign companies to explore, develop and produce CBM assets). Can-Elite and China United can explore and exploit the CBM assets in Su'nan, Anhui Province, for a term of 30 years starting in April 2008. The CBM operation was still in exploration stage.

In order to thoroughly implement the national environmental policy and comply with the requirements of laws and regulations such as the Environmental Protection Law of the People's Republic of China and the Regulations on the Administration of Construction Project Environmental Protection, the Group has the following measures regarding the management of air emission, wastewater discharge and disposal of solid waste:

(a) *Management of Air Emission*

CBM is a form of natural gas extracted from coal beds. It is generated through the thermal maturation of organic matters during the formation of coal underground. CBM is colorless, smell- less, non-toxic and with high calorific value. It consists mostly of methane, but may also contain trace amounts of propane, butane, carbon dioxide and nitrogen, etc. The composition of CBM slightly varies in different coal seams. During exploration, CBM is discharged from coal seams through exhaust pipes, to avoid wastage, the Group uses some of the CBM for gas equipment on well site; the rest is emitted through combustion process in accordance with national requirements. The Group ignites methane gas in the exit of the vents, transforming the gas into water vapour during this process, with no ash generated which helps reduce pollutants, nevertheless, carbon dioxide (a greenhouse gas) is produced during the combustion process. For detailed information about natural gas and related greenhouse gas emissions, please refer to the section headed "Energy Conservation – Natural Gas" below.

(b) *Management of Wastewater Discharge*

The presence of groundwater is used to maintain high pressure in the coal seam so that CBM can be absorbed into the solid coal matrix. CBM can be extracted from the coal seam using hydraulic fracturing technique in which coal or rock is fractured by a pressurised liquid. The process involves the high-pressure injection of "fracking fluid" which is primarily water, containing small amount of quartz sands or other proppants suspended with the aid of anti-swelling agents. The purpose is to clean out the access to the coal seam and raise its permeability so that CBM can desorb from the coal and flow as a gas up the well to the surface. The pressurised liquid is brought to the surface and discharged to a reservoir first. It may contain undesirable concentrations of dissolved substances such as potassium, sodium and other salt-type minerals. Only small amount of produced water is discharged during the exploration stage and after evaporation, small grain of crystal is deposited at the bottom of the reservoir. During the reporting period, the gas mining and production wells of the Group have discharged on aggregate approximately 2,053.09 cubic metres of water (2018: approximately 3,371.95 cubic metres). Water discharge varies across different wells, and as the Group has ceased production at multiple drilled wells at the end of June 2018, the wastewater discharge during the year has decreased by approximately 1,318.86 cubic metres or 39.11%.

(c) Management of Disposal of Solid Waste

The amount of solid wastes (including hazardous and non-hazardous) generated during exploration are negligible, and its impact on environment is insignificant.

Electronic Component Business

Electricity consumption in the office represents a major part of greenhouse gas emission. Therefore, various energy saving measures (for details, please refer to the section headed "Management of Resources Utilisation" below) have been undertaken to improve energy efficiency and reduce energy consumption in order to reduce the impact on the environment. The sale of electronic component business does not involve any production procedures. Goods are delivered directly from suppliers to customers. Therefore, no packing material is used, and no solid waste is generated from handling damaged goods. Waste management mainly involves the collection and recycling of waste paper (for details, please refer to the section headed "Management of Resources Utilisation" below). No hazardous waste is generated in connection with this business.

2. Management of Resources Utilisation

To comply with the relevant laws, regulations and policies on resource conservation, the Group has established regulations and systems on management of resources utilisation. The production departments and offices of the CBM business have set up various measures to ensure that every employee understands the importance of resource conservation and make full use of resources to maximise their effectiveness and prevent wastage in using resources. Although the sale of electronic component business does not involve any production, the employees contribute to environmental protection through measures on conserving electricity, water and paper at offices.

(a) Energy Conservation

(i) Gasoline and Diesel

Gasoline and diesel are mainly used in vehicles, and diesel is also partially used for powering generators in the well site. The Group has established a management system for the use of business cars to strictly control the use of business cars and fuel, and has developed fuel reduction measures, minimised the frequency of business car trips, reduced unnecessary car despatches and encouraged the use of public transports in order to conserve the use of fuel. Vehicle management personnel's and drivers' operation skills are trained up and business cars maintenance and repair are enhanced to ensure maximum fuel efficiency. During the reporting period, the Group recorded fuel consumption of approximately 16.21 tonnes (2018: 16.28 tonnes), representing a decrease of approximately 0.07 tonnes or 0.43% as compared to the previous year, which was mainly due to the decrease of greenhouse gas emission as a result of the scale down in CBM business, the ceased production of multiple drilled wells at the end of June 2018.

(ii) Natural Gas

CBM is a type of natural gas. As the CBM business is still in exploration stage, a small portion of CBM is used for gas equipment on well site, the rest is emitted through combustion process in accordance with national requirements. The Group requires staff at well site to turn off gas equipment when not in use; gas pipes are inspected every one to two weeks to prevent gas leakage and avoid wastage and safety issues. During the reporting period, the gas mining and production wells of the Group have produced on aggregate approximately 597,400 m^3 of gas (2018: approximately 1,037,100 m^3), among which approximately 597,400 m^3 (2018: approximately 1,013,400 m^3) of CBM is emitted through combustion process.

The direct energy consumption and Scope 1 greenhouse gas emission generated by businesses of the Group during the reporting period are as follows:

	2019		2018	
	Consumption	**CO_2-e (tonnes)**	Consumption	CO_2-e (tonnes)
CBM business:				
Gasoline	**9.19 tonnes**	**28.53**	8.64 tonnes	26.82
Diesel	**0.90 tonnes**	**2.53**	1.85 tonnes	5.19
Natural gas	**597,400 m^3**	**1,094.18**	1,037,100 m^3	1,899.41
Total emission from businesses		**1,125.24**		1,931.42
Emission intensity from businesses[1]		**68.89**		109.86
Holding company and electronic component business:				
Gasoline	**6.12 tonnes**	**20.66**	5.79 tonnes	19.56
Total emission from businesses		**20.66**		19.56
Emission intensity from businesses[1]		**1.49**		1.44
Total emission by the Group		***1,145.90***		*1,950.98*

1 The emission intensity for the CBM business and for the holding company and electronic component business are calculated on the basis of the number of drilled wells and the sales volume per one million units respectively.

(iii) Electricity

Strict requirements regarding electricity use at well site are established. Operating time for electrical equipment within well site is strictly controlled. All electrical equipment and electrical wiring are regularly inspected to keep them in good condition and maximise their energy efficiency. If problem is found, they are to be repaired or replaced immediately. Complete inspection and maintenance record are maintained.

Energy management system sets out various measures on saving electricity and improving energy efficiency of electrical appliances. Staff is encouraged to change their habits in using electrical appliances. These measures include prohibit the use of high-power appliances, the use of energy-saving lights, making full use of natural light, switching off electrical appliances such as lights, computers, printers, photocopiers, scanners, television sets, air-conditioners, etc. when not in use. The use of air-conditioner is restricted and adjusted according to seasonal and temperature change. Air-conditioners are not allowed to turn on when windows are opened and should be cleaned regularly to enhance its efficiency level. The Group requires that when deciding on the purchase of electrical equipment, equipment that are environmentally-friendly, high quality, affordable and have low energy consumption should be preferred whenever possible.

During the reporting period, total electricity consumption of the Group amounted to 115.94 megawatt hours (2018: 191.71 megawatt hours) mainly due to the low production volume of some drilled wells which have ceased production at the end of June 2018, and as a result the electricity consumption for CBM business has decreased by approximately 65.21 megawatt hours or 45.60% as compared to the previous year. As the staffs actively support the Group's energy saving measures, during the reporting period, electricity intensity for the CBM business of the Group has reduced as compared to the previous year.

The indirect energy consumption and Scope 2 greenhouse gas emission generated by businesses of the Group during the reporting period are as follows:

	2019		2018	
	Electricity consumption (Mwh)	**CO_2 -e (tonnes)**	Electricity consumption (Mwh)	CO_2 -e (tonnes)
CBM business:				
Total emission	**77.79**	**63.40**	143.00	116.68
Emission intensity[1]		**3.88**		6.64
Holding company and electronic component business:				
Total emission	**38.15**	**24.04**	48.71	30.69
Emission intensity[1]		**1.74**		2.26
Total emission by the Group		***87.44***		*147.37*

[1] The emission intensity for the CBM business and for the holding company and electronic component business are calculated on the basis of the number of drilled wells and the sales volume per one million units respectively.

(b) ***Water Conservation***

The water used by the Group is supplied by local governments and mainly used in exploration process and daily life. The Group is well aware of the importance of water resource to the exploration process and to satisfy daily needs. During the reporting period, the Group did not have any issue in sourcing water; however, the Group has always focused on the consumption of water resource and developed various policies and systems to regulate the operations of their water consumption and actively take measures to educate staff on the importance of water conservation. It is important that drinking water is not used for other purposes; water flow should be controlled with water faucets running as little as possible and turned off after washing hands. The engineering department inspects water equipment such as pipelines, valves and pumps regularly to prevent water leakage and wastage; if problem is found, they are to be repaired or replaced immediately and a complete inspection record should be maintained; rubbish and debris disposal to sewers is prohibited to prevent blockage.

(c) ***Paper Conservation***

Paper is an important natural resource and is sourced through central procurement. The Group promotes the concept of paperless office and encourages its staff to distribute files via electronic means to reduce paper consumption from photocopying, fax and printing. To optimise the use of paper, one-side used papers are reused whenever possible for photocopying and printing, and double-side used papers are gathered in a recycled paper collection box and collected by qualified recyclers for their handling. During the reporting period, the Group's operation has consumed a total of 2.38 tonnes (2018: 2.26 tonnes) of paper.

Compliance

During the reporting period, both CBM business and electronic component business of the Group have strictly abide by the environmental laws and regulations of the PRC and Hong Kong, and there were no confirmed illegal and non-compliance incidents in relation to environmental protection that have a significant impact on the Group.

3. Environment and Natural Resources

Although the impact on environment and natural resources during the exploration, pilot testing and overall development proposal preparation stages of the CBM business is not significant, the Group actively prevents and remediates environmental impact resulted from its own activities and protects the biodiversity of living species and natural habitats. The Group has established policies and procedures to mitigate the impact of its operation on the environment and natural resources as detailed in the section headed "Management of Emissions" above. The Group focuses on the environmental education and advocacy among staff, and implements various resource saving measures to raise the awareness of employees of the importance of resource conservation, encourage them to fully utilise resources to maximum efficiency and eliminate wastage in the utilisation of resources as detailed in the section headed "Management of Resources Utilisation" above.

V. EMPLOYMENT AND LABOUR PRACTICES

The Group considers its employees as its most important partner. Therefore, a comprehensive talent management mechanism has been established to attract and retain competent talents for sustainable development. The Group is devoted to create a non-discriminatory, equal, harmonious and safe workplace and build up a relationship of mutual respect with employees, encourages employees to be innovative, flexible and committed when accomplishing the goals of providing high quality products and services to customers. The Group provides commensurate remuneration, personal and career development training, as well as various fringe benefits, which help the Group to create a favourable condition to attract, retain and reward talents. The Group also cares for the career, personal life and well-being of its employees, and organises various activities to enrich their life and promote team cohesion.

Talent Selection

The Group advocates equal opportunities and respect of personal privacy and has established relevant policies. The Group bases its selection criteria on character, knowledge and expertise, ability and job requirements, and provides fair employment opportunities to individuals of different races, religions, genders or ages. These policies apply to all phases of employment relationships, including but not limited to, recruitment, promotion, performance appraisal, training, personal development and employment termination.

Labour Standards

The Group respects human rights and safeguards labour rights and interests. The Group strictly prohibits child labour and forced labour in accordance with applicable laws and regulations. During the recruitment process, background checks and verifications are conducted to prevent unlawful employment. The working hours of staff are required to be in line with relevant local labour laws and regulations; staff consent must be obtained for any necessary overtime arrangement, and they must be compensated in accordance with the laws and regulations to prevent any forced overtime work. During the reporting period, the Group has complied with labour laws and regulations, and did not hire child labour under the legal working age or engaged in forced labour.

Compensation and Welfare

The Group attracts and retains talents with competitive remuneration packages, reviews the remuneration level of different ranks of staff regularly and collects remuneration data for the labour industry with an aim to establish a fair, reasonable and highly competitive remuneration system. Staff remunerations are determined by reference to factors such as knowledge and skills, experiences and level of education required by the specific job. Basic remuneration packages for employees include salary, bonus and various subsidies (such as overtime pay, meal allowance, telecommunication allowance, housing subsidy, holiday allowance and marriage subsidy, etc.). The Group conducts performance appraisal regularly and assesses the bonus amounts, level of pay raise and/or promotion recommendations granted to staff in an equal manner based on multiple criteria, such as work experience, seniority, knowledge and skill, performance and contribution, etc. Other welfare includes hospitalisation/medical protection, general body check subsidy and work injury compensation insurance, etc. In the event of death due to illness or disability or death caused by work injury, the PRC employees or his/her supporting immediate families are entitled to disability grants or one-time pension in accordance with law requirements.

The Group provides social security benefits for all employees in accordance with local labour laws and social security laws and regulations to safeguard the employee's rights to rests and holidays. Staff in the PRC operation participate in the social security scheme, the five insurances scheme and housing provident fund; staff in Hong Kong operation participate in the mandatory provident fund scheme. All employees are entitled to rest days and statutory holidays, including statutory festive holiday, paid annual leave, sick leave, marriage leave, maternity leave, paternity leave and compassionate leave. The Group cares for the well-being of employees and recognises the importance of work-life balance to the Group, therefore, the Group develops basic work hour and overtime system according to difference business needs, with the hope to enable employees to achieve work-life balance. The office implements a 5-day work policy. Staff at well site takes up duty and leave according to the roster prepared by respective department head; working hours in office and well site are in line with relevant local laws and regulations. The Group terminates and compensates staff in accordance with local laws and regulations.

Development and Training

A high quality team is vital to the sustainable and long term development of the Group, as such, the Group has developed a long term talent training strategy. Each operation develops its training programs for staff according to actual needs, explores the potential of staff, improves work performance and cultivates good learning atmosphere. The Group hopes to continuously improve the knowledge and management level of the staff through training, increase their ability to perform duties, so as to improve work performance and efficiency, enhance career incentives and foster teamwork among the staff.

The Group provides both internal and external trainings to staff in the PRC. Internal training covers professional knowledge, industry information, management skills, and other knowledge and information that are of interests to staff. Internal training is conducted in the form of lecture or seminar or conference meeting. The staff shall express their opinions after the training on various aspects such as the training content, format and instructor, which form the basis for future improvement. External training can be divided into (1) regular practical training (involves professional technical knowledge, selling skills, management approach, leadership skills, corporate mission, etc.); (2) training for senior management (including corporate strategies and development, etc.); and (3) self education (such as professional technical certification, etc.). For professional staff, such as mining staff at well site, they are required to undergo rigorous safety production and knowledge training (for details, please refer to the section headed "Health and Safety" below), to ensure occupational safety.

The Group provides on-the-job training to staff in Hong Kong. For new staff, they receive training on corporate culture, industry knowledge, job responsibilities and so on, from personnel department and other department heads. Directors and professional staff such as chief financial officer, finance manager, company secretary and accountant, etc., participate regularly in external trainings which are given in the form of lecture organised by professional bodies. During the reporting period, training topics includes corporate governance, ethical conduct of accountants, merger and acquisition, anti-money laundering, etc.

Health and Safety

In order to consistently implement a "Safety First and Take Good Precaution" principle, the Group adopts the "Management Requirement in Well Site Construction Environment", which strengthens its safety management on CBM mining to prevent fire outbreak, explosion, personal injury and death and to protect the safety of nation and people lives and property. The Group adopts a health, safety and environment management system, which is a scientific management system that focuses on prevention application with leadership commitment, top-to-bottom involvement and continuous improvement. The Group formulates strict "Safety Management Regulations" and has stern safety requirements regarding CBM field layout, ground equipment, electricity current testing, use of vehicles and fire suppression system. In addition, a work safety responsible staff system is implemented to check and maintain critical equipment periodically, keep full maintenance records and take responsibility for equipment-related incidents. Safety issues identified should be dealt with immediately, contingency plans and solutions should be established. The Group deploys safety personnel in well site to perform random inspections; while external personnel who needed to enter the well site is required to undergo safety briefings prior to being granted access.

In order to effectively prevent and deal with emergencies in each construction site, and to ensure the safety of field staff and equipment, the Group has established the "Emergency Response Plan for Construction Site Safety". Basic principles include placing personal safety above all else, and reduce loss as much as possible. In case of emergency, on-site staff must report to the emergency response team at once and immediately carry out self-rescue. Each member of the emergency response team should stay alert at all times, coordinate all communication channels, reserve adequate emergency vehicles on standby, and wait for instructions and arrangements made by the security and safety department. The emergency response team must submit investigation report after the incident, issue relevant warnings to all departments, and reflect on and implement improvement measures to avoid further similar incidents.

The Group believes that safety production training is the first step to achieve "zero accident". Staff needs to attend a 3-level of safety training before being assigned to their work duties. Training topics include job-related safety guidelines, protective measures (work clothes, helmets, etc.) and all kinds of practical operation training, etc. Staff can only report to duties after they have passed all the tests. Safety personnel will provide safety briefings to staff on an irregular basis to remind them of the requirements and importance of a safety at construction site. Mining staffs are required to undergo rigorous safety production training, while special operation personnel who works at key positions is required to obtain special operating permit.

The Group provides its staff with safety and hygienic working environment that is in line with national regulations and necessary protective equipment. Clear and visible warning signs are placed in CBM wells, for example "Wear Helmet at all times", "Wear Protective Clothing at all times", "No Fires in the Well", "Beware of Electric Shock", "No Entry", etc. The Group arranges regular health check for staff who engages in high risk works. Staff can enjoy comprehensive body checks annually, usually carried out during August and September every year. In addition to the insurance required by the state, the Group also purchases accident insurance for staff. The Group invites fire service department to carry out fire safety training for staff regularly, organises fire drills and keep fire extinguishers in good condition with regular checkup to ensure fire safety.

For the health and safety management of the office, the Group takes a comprehensive preventive approach to prevent illness and injury occurrence as part of its management practice. The Group provides its staff with a healthy and safe working environment, including the provision of first aid supplies and etc. All staffs are expected to give their unconditional support to maintain a healthy, smoke-free working environment. Smoking is absolutely prohibited in office area.

Compliance

During the reporting period, the Group was not involved in confirmed illegal and non-compliance incidents in relation to employment, health and safety and labour standards that have a significant impact on the Group.

VI. OPERATIONAL PRACTICES

Supply Chain Management

The Group conveys its standards and expectations in respect of environment issues to suppliers and business partners, with the expectation that they will uphold the standards of the Group. The Group wishes to achieve co-development with competent suppliers on the basis of equality and a win-win partnership, while developing long term, stable and strategic cooperative relationships. Prior to entering a contract with key business partners, the Group insists on conducting assessment to evaluate the quality as well as moral standards of business partners based on a variety of criteria, including their attitude towards environmental and social issues. Therefore, the Group has established a stringent system of internal rules and regulations in selection of suppliers. For supply chain management, the Group has put in place strict regulations to enable employees, suppliers, customers and other individuals related to the business of the Group to report any violations of laws or regulations regarding any misuse of job position. During the reporting period, the Group had not received reports on any significant violations in this respect.

CBM business is in exploration stage and large scale production has not yet commenced. Exploration work is outsourced to contractors and the Group has established strict tender standards and procedures in the selection of construction work units. The construction units must undergo stringent qualification verification and meet the necessary requirements, which include necessary credentials, lawful business operation, satisfactory technical standards, solid financial strength, well-known reputation in the industry, contract abiding, trustworthy and no serious quality and safety incidents in the past three years. The tender process must be conducted in a confidential, fair and transparent manner. Members of the tender committee and other related personnel should act in accordance with the Company's business ethical standard, and subject to disciplinary action in case of violations.

Electronic component business involves resale of electronic components. Strict procurement management system is established for the selection of suppliers and products; and strict product quality control are applied. In order to ensure the competitiveness of suppliers, high quality of products and services, timely delivery and compliance with laws and regulations, the Group requires strict segregation of duties throughout the whole procurement process.

Product Responsibility

To provide quality and safety products, strict procurement management system is established for the electronic component business. The CBM business has not commenced production.

Policies and procedures for protecting sensitive customer information are established. All employees who may create or have access to files, information, manuscripts, forms and other business information at work, including but not limited to, customer list, projects, price, sales contracts (whether oral, written or in computer form) are required to keep them confidential. Employees are subject to disciplinary punishment in case of violations.

During the reporting period, the Group was not involved in confirmed illegal and non-compliance incidents in relation to product responsibility that have a significant impact on the Group.

Anti-corruption

The Group advocates obedience to the law, uprightness, honesty and conducting business with high integrity, strictly regulates the conduct of directors, management members and staff, demands all staff to develop a habit of compliance with regulations and eliminates all bribery acts. The Group has established the “Staff Code of Conduct” and “Regulations regarding Anti-Corruption and Staff Probity and Self-Discipline” and has set out a range of standards and reporting methods regarding anti-corruption, such as the prevention of bribery, extortion, fraud and money laundering. Disciplinary inspection and monitoring works are embedded into the production and operation process to ensure any violation of rules, regulations and laws, such as the misuse of job position for personal gain, bribery, extortion, fraud and money laundering, can be reported in absolute confidentiality through existing complaint box and hotline. The Group is determined in fighting against corruption and strives to contribute to the building of a corruption-free society. Employees are required to attend relevant trainings on business ethics before taking up their job duties. Employees who are in breach of the Company’s code of conduct are subject to disciplinary actions or even a straight dismissal.

During the reporting period, the Group or its employees were not involved in any litigation cases in relation to corruptions.

VII. COMMUNITY INVESTMENT

As air pollution problem grows increasingly serious in the PRC, the development of clean energy has become very imminent. In order to cope with the “12th Five-Year Plan”, the National Energy Administration developed the “Coalbed Methane Industry Policy” in 2013 with an aim to promote and develop the CBM industry in the PRC. CBM is a valuable energy resource generated in coal and coal strata, its calorific value is equivalent to natural gas. The CBM industry is a rising energy industry, the development of CBM industry signifies the importance of safety production in coal mine, optimisation of energy structure, and protecting the ecological environment. As a CBM corporation, the Group hopes that through the development of CBM industry, it can reduce the proportion of coal consumption, increase natural gas supply and accelerate the development of unconventional coalbed methane gas, to help reduce air pollution and contribute to environmental protection.

Furthermore, the Group is a responsible tax payer, and spares no effort in easing local employment pressure. The Group pays the five insurances and housing provident fund for employees in the PRC, and contributes to the mandatory provident fund scheme for employees in Hong Kong. The Group always exercises best practice in business operation, actively promotes green concepts and creates a favourable development atmosphere, and has contributed to maintaining a stable society and building a harmonious community.

VIII. VISION OUTLOOK

As a good corporate citizen, the Group hopes to balance between achieving corporate missions and business objectives and fulfill social responsibilities. The Group will continue to place emphasis on environmental protection, employee care, product/service quality and community contribution, so as to create new advantages for sustainable development.

As for environmental protection, the Group will endeavor to comply with the increasingly stringent environmental protection laws and regulations, allocate resources in improving exhaust air, sewage and waste treatment facilities. When it comes to employee care, the Group prioritises employee satisfaction and production safety to ensure a safe and quality working environment and attract more talents in the technical and management arenas through a competitive system. As far as product quality and customer service are concerned, to provide products with higher quality to customers, the Group will continuously put in resources to improve product quality. For community contribution, the Group is committed to fulfilling its aspiration to assume social responsibility by actively participating in charitable activities and promoting the sustainable development of the community.

The Group aims at becoming a respectable enterprise, with the hope to improve business performance and create more meaningful and long term value for the Group and its stakeholders through implementing sustainability strategies.

IX. ENVIRONMENTAL PERFORMANCE DATA SUMMARY

	Unit	CBM business		Holding company and electronic component business		Total	
		2019	2018	**2019**	2018	**2019**	2018
Greenhouse gas:							
Scope 1[1]:							
Total	Tonnes	**1,125.24**	1,931.42	**20.66**	19.56	**1,145.90**	1,950.98
Intensity[3]	Tonnes	**68.89**	109.86	**1.49**	1.44	**N/A**	N/A
Scope 2[2]:							
Total	Tonnes	**63.40**	116.68	**24.04**	30.69	**87.44**	147.37
Intensity[3]	Tonnes	**3.88**	6.64	**1.74**	2.26	**N/A**	N/A
Total air emission:							
Nitrogen oxide	Tonnes	**1.75**	2.41	**1.78**	1.66	**3.53**	4.07
Sulfur oxide	Tonnes	**0.15**	0.21	**0.14**	0.13	**0.29**	0.34
Particulate matter	Tonnes	**0.19**	0.31	**0.16**	0.18	**0.35**	0.49
Non-hazardous waste:							
Wastewater emission:							
Total	m^3	**2,053.09**	3,371.95	**–**	–	**2,053.09**	3,371.95
Intensity[3]	m^3	**125.70**	191.81	**–**	–	**N/A**	N/A

	Unit	CBM business		Holding company and electronic component business		Total	
		2019	2018	**2019**	2018	**2019**	2018
Energy and water consumption:							
Electricity:							
Total	Mwh	**77.79**	143.00	**38.15**	48.71	**115.94**	191.71
Intensity[3]	Mwh	**4.76**	8.13	**2.75**	3.58	**N/A**	N/A
Diesel:							
Total	Tonnes	**0.90**	1.85	**–**	–	**0.90**	1.85
Intensity[4]	Tonnes	**0.05**	0.06	**–**	–	**N/A**	N/A
Gasoline:							
Total	Tonnes	**9.19**	8.64	**6.12**	5.79	**15.31**	14.43
Intensity[3]	Tonnes	**0.56**	0.27	**0.44**	0.43	**N/A**	N/A
Natural gas:							
Total	m^3	**597,400.00**	1,037,100.00	**–**	–	**597,400.00**	1,037,100.00
Intensity[3]	m^3	**36,578.00**	58,993.17	**–**	–	**N/A**	N/A
Water resource:							
Total[5]	m^3	**–**	–	**–**	1.80	**495.0**	1.80
Intensity[3]	m^3	**–**	–	**–**	0.13	**N/A**	N/A

1 Scope 1 represents greenhouse gas emission generated directly from the Group's operation, including combustion of diesel, gasoline and natural gas.

2 Scope 2 represents the "indirect" greenhouse gas emission resulted from the internal consumption of purchased electricity by the Group's operation.

3 The emission intensity for the CBM business and for the holding company and electronic component business are calculated on the basis of the number of drilled wells (except for the intensity of diesel consumption) and the sales volume per one million units respectively.

4 The diesel consumption intensity of the CBM business is calculated on the basis of the average number of staff for the entire year.

5 Water charges for the corresponding year were included in the management fees, as the property management company were unable to provide the water consumption data relating to the Group's operation, the Group did not disclose such information in this report.

X. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Key Performance Indicators	Reporting Guide	Page(s)
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	p. 34-36
KPI A1.1	The types of emissions and respective emissions data.	p. 34-36, 46
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	p. 36-38, 46
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A *(note 1)*
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	p. 36, 46
KPI A1.5	Description of measures to mitigate emissions and results achieved.	p. 35-36
KPI A1.6	Description of how hazardous (note 1) and non-hazardous wastes are handled, reduction initiatives and results achieved.	p. 36
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	p. 36-39
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	p. 36-38, 46-47
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	p. 47
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	p. 36-39
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	p. 39
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A *(note 1)*
Aspect A3	**Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	p. 39
KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	p. 39

Key Performance Indicators	Reporting Guide	Page(s)
B. Social *(note 2)*		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	p. 40-41
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	p. 42-43
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	p. 41-42
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	p. 40
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	p. 43-44
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	p. 44
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	p. 45
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	p. 45

Notes:

1. The Group's main businesses are the exploration of coalbed methane and the resale of electronic components, which did not generate any hazardous waste and use any packaging material.

2. Pursuant to Appendix 27 of the Main Board Listing Rules, the key performance indicators under "Subject Area B. Social" are recommended disclosures only. Therefore, the Group chose not to disclose these key performance indicators.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2019.

CHANGE OF COMPANY NAME AND STOCK SHORT NAMES

Pursuant to a special resolution passed on 6 February 2020 and the certificate of change of name issued by the Company Registry in Hong Kong on 18 March 2020, the Company changed its English name and Chinese name from "International Standard Resources Holdings Limited 標準資源控股有限公司" to "Golden Century International Holdings Group Limited 金禧國際控股集團有限公司" with effect from 18 March 2020. Please refer to the announcements of the Company dated 24 March 2020 and 26 March 2020 for further details.

In connection with the change of company name, the shares and warrants of the Company have been traded on the Stock Exchange under the new stock short names of "GOLDEN CEN INTL" and "GOLDENCEN W2010" in English and "金禧國際控股" and "金禧國際二零一零" in Chinese, in place of "INT'L STD RES" and "INT'L STD W2010" in English and "標準資源控股" and "標準資源二零一零" in Chinese, respectively, with effect from 27 March 2020. The stock code of the shares and warrants remain unchanged as "0091" and "01807".

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are set out in note 20 to the consolidated financial statements.

An analysis of the performance of the Group for the year by business and geographical segments is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 67.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019.

BUSINESS REVIEW

A fair review of the businesses of the Group, discussion and analysis of the performance of the Group during the year and the material factors underlying its financial performance and financial position as well as the principal risks and uncertainties facing the Group, as required by Schedule 5 to the Hong Kong Companies Ordinance, is set out in the section of "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 and pages 11 to 15 of this annual report and in note 4 and note 6(2) to the consolidated financial statements. These discussions form part of this directors' report.

Compliance with relevant laws and regulations

During the year, as far as the Directors are aware, there was no material non-compliance with applicable laws and regulations by the Group that has a significant impact on the Group's business and operations.

Environmental policy

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conversation in its offices by promoting efficient use of resources and adopting green technologies, such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs - "Reduce", "Recycle" and "Reuse" and enhance environmental sustainability.

Relationships with stakeholders

Employees are regarded as the most important and valuable assets of the Group. Competitive remuneration packages and a sound performance appraisal system with appropriate incentives are provided and implemented to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, senior management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group during the year are set out in consolidated statement of changes in equity on page 71 and the movements in the reserves of the Company during the year are set out in note 38 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Convertible notes

On 24 August 2018, the Company entered into the convertible notes restructuring agreement with the noteholder, pursuant to which the noteholder agreed to a consensual restructuring of its rights and obligations under the existing convertible notes due 31 December 2018 in the outstanding principal amount of HK$365,000,000 issued by the Company. The new HK$365,000,000 2 per cent convertible notes due 31 December 2021 (the "**Convertible Notes**") entitling the noteholder to convert up to an aggregate of 2,281,250,000 shares were issued to the noteholder on 6 November 2018. Since the issue is made pursuant to restructuring, issuance of the new convertible notes did not raise any new funds for the Company.

TRANSFER OF CONVERTIBLE NOTES

On 30 September 2019, Century Gold Millennium International Holdings Group Limited ("**Century Gold**") as purchaser and New Alexander Limited ("**New Alexander**") as vendor entered into a transfer agreement dated 30 September 2019 (the "**CN Transfer Agreement**") in relation to the transfer of the Convertible Notes, pursuant to which Century Gold conditionally agreed to acquire and New Alexander conditionally agreed to sell the Convertible Notes issued by the Company in the aggregate outstanding principal amount of HK$365,000,000, which are convertible into a total of 3,041,666,666 new shares upon full conversion at the conversion price of HK$0.12 per shares, at a total consideration of HK$310,250,000 (equivalent to approximately HK$0.102 per shares of the Company).

As at 14 November 2019, an aggregate amount of HK$90,000,000, representing approximately 29.01% of the total consideration for the Convertible Notes, was paid by Century Gold to New Alexander and in consideration thereof New Alexander transferred the Convertible Notes in the principal amount of HK$105,000,000, representing approximately 28.77% of the entire Convertible Notes in the principal amount of HK$365,000,000, to Century Gold. As at the reporting date, the transfer of the remaining Convertible Notes has not yet been completed.

Details of other movements in the convertible notes are set out in note 29 to the consolidated financial statements.

Share options

Under the terms of the share option scheme of the Company (the "**Share Option Scheme**") approved by the shareholders on 11 November 2014 (the "**Adoption Date**"), the Directors may, at their discretion, offer any eligible participants (including any Directors) of the Company or of any of its subsidiaries option(s) to subscribe for shares in the Company (the "**Option(s)**") subject to the terms and conditions stipulated in the Share Option Scheme. A summary of the Share Option Scheme is set out below:

(1) Purpose

(a) To recognise and acknowledge the contributions which the eligible participants have made or may make to the Group.

(b) The Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

(i) motivate the eligible participants to utilise their performance and efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain on-going relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

(2) ***Eligible participants***

(a) any Director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity; and

(b) any discretionary trust who discretionary objects include any Director (whether executive or non-executive or independent non-executive), employee (whether full time or part time), officer, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or any Invested Entity;

and for the purpose of the Share Option Scheme, the Option may be granted to any corporation wholly-owned by any person under (a) above.

(3) ***Total number of shares available for issue***

The total number of shares which may be issued upon exercise of all the Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue (or the shares of the subsidiary) as at Adoption Date, being 406,907,955 shares (the "**Scheme Mandate Limit**").

At the annual general meeting of the Company held on 2 June 2016, an ordinary resolution was passed refreshing the Scheme Mandate Limit so that the Company would be allowed to grant options under the Share Option Scheme for subscription up to a total of 578,765,179 shares, representing 10% of the number of shares in issue as at 2 June 2016.

At the annual general meeting of the Company held on 7 June 2017, an ordinary resolution was passed refreshing the Scheme Mandate Limit so that the Company would be allowed to grant options under the Share Option Scheme for subscription up to a total of 479,079,342 shares, representing 10% of the number of shares in issue as at 7 June 2017.

The overall limit on the 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 schemes for the time being of the Company shall not, in aggregate, exceed such number of shares as equals 30% of the shares in issue from time to time.

(4) ***Maximum entitlement of each eligible participant***

The total number of shares issued and to be issued upon exercise of the Options granted to an eligible participant (including exercised and outstanding options) in any twelve-month period must not exceed 1% of the shares in issue from time to time.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided that the Company shall issue a circular to shareholders before such approval is sought, the Company may grant a participant options which would exceed this limit.

(5) Option period

The period within which the shares must be taken up under the Option must not exceed 10 years from the date of grant of the relevant option.

(6) Minimum period for which the Option must be held before it can vest

The minimum period, if any, for which the Option must be held before it can vest shall be determined by the Board in its absolute discretion. The Share Option Scheme itself does not specify any minimum holding period.

(7) Payment on acceptance of the Option

HK$1.00 is payable by the grantee to the Company on acceptance of the Option offer. An offer must be accepted within 30 days from the date of grant.

(8) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the highest of:

(i) the closing price of the shares on the date of grant; and

(ii) the average closing prices of the shares for the five business days immediately preceding the date of grant;

(9) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and will expire on 10 November 2024.

As at 31 December 2019, there was no outstanding share option granted to the eligible participants. As at the date of this report, the total number of shares available for issue upon exercise of share options to be granted under the Share Option Scheme is 47,907,934 shares, being 10% of the number of shares in issue on 7 June 2017 and adjusted for the effect of the share consolidation completed on 26 July 2018, representing approximately 6.56% of the number of shares of the Company in issue.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 41 to the consolidated financial statements, the Group had no material event after the reporting period.

DIRECTORS

The Directors during the year and up to the date of this report are:

Pan Jibiao *(Chairman) (appointed on 11 December 2019)*
Cheng Wai Keung
Lo Tsz Fung Philip *(appointed on 11 September 2019)*
Tam Tak Wah
Tsang Ching Man *(resigned on 11 September 2019)*
Shiu Shu Ming *(appointed on 18 March 2020)*
Chan Tsz Kit*
Chan Yim Por Bonnie*
Wang Li*
Albert Saychuan Cheok* *(resigned on 3 September 2019)*

* *independent non-executive Directors*

In accordance with Article 104 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office. Details of the retiring Directors shall be set out in the circular, among other things for proposal for re-election of retiring directors accompanying to the notice of annual general meeting to be sent to be shareholders in due course.

Pursuant to article 110 of the articles of association of the Company, Mr. Lo Tsz Fung Philip, Mr. Pan Jibiao and Mr. Shiu Shui Ming will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

All the Directors do not have service contracts with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

During the year, Mr. Cheng Wai Keung, Mr. Lo Tsz Fung Philip, Ms. Tsang Ching Man and Mr. Tam Tak Wah were also directors of certain subsidiaries of the Company. Other directors of the Company's subsidiaries included Mr. Chan Chiu Shing, Mr. Chan Kar Wah, Ms. Ho Wai Lee, Mr. Lee Wai Nam, Mr. Ngai Kwok Kin Kelvin, Mr. Wang Zhiyuan and Mr. Lyu Guoping.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on the remuneration of senior management of the Group. Details of the emoluments of each Director and the chief executive of the Company for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

The remuneration of members of the senior management (other than the chief executive of the Company) by band for the year ended 31 December 2019 is set out below:

	Number of individuals	
	2019	2018
Remuneration bands		
Nil to HK$500,000	**1**	2
HK$500,001 to HK$1,000,000	**–**	–

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision that meets the requirements specified in section 469(2) of the Hong Kong Companies Ordinance (Cap. 622) for the benefits of the Directors is currently in force and was in force throughout the year.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There is no transaction, arrangement or contract of significance in relation to the Group’s business to which the Company or any of its subsidiary companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained 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 contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Directors/ chief executive of the Company	Nature of interest	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of issued share capital of the Company *(Note 1)*
Pang Jibiao *(Note 2)*	Through a controlled corporation	386,484,060 *(Note 2)*	952,454,138 *(Note 3)*	1,338,938,198	183.47%
Lyu Guoping	Beneficial owner	25,000	5,000 *(Note 4)*	30,000	0.00%

Notes:

1. Based on 729,792,904 ordinary shares of the Company issued as at 31 December 2019.

2. These 386,484,060 ordinary shares of the Company held by Century Gold Millennium International Holdings Group Limited, which is wholly owned by Mr. Pan Jibiao. Pursuant to the SFO, Mr. Pan Jibiao is deemed to be interested in these ordinary shares of the Company.

3. These 952,454,138 underlying shares comprise of (i) a total of 77,454,138 warrant shares at an exercise price of HK$0.04 per warrant share will be issued and allotted upon exercise in full of the total of 77,454,138 warrants; and (ii) a total of 875,000,000 conversion shares at a conversion price of HK$0.12 will be issued and allotted upon full conversion of the convertible notes, which was issued by the Company and due in 2021, in an aggregate outstanding principal amount of HK$105,000,000 as at 31 December 2019.

4. These 5,000 underlying shares represent a total of 5,000 warrant shares at an exercise price of HK$0.04 per warrant share will be issued and allotted upon exercise in full of the total of 5,000 warrants.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT FOR THE ACQUISITION OF SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the interests and short positions of the substantial shareholders in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be kept in the register under section 336 of the SFO were as follows:

Name of substantial Shareholders	**Nature of interest**	**Number of ordinary shares**	**Number of underlying shares**	**Total**	**Approximate percentage of issued share capital of the Company *(Note 1)***
Century Gold Millennium International Holdings Group Limited *(Note 2)*	Beneficial owner	386,484,060	952,454,138 *(Note 3)*	1,338,938,198	183.47%
Pang Jibiao *(Note 2)*	Through a controlled corporation	386,484,060	952,454,138 *(Note 3)*	1,338,938,198	183.47%
New Alexander Limited	Beneficial owner	–	2,166,666,666 *(Note 3)*	2,166,666,666	296.89%
Styland (International) Limited *(Note 5)*	Beneficial owner	62,820,366	12,564,073 *(Note 6)*	75,384,439	10.33%
Styland Holdings Limited *(Note 5)*	Through a controlled corporation	62,820,366	12,564,073 *(Note 6)*	75,384,439	10.33%

Notes:

1. Based on 729,792,904 ordinary shares of the Company issued as at 31 December 2019.

2. Century Gold Millennium International Holdings Group Limited is a company wholly owned by Mr. Pan Jibiao. Therefore, Mr. Pan Jibiao was deemed to be interested in these ordinary shares of the Company and the underlying shares.

3. These 952,454,138 underlying shares comprise of (i) a total of 77,454,138 warrant shares at an exercise price of HK$0.04 per warrant share will be issued and allotted upon exercise in full of the total of 77,454,138 warrants; and (ii) a total of 875,000,000 conversion shares at a conversion price of HK$0.12 will be issued and allotted upon full conversion of the convertible notes, which was issued by the Company and due in 2021, in an aggregate outstanding principal amount of HK$105,000,000 as at 31 December 2019.

4. These 2,166,666,666 underlying shares held by New Alexander Limited represent a total of 2,166,666,666 conversion shares at a conversion price of HK$0.12 will be issued and allotted upon full conversion of the convertible notes, which was issued by the Company and due in 2021, in an aggregate outstanding principal amount of HK$260,000,000 as at 31 December 2019.

5. Styland (International) Limited is a wholly owned subsidiary of Styland Holdings Limited. Therefore, Styland Holdings Limited was deemed to be interested in these ordinary shares of the Company and the underlying shares.

6. These 12,564,073 underlying shares represent a total of 12,564,073 warrant shares at an exercise price of HK$0.04 per warrant share will be issued and allotted upon exercise in full of the total of 12,564,073 warrants.

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any other interests or short positions in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiary companies has purchased or sold any listed securities of the Company during the year.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue during the year attributable to the Group's five largest customers was 95.96% of the Group's total revenue, of which 53.15% was made to the largest customer.

The aggregate purchase during the year attributable to the Group's five largest suppliers was 100% of the Group's total purchases, of which 92.57% was made from the largest supplier.

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's share capital has an interest in the suppliers or customers disclosed above.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the financial year except the deviations set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements of the Company for the years ended 31 December 2018 and 2019 were audited by HLM CPA Limited ("**HLM**"). HLM will retire as auditor at the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLM as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Pan Jibiao
Chairman

Hong Kong, 31 March 2020

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE SHAREHOLDERS OF GOLDEN CENTURY INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Golden Century International Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 167, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss 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.

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 3(b) to the consolidated financial statements which indicated that the Group incurred a net loss attributable to owners of the Company of approximately HK$396,791,000 for the year ended 31 December 2019, and as at the same date, the Group's current liabilities exceeded its current assets by approximately HK$63,713,000, total liabilities exceeded its total assets by approximately HK$327,734,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$322,830,000. 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. As explained in note 3(b) to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation and impairment assessment of intangible assets	
As set out in note 19 to the consolidated financial statements, the Group has HK$94,751,000 of intangible assets (related to production sharing contract) on the consolidated statement of financial position as at 31 December 2019. Management is required to carry out impairment test, which is judgemental and based on a number of assumptions. Recoverable amount of the intangible assets is based on forecasting and discounting future cash flows, which are inherently judgemental. The conclusion of the impairment test was based on a value-in-use model that required significant management estimation with respect to the discount rate and the underlying projected cash flows.	Our audit procedures included, among others: – detailed testing of directors' impairment assessment for the intangible assets; – reviewing the discounted cash flow models and assessed the principles and the model adopted; – critically assessing the Group's key assumptions for its cash flow projections, with reference to internally and externally derived sources and taking into account the Group's historical forecasting accuracy; and – evaluating the independent external valuer's competence, capabilities and objectivity. We found the assumptions made by management and external valuer in relation to the cash flow projection of intangible assets to be reasonable based on available evidence. We found the disclosures in note 19 to the consolidated financial statements to be appropriate.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of convertible notes – embedded derivatives	
As described in note 29 to the consolidated financial statements, the embedded derivatives portion of convertible notes amounting to HK$110,348,000 was recorded at fair value in the consolidated statement of financial position and was classified as Level 3 financial instruments in accordance with HKFRS 13. The fair value of the embedded derivatives portion of convertible notes is determined by an independent valuer. We considered this a key audit matter due to the complexity of the valuation model and because model parameters are inherently subject to judgement and estimates applied by management and the independent valuer.	Our audit procedures in relation to the valuation of the convertible notes – embedded derivatives included: – obtaining an understanding of the management process for determining the fair value measurements and of the relevant control; – assessing whether the valuation methodology used by management and the external valuer to arrive at the fair value of convertible notes – embedded derivatives is appropriate; – challenging the reasonableness of key assumptions used in the valuation process; – comparing input data to supporting evidence, such as market indicators and considering the reasonableness of the data adopted; and – evaluating the independent external valuer's competence, capabilities and objectivity. Based on available evidence, we found key assumptions used by the external valuer and management in relation to the valuation of convertible notes – embedded derivatives to be reasonable. The significant inputs have been appropriately disclosed in note 29 to the consolidated financial statements.

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 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liabilities 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 judgement 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.

- 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.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**7,587**	9,109
Cost of sales		**(6,747)**	(8,181)
Gross profit		**840**	928
Other income	8	**591**	1,290
Other gains and losses	9	**29,889**	(59,876)
Administrative expenses		**(44,521)**	(50,754)
Amortisation of production sharing contract	19	**(15,701)**	(51,228)
Reversal of impairment losses on trade receivables		**–**	90
Impairment loss on production sharing contract	19	**(413,598)**	(454,192)
Impairment loss on property, plant and equipment	17	**(12,461)**	–
Loss from operations		**(454,961)**	(613,742)
Finance costs	10	**(50,772)**	(44,132)
Loss before tax	11	**(505,733)**	(657,874)
Income tax	14(a)	**108,572**	127,083
Loss for the year		**(397,161)**	(530,791)
Attributable to:			
Owners of the Company		**(396,791)**	(530,452)
Non-controlling interests		**(370)**	(339)
		(397,161)	(530,791)
Loss per share	16		
Basic and diluted *(HK$ per share)*		**(0.72)**	(1.11)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year	**(397,161)**	(530,791)
Other comprehensive income (expense)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3,197**	(33,081)
Other comprehensive income (expense) for the year, net of income tax	**3,197**	(33,081)
Total comprehensive expenses for the year	**(393,964)**	(563,872)
Attributable to:		
Owners of the Company	**(393,594)**	(563,533)
Non-controlling interests	**(370)**	(339)
	(393,964)	(563,872)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Non-current assets			
Property, plant and equipment	17	**71,079**	94,201
Right-of-use assets	18	**1,798**	–
Intangible assets	19	**94,751**	526,196
Financial assets at fair value through profit or loss	21	**1,000**	1,000
		168,628	621,397
Current assets			
Financial assets at fair value through profit or loss	21	**10,125**	10,010
Trade and other receivables	22	**1,692**	53,040
Cash and bank balances	23	**10,509**	6,374
		22,326	69,424
Current liabilities			
Borrowings	24	**25,000**	–
Other borrowing, unsecured	25	**11,059**	11,267
Trade and other payables	26	**38,517**	46,813
Bonds	27	**4,976**	46,665
Promissory notes		**–**	14,228
Lease liabilities	30	**1,159**	–
Tax payables	14(c)	**5,328**	5,365
		86,039	124,338
Net current liabilities		**(63,713)**	(54,914)
Total assets less current liabilities		**104,915**	566,483

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Other payables	26	**16,342**	16,072
Bonds	27	**9,990**	4,777
Promissory notes		**–**	5,012
Convertible notes - liability portion, unsecured	29	**268,607**	231,831
Convertible notes - embedded derivatives, unsecured	29	**110,348**	142,598
Lease liabilities	30	**646**	–
Loan from ultimate holding company	28	**10,000**	–
Deferred tax liabilities	14(d)	**16,716**	127,743
		432,649	528,033
Net (liabilities) assets		**(327,734)**	38,450
Capital and reserves			
Share capital	31	**2,060,115**	2,032,322
Reserves		**(2,382,945)**	(1,989,338)
(Capital deficiency) equity attributable to owners of the Company		**(322,830)**	42,984
Non-controlling interests		**(4,904)**	(4,534)
(Capital deficiency) total equity		**(327,734)**	38,450

The consolidated financial statements on pages 67 to 167 were approved and authorised for issue by the board of Directors on 31 March 2020 and are signed on its behalf by:

Mr. Lo Tsz Fung Philip
DIRECTOR

Mr. Tam Tak Wah
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to the owners of the Company						
	Share capital	**Special capital reserve**	**Exchange reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 39(a))	*(note 39(b))*				
At 1 January 2018	2,032,227	579,799	179,575	(2,185,179)	606,422	(4,195)	602,227
Loss for the year	–	–	–	(530,452)	(530,452)	(339)	(530,791)
Other comprehensive expense for the year	–	–	(33,081)	–	(33,081)	–	(33,081)
Total comprehensive expense for the year	–	–	(33,081)	(530,452)	(563,533)	(339)	(563,872)
Issue of shares upon exercise of warrants	95	–	–	–	95	–	95
At 31 December 2018	2,032,322	579,799	146,494	(2,715,631)	42,984	(4,534)	38,450
Transitional adjustments on initial application of HKFRS 16	–	–	–	(13)	(13)	–	(13)
Adjusted as at 1 January 2019	2,032,322	579,799	146,494	(2,715,644)	42,971	(4,534)	38,437
Loss for the year	–	–	–	(396,791)	(396,791)	(370)	(397,161)
Other comprehensive income for the year	–	–	3,197	–	3,197	–	3,197
Total comprehensive income (expenses) for the year	–	–	3,197	(396,791)	(393,594)	(370)	(393,964)
Issue of shares upon exercise of warrants	441	–	–	–	441	–	441
Issue of new shares under rights issue, net of share issue expenses	27,352	–	–	–	27,352	–	27,352
At 31 December 2019	2,060,115	579,799	149,691	(3,112,435)	(322,830)	(4,904)	(327,734)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Loss before tax		**(505,733)**	(657,874)
Adjustments for:			
Interest income	8	**(1)**	(78)
Finance costs	10	**50,772**	44,132
Dividend income	8	**(309)**	(522)
(Gain) loss on fair value change of convertible notes – embedded derivatives	9	**(32,250)**	6,546
Gain on disposal of asset classified as held for sale		**–**	(15,241)
Loss on disposal of financial assets at fair value through profit or loss	9	**1,245**	1,591
Net (gain) loss on revaluation on financial assets at fair value through profit or loss	9	**(941)**	15,625
Depreciation of property, plant and equipment	17	**9,274**	10,428
Depreciation of right-of-use assets	18	**655**	–
Reversal of interest accrued	8	**–**	(532)
Reversal of impairment losses on trade receivables		**–**	(90)
Amortisation of production sharing contract	19	**15,701**	51,228
Impairment loss on production sharing contract	19	**413,598**	454,192
Impairment loss on property, plant and equipment	17	**12,461**	–
Loss on restructuring of convertible notes	9	**–**	6,117
Loss on disposal of property, plant and equipment	9	**54**	150
Write-back of other payables	9	**(3,850)**	(1,000)
Write-off of other receivables	9	**34**	35,000
Operating cash flow before movements in working capital		**(39,290)**	(50,328)
(Increase) decrease in financial assets at fair value through profit or loss		**(419)**	2,373
Decrease in loan receivables		**–**	5,510
Decrease in trade and other receivables		**51,420**	443
(Decrease) increase in trade and other payables		**(3,914)**	9,726
Cash generated from (used in) operations		**7,797**	(32,276)
Income tax paid		**(88)**	(115)
Interest received		**1**	78
Net cash generated from (used in) operating activities		**7,710**	(32,313)

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Decrease (increase) in restricted bank balances		**33**	(33)
Decrease in pledge bank deposits		**60**	–
Increase in cash balance in a pledged margin account		**(1)**	–
Dividend received		**309**	522
Payment of rental deposit		**(156)**	–
Purchase of property, plant and equipment		**(299)**	(10,906)
Proceeds from disposal of property, plant and equipment		**32**	154
Proceeds from disposal of asset classified as held for sale		**–**	19,458
Net cash (used in) generated from investing activities		**(22)**	9,195
Financing activities			
Principal elements of lease payment		**(624)**	–
Proceeds from issue of shares upon exercise of warrants		**441**	95
(Repayment) proceeds from issue of promissory notes		**(19,240)**	18,500
Proceeds from borrowings		**25,000**	–
Proceeds from other borrowing		**–**	68
Loan from ultimate holding company		**10,000**	–
Interest paid		**(12,225)**	(10,712)
Repayment for bonds		**(38,000)**	(24,000)
Proceeds from issue of new shares under rights issue		**27,352**	–
Net cash used in financing activities		**(7,296)**	(16,049)
Net increase (decrease) in cash and cash equivalents		**392**	(39,167)
Cash and cash equivalents at beginning of year		**6,161**	34,787
Effect of foreign exchange rate changes		**3,835**	10,541
Cash and cash equivalents at end of year	23	**10,388**	6,161
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	23	**10,509**	6,374
Less: Restricted bank balances	23	**–**	(33)
Pledged bank deposits	23	**(120)**	(180)
Cash balance in a pledged margin account	23	**(1)**	–
Cash and cash equivalents at end of year		**10,388**	6,161

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company is Unit E, 29/F, Tower B, Billion Centre, No. 1 Wang Kwong Road, Kowloon.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Century Gold Millennium International Holdings Group Limited, which is a private limited company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Pan Jibiao.

Pursuant to a special resolution passed on 6 February 2020 and the certificate of change of name issued by the Company Registry in Hong Kong on 18 March 2020, the Company changes its English name and Chinese name from "International Standard Resources Holdings Limited 標準資源控股有限公司" to "Golden Century International Holdings Group Limited 金禧國際控股集團有限公司".

The principal activities of the Group are coalbed methane gas exploration and exploitation in the People's Republic of China (the "PRC"), sale of electronic components and treasury which includes securities trading, securities brokerage and money lending. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

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 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 performance and positions 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.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) 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) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) accounting for operating lease with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

(iii) excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application,

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)

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 rate applied is 8%.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	3,056
Lease liabilities discounted at relevant incremental borrowing rates	3,002
Less: Practical expendient - lease with lease term ending within 12 months from the date of initial application	(2,283)
Lease liabilities recognised as at 1 January 2019	719
Analysed as:	
Current lease liabilities	399
Non-current lease liabilities	320
	719

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)

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.

	Note	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		–	720	720
Current asset				
Trade and other receivables	*(a)*	53,040	(14)	53,026
Current liability				
Lease liabilities		–	(399)	(399)
Non-current liability				
Lease liabilities		–	(320)	(320)
Capital and reserves				
Accumulated losses		2,715,631	13	2,715,644

Note:

(a) Before application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under lease to which HKAS 17 applied under other receivable. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$14,000 was adjusted to refundable deposits paid and right-of-use assets.

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.

The directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of the consolidated financial statements

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 within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 *Leases* (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*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

Going concern basis

The Group incurred a net loss attributable to owners of the Company of approximately HK$396,791,000 for the year ended 31 December 2019, and as at the same date, the Group's current liabilities exceeded its current assets by approximately HK$63,713,000, total liabilities exceeded its total assets by approximately HK$327,734,000 and capital deficiency attributable to owners of the Company amounted to approximately HK$322,830,000.

The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration of the followings:

(i) On 30 March 2020, loan facilities of approximately HK$160,000,000 is granted by its ultimate holding company, Century Gold Millennium International Holdings Group Limited ("Century Gold Millennium"), which is provided on a subordinated basis. Century Gold Millennium will not demand the Company for repayment of any drawn down loan in the future nor cancel the undrawn loan facilities until all other liabilities of the Group had been satisfied;

(ii) In addition to the loan facilities stated above, Mr. Pan Jibiao, the ultimate controlling party, and Century Gold Millennium have also undertaken to provide adequate funds to enable the Group to meet in full its financial obligations when they fall due in the foreseeable future;

(iii) For the loans provided to the Company in principal amount of HK$10,000,000 for the year ended 31 December 2019, Century Gold Millennium will not demand for repayment until all other liabilities of the Group has been satisfied;

(iv) The Group will seek to obtain additional financing including but not limited to open offer, placing of the new shares and issuance of bonds;

(v) The directors of the Company will continue to implement measures aiming at improving the working capital and cash flows of the Group, including close monitoring of 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 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 as and when they fall due in the next twelve months from the reporting date and, accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES ***(Continued)***

(b) Basis of preparation of the consolidated financial statements ***(Continued)***

Going concern basis (Continued)

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.

The principal accounting policies are set out below.

(c) 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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(d) Interests 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.

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 the 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 the 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.

The operation under the production sharing contract as referred to in note 19 to the consolidated financial statements is accounted for as a joint operation.

3. SIGNIFICANT ACCOUNTING POLICIES ***(Continued)***

(e) 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 and 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.

(f) 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, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets 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;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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 in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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 statement of consolidated financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

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

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.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

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

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

The Group as 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

(g) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of 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 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 fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Borrowing costs

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

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

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

(i) Employee benefits

Retirement benefit costs and termination benefits

Payments to the mandatory provident fund scheme/state-managed pension scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short 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 benefits in the cost of an asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Employee benefits *(Continued)*

Equity-settled share-based payments arrangements

Share options granted to employees

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

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.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. 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 be transferred to accumulated losses.

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to researching and analysing existing exploration data; conducting geological studies; exploratory drilling and sampling; examining and testing extraction and treatment methods and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs are capitalised as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to development assets if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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 profit/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.

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 associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed 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 be reversed 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Taxation *(Continued)*

Deferred tax (Continued)

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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Property, plant and equipment

Property, plant and equipment including land and buildings, plant and equipment, furniture and fixtures, motor vehicles and leasehold improvements held for use in the production or supply of goods or services, or for administrative purposes, 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 assets 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. Details are as follows:

Land and buildings	20 years
Leasehold improvements	2 years or over the terms of the lease, if higher
Furniture and fixtures	5 to 10 years
Motor vehicles	5 to 10 years
Plant and equipment	3 to 10 years

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Property, plant and equipment *(Continued)*

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.

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses. Cost comprises the direct costs of construction as well as borrowing costs during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(m) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated remaining useful life is as follows:

– Production sharing contract	18.9 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and 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.

3. SIGNIFICANT ACCOUNTING POLICIES ***(Continued)***

(n) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

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

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. 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. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Provisions and contingent liabilities

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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, time deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

(r) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 income which is derived from the Group's ordinary course of business is presented as revenue.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 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 classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, 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) 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 "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial asset (Continued)

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. Assessment 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 and other receivables. The ECL on these assets are assessed individually for debtors with significant balances.

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;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- 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; and

- 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.

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 definition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) 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)*

(t) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (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;
- 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.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises on impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES ***(Continued)***

(t) Financial instruments ***(Continued)***

Financial assets (Continued)

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 FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including other borrowing, bonds, promissory notes and other payables) are subsequently measured at amortised cost, using the effective interest method.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The proceeds received from the exercise of warrants, net of direct issue costs, are recognised in share capital.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

Convertible notes containing debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible notes using the effective interest method.

If the notes are converted, the carrying amounts of the derivative and debt components are transferred to share capital as consideration for the shares issued. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

Embedded derivatives (Continued)

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition/non-substantial modification 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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment, right-of-use assets

The Group tests at least annually whether assets that have definite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The estimated recoverable amounts of property, plant and equipment in coalbed methane segment (note 17) at the end of the reporting period has been arrived at on the basis of an independent professional valuation carried out by an independent firm of professional qualified valuers using cost approach and market approach valuation methodology, which involves the cash-generating units that have been determined based on value-in-use calculations.

As at 31 December 2019, impairment losses of HK$12,461,000 (2018: nil) in respect of construction in progress have been recognised. Details of the impairment of construction in progress are disclosed in note 17.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Provision for ECL for trade receivables

The Group uses a provision of matrix to calculate ECLs for trade receivables. The provision matrix is based on management's estimate of the lifetime ECL to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. The Group regularly monitors and reviews assumptions related to the calculation of ECL. The above estimation techniques and key assumptions have not changed significantly in 2019.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(c) Useful life and amortisation of intangible asset -production sharing contract ("PSC")

The PSC is amortised on a straight-line basis over the remaining contract terms of 18.9 years to 31 March 2038. Management determines the estimated useful lives and basis for amortisation for the PSC taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service of the assets. The estimation of the useful life and the basis for amortisation is a matter of judgement based on the experience of the Group. Management reviews the estimated useful life and the basis for amortisation of intangible asset annually, and if expectations are significantly different from previous estimates of useful economic life, the basis and rates of amortisation for future periods will be adjusted accordingly.

Had a different amortisation rate been used to calculate the amortisation of the PSC, the Group's result of operations and financial position could be materially different.

(d) Estimate for resources and/or reserves of coalbed methane ("CBM") under the PSC

Reserves are estimates of the amount of CBM that can be economically and legally extracted from the designated contract areas under the PSC (note 19). In order to make an estimate for the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand and commodity prices.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(d) Estimate for resources and/or reserves of coalbed methane ("CBM") under the PSC (Continued)

Estimating the quantity and/or grade of reserves requires information on the size, shape and depth of the coalbeds or fields, which has to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of CBM in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves under the terms of the PSC. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of intangible assets relating to the PSC at 31 December 2019 is shown in note 19 to the consolidated financial statements.

As the economic assumptions used to estimate resources and/or reserves may change from period to period, and because additional geological data is generated during the course of operations, the estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

– the carrying value of intangible asset relating to the PSC may be affected due to changes in estimated future cash flows;

– depreciation, depletion and amortisation charged in the consolidated statement of profit or loss may change as such charges are determined by reference to the units of production basis or the estimated useful economic lives of the assets;

– provisions for decommissioning site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and

– the carrying value of deferred tax liabilities may change as a result of changes in the asset carrying values as discussed above.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Impairment of intangible asset – PSC

The estimated recoverable amount of the PSC (note 19) at the end of the reporting period has been arrived at on the basis of an independent professional valuation carried out by an independent firm of professional qualified valuers using income approach valuation methodology, which involves the value-in-use calculations with reference to the technical assessment reports issued by Netherland, Sewell & Associates, Inc. and the latest internal reserve assessment. Neither the valuer nor technical adviser is connected with the Group, while both with appropriate qualifications and relevant experience in the industry. The Group has used estimated future cash flows and profit forecasts expected to be generated from the PSC as a cash-generating unit and a risk-adjusted discount rate in order to calculate the present value. The Group's CBM business under the PSC is currently at its early stage of development. The cash flow and profit forecast projections involve significant judgement and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, government policies, growth rate, the extent of the future market competition, market demand, and cost structure of CBM products that the Group will achieve during the forecast period.

Had different parameters and discount rates been used to determine the estimated recoverable amount of the intangible asset, the Group's results of operations and financial position could be materially different.

(f) Exploration and evaluation expenditures

The application of the Group's accounting policy for the exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the consolidated statement of profit or loss in the period when the new information becomes available.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical accounting judgement in applying the Group's accounting policies

(a) Functional currency

The Company is carrying out its operating activities and making management decisions in Hong Kong, that is, raising finance in Hong Kong dollars and has significant degree of autonomy from its foreign subsidiaries in the way its business is managed. In the opinion of the directors of the Company, the functional currency of the Company is Hong Kong dollars.

(b) Fair value of embedded derivatives portion of convertible notes

The fair value of the embedded derivatives portion of the convertible notes that are not traded in active market is determined by using valuation techniques. The Group estimates the fair value of the embedded derivatives portion of the convertible notes based on an independent professional valuation using the binomial lattice model which requires various sources of information and assumptions. The carrying amount of the embedded derivatives portion of the convertible notes as at 31 December 2019 was HK$110,348,000 (2018: HK$142,598,000). Further details are disclosed in note 29 to the consolidated financial statements.

(c) Going concern consideration

The directors of the Company have prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the foreseeable future, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, about the future outcome of events or conditions which are inherently uncertain. The directors consider that, after taking into account of all major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption as set out in note 3 to the consolidated financial statements, the Group has the capability to continue as a going concern.

5. CAPITAL MANAGEMENT

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio at 31 December 2019 and 2018 was as follows:

	2019	2018
	HK$'000	*HK$'000*
Convertible notes	**378,955**	374,429
Bonds	**14,966**	51,442
Promissory notes	**–**	19,240
Borrowing	**25,000**	–
Loan from ultimate holding company	**10,000**	–
Other borrowing	**11,059**	11,267
Lease liabilities	**1,805**	–
Less: Cash and bank balances	**(10,509)**	(6,374)
Total net debt	**431,276**	450,004
(Capital deficiency) total equity	**(327,734)**	38,450
Total capital	**103,542**	488,454
Gearing ratio	**416.52%**	92.13%

Neither the Company nor any of its subsidiaries are subjected to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

(1) Categories of financial instruments

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**11,778**	58,698
Financial assets at fair value through profit or loss	**11,125**	11,010
	22,903	69,708
Financial liabilities		
Bonds	**14,966**	51,442
Convertible notes-liability portion, unsecured	**268,607**	231,831
Convertible notes-embedded derivatives, unsecured	**110,348**	142,598
Promissory notes	**–**	19,240
Lease liabilities	**1,805**	–
Other financial liabilities	**91,293**	63,851
	487,019	508,962

(2) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivables, deposits, other receivables, cash and bank balances, other borrowings, bonds, convertible notes, promissory notes, trade payables, other payables, borrowings, loan from ultimate holding company, lease liabilities and amounts due to non-controlling interests of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk, other price risk and interest rate risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(a) Foreign currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which the transaction relates. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United States dollars ("US$"). RMB is not freely convertible into other currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. As HK$ is pegged to the US$, the Group does not expect any significant currency risk of US$ position.

Overall, the Group monitors its currency exposure closely and would consider hedging significant currency exposure should the need arise.

(b) Other price risk

The Group is exposed to equity price risk from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As at the end of the reporting period, the Group is exposed to this risk through the conversion rights attached to the convertible notes issued by the Company as disclosed in note 29 to the consolidated financial statements.

In addition, the Group is exposed to equity price risk through its investments in listed equity securities (note 21). The management manages this exposure by maintaining a portfolio of investments with different risks and return profiles. The Group's equity price risk is mainly concentrated on equity instruments operating in securities and brokerage industry sectors quoted in the Stock Exchange.

The Group has not hedged its price risk arising from investments in equity securities. The Group's securities investments that are listed on the Stock Exchange are valued at the quoted market prices at the reporting date.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% higher/lower (2018: 10% higher/lower):

- post-tax loss for the year ended 31 December 2019 would decrease/increase by approximately HK$1,013,000 (2018: decrease/increase by approximately HK$1,001,000) as a result of the changes in fair value of investments in listed equity securities.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to the bank balances due to the fluctuation of the prevailing market interest rates for the years ended 31 December 2019 and 2018.

The Group currently does not use any derivative contracts to hedge its exposure to fair value interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

As at 31 December 2019 and 2018, if the interest rates on bank deposits had been 100 basis points higher/lower with all other variables held constant, the Group's loss for the year would decrease/increase by approximately HK$104,000 (2018: HK$64,000).

(d) Credit risk and impairment assessment

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of each class of recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, management of the Group has delegated a team to compile credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model based on provision matrix or credit impaired. Details of the accounting policy for impairment of trade receivables has been disclosed in note 3 to the consolidated financial statements.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment assessment (Continued)

The Group considers the credit risk characteristics and the days past due to measure ECL. For the year ended 31 December 2019, the expected credit losses rate for customers of sales of goods is minimal, given there is no history of significant defaults from customers and insignificant impact from forward-looking estimates. The assessed ECL for trade receivables are not material.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

In respect of loan receivables arising from the Group's money lending business, all of the loan receivables were secured by pledged properties or vehicles. The directors of the Company closely monitor the risk exposure of customers and collateral and would take appropriate action to ensure the risk exposure is acceptable.

For other financial assets at amortised cost, including deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position.

Impairment losses on other financial assets at amortised cost are presented as impairment losses, net of reversal within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment assessment (Continued)

The Group has no significant concentration of credit risk by any single debtor.

Bank balances and cash in broker accounts are placed in various authorised institutions and the directors of the Company consider the credit risk for such institutions minimal.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the year end date of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of the reporting period) and the earliest date the Group can be required to pay:

	2019						2018					
	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Carrying amount	Weight average interest rate	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	25,000	24.0%	27,500	27,500	–	–	–	–	–	–	–	–
Loan from ultimate holding company	10,000	24.0%	12,353	12,353	–	–	–	–	–	–	–	–
Other borrowings	11,059	–	11,059	11,059	–	–	11,267	–	11,267	11,267	–	–
Trade and other payables	45,234	–	45,234	28,892	16,342	–	52,584	–	52,584	36,512	16,072	–
Bonds	14,966	6.7%	16,908	5,764	703	10,441	51,442	6.3%	55,780	50,749	5,031	–
Promissory notes	–	–	–	–	–	–	19,240	8.0%	20,484	14,874	5,610	–
Convertible notes (including embedded derivatives)	378,955	2.0%	379,600	7,300	372,300	–	374,429	2.0%	386,900	7,300	7,300	372,300
Lease liabilities	1,805	8.0%	2,368	1,369	999	–	–	–	–	–	–	–
	487,019		495,022	94,237	390,344	10,441	508,962		527,015	120,702	34,013	372,300

6. FINANCIAL INSTRUMENTS *(Continued)*

(2) Financial risk management objectives and policies *(Continued)*

(f) Oil and gas price risk

Apart from the financial instruments disclosed above, the Group's activities expose it to market risk relating to oil and gas price risk.

The Group is engaged in a wide range of gas related activities. The global oil and gas market is affected by international political, economic and global demands for and supply of oil and gas. A decrease in the world prices of crude oil and gas could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil and refined products. Management will consider hedging oil and gas exposure should the need arise.

(3) Fair value measurement

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement.*

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*
2019			
Financial assets			
– Financial assets at fair value through profit or loss *(note 21)*	**10,125**	**–**	**1,000**
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 29)*	**–**	**–**	**110,348**

6. FINANCIAL INSTRUMENTS *(Continued)*

(3) Fair value measurement *(Continued)*

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*
2018			
Financial assets			
– Financial assets at fair value through profit or loss *(note 21)*	10,010	–	1,000
Financial liabilities			
– Convertible notes-embedded derivatives, unsecured *(note 29)*	–	–	142,598

During the years ended 31 December 2019 and 2018, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 1 fair value measurements

The fair value of equity securities classified as Level 1 was determined by the quoted price in active market.

Information about Level 3 fair value measurements

The fair value of conversion option embedded in convertible notes is determined using binomial lattice model and the significant unobservable input used in the fair value measurement is credit spread. The fair value measurement is positively correlated to the credit spread. As at 31 December 2019, the credit spread used in the valuation is 20.74% (2018: 19.20%), and it is estimated that with all other variables held constant, an increase/decrease of 10% in the credit spread would have increased/decreased the Group's loss by approximately HK$36,362,000/ HK$46,434,000 (2018: increase/decrease the Group's loss by approximately HK$9,929,000/ HK$10,574,000).

The movements during the year in the balances of the Level 3 fair value measurement for the conversion option embedded in convertible notes are disclosed in note 29 to the consolidated financial statements. Fair value loss/gain on conversion option embedded in convertible notes is charged/credited to the consolidated statement of profit or loss. Of the total gains or losses for the year in the profit or loss, fair value gain of approximately HK$32,250,000 (2018: fair value loss of approximately HK$6,546,000) was related to conversion option embedded in convertible notes for the reporting period. The fair value of the financial assets at fair value through profit or loss (note 21) was estimated by the directors of the Company with reference to the expected value to be realised.

6. FINANCIAL INSTRUMENTS *(Continued)*

(3) Fair value measurement *(Continued)*

(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair values of trade and other receivables, cash and bank balances, other borrowing and trade and other payables approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The carrying amounts of loan receivables which carry fixed interest rates approximates their fair value.

The fair values of the liability component of convertible notes and bonds are carried at amortised cost using the effective interest method.

7. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are coalbed methane gas exploration and exploitation in the PRC, sale of electronic components and treasury including securities trading, securities brokerage and money lending.

An analysis of the amount of each significant category of revenue from principal activities during the year is set out below:

	2019	2018
	HK$'000	*HK$'000*
Sale of electronic components	**7,587**	8,550
Sale of coalbed methane products	**–**	513
Interest income from money lending	**–**	46
	7,587	9,109

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, who are also the executive directors of the Company, for the purpose of resources allocation and performance assessments, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Electronic components

– Coalbed methane

– Treasury (i.e. securities trading, securities brokerage and money lending)

(i) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources to segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". Segment result includes the operating profit generated by the segment and finance costs directly attributable to the segment, without allocation of head office or corporate administration costs. Income tax is not allocated to reportable segment.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 are set out below:

7. REVENUE AND SEGMENT REPORTING ***(Continued)***

(b) Segment information ***(Continued)***

(i) Segment results, assets and liabilities (Continued)

Year ended 31 December 2019

	Electronic components *HK$'000*	Coalbed methane *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
Recognised at a point in time	7,587	–	–	7,587
Recognised over time	–	–	–	–
Reportable segment revenue from external customers	7,587	–	–	7,587
Reportable segment results	(1,397)	(473,628)	(375)	(475,400)
Amortisation of production sharing contract	–	15,701	–	15,701
Depreciation on property, plant and equipment	–	8,990	28	9,018
Depreciation on right-of-use assets	147	97	411	655
Gain on fair value change of convertible notes – embedded derivatives	–	(32,250)	–	(32,250)
Impairment loss on production sharing contract	–	413,598	–	413,598
Impairment loss on property, plant and equipment	–	12,461	–	12,461
Imputed interest on convertible notes	–	44,095	–	44,095
Imputed interest on lease liabilities	21	15	43	79
Interest on borrowings	–	–	500	500
Loss on disposal of financial assets at fair value through profit or loss	–	–	1,245	1,245
Loss on disposal of property, plant and equipment	–	54	–	54
Net gain on revaluation of financial assets at fair value through profit or loss	–	–	(941)	(941)
Other income	(18)	(2)	(316)	(336)
Write-back of other payables	–	–	(3,850)	(3,850)
Reportable segment assets	992	166,821	16,020	183,833
Additions to non-current segment assets during the year	588	1,387	–	1,975
Reportable segment liabilities	22,406	378,960	15,704	417,070

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Year ended 31 December 2018

	Electronic components *HK$'000*	Coalbed methane *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
Recognised at a point in time	8,550	513	–	9,063
Recognised over time	–	–	46	46
Reportable segment revenue from external customers	8,550	513	46	9,109
Reportable segment results	(1,440)	(574,086)	(55,459)	(630,985)
Amortisation of production sharing contract	–	51,228	–	51,228
Depreciation on property, plant and equipment	–	10,197	16	10,213
Loss on disposal of financial assets at fair value through profit or loss	–	–	1,591	1,591
Loss on fair value change of convertible notes – embedded derivatives	–	6,546	–	6,546
Loss on restructuring of convertible notes	–	6,117	–	6,117
Impairment loss on production sharing contract	–	454,192	–	454,192
Imputed interest on convertible notes	–	38,336	–	38,336
Net loss on revaluation of financial assets at fair value through profit or loss	–	–	15,625	15,625
Other income	–	(535)	(522)	(1,057)
Reversal of impairment losses on trade receivables	(90)	–	–	(90)
Write-off of other receivables	–	–	35,000	35,000
Reportable segment assets	919	620,901	64,076	685,896
Additions to non-current segment assets during the year	–	10,906	–	10,906
Reportable segment liabilities	21,434	418,652	3,858	443,944

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2019	2018
	HK\$'000	*HK\$'000*
Revenue		
Reportable segment and consolidated revenue	**7,587**	9,109
Profit or loss		
Reportable segment results	**(475,400)**	(630,985)
Other income	**255**	233
Other gains and losses	**(5,853)**	5,153
Unallocated head office and corporate expenses	**(24,735)**	(32,275)
Consolidated loss before tax	**(505,733)**	(657,874)
Assets		
Reportable segment assets	**183,833**	685,896
Unallocated head office and corporate assets	**7,121**	4,925
Consolidated total assets	**190,954**	690,821
Liabilities		
Reportable segment liabilities	**417,070**	443,944
Tax payables	**5,328**	5,365
Deferred tax liabilities	**16,716**	127,743
Unallocated head office and corporate liabilities	**79,574**	75,319
Consolidated total liabilities	**518,688**	652,371

7. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information *(Continued)*

(iii) Geographical information

In presenting geographical information, revenue is based on the geographical location of the external customers. Specified non-current assets, which represent property, plant and equipment, intangible assets, right-of-use assets and financial assets at fair value through profit and loss, are based on the geographical location of assets.

	Hong Kong	**PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
2019			
Revenue	**7,587**	**–**	**7,587**
Specified non-current assets	**2,155**	**166,473**	**168,628**
2018			
Revenue	8,596	513	9,109
Specified non-current assets	1,590	619,807	621,397

(iv) Information about major customers

Revenue from customers from the electronic components segment contributing 10% or more of the total revenue of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**4,032**	4,837
Customer B	**2,609**	2,645

8. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**1**	78
Dividend income	**309**	522
Interest income from deposit	**11**	–
Reversal of interest accrued	**–**	532
Sundry income	**270**	158
	591	1,290

9. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Gain on disposal of asset classified as held for sale	**–**	15,241
Gain (loss) on fair value change of convertible notes – embedded derivatives	**32,250**	(6,546)
Loss on disposal of financial assets at fair value through profit or loss	**(1,245)**	(1,591)
Loss on disposal of property, plant and equipment	**(54)**	(150)
Loss on restructuring of convertible notes	**–**	(6,117)
Net foreign exchange loss	**(5,819)**	(11,082)
Net gain (loss) on revaluation of financial assets at fair value through profit or loss	**941**	(15,625)
Write-back of other payables	**3,850**	1,000
Write-down of inventories	**–**	(6)
Write-off of other receivables	**(34)**	(35,000)
	29,889	(59,876)

10. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Imputed interest on bonds	**4,567**	5,056
Imputed interest on convertible notes	**44,095**	38,336
Imputed interest on lease liabilities	**79**	–
Interest on borrowings	**680**	–
Interest on loan from ultimate holding company	**47**	–
Interest on promissory notes	**1,304**	740
	50,772	44,132

11. LOSS BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
(a) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**15,601**	21,622
Contributions to defined contribution retirement plans	**1,060**	1,819
Total staff costs	**16,661**	23,441
(b) Other items		
Auditor's remuneration		
– Audit services	**630**	630
– Non-audit services	**240**	130
Cost of inventories recognised as expenses	**6,747**	8,181
Depreciation of property, plant and equipment	**9,274**	10,428
Depreciation of right-of-use assets	**655**	–
Gain on disposal of asset classified as held for sale	**–**	(15,241)
Loss on disposal of property, plant and equipment	**54**	150
Total minimum lease payments for lease previously classified as operating lease under HKAS 17 *(note)*	**–**	2,748
Lease payments for short-term lease not included in the measurement of lease liabilities *(note)*	**2,257**	–

11. LOSS BEFORE TAX *(Continued)*

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2019

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chief executive					
Lyu Guoping	–	1,688	60	18	1,766
Executive directors					
Pan Jibiao *(Chairman)* *(appointed on 11 December 2019)*	–	41	–	–	41
Lo Tsz Fung Philip *(appointed on 11 September 2019)*	–	220	–	6	226
Tam Tak Wah	–	672	–	18	690
Cheng Wai Keung	–	276	–	14	290
Tsang Ching Man *(resigned on 11 September 2019)*	–	577	–	12	589
Independent non-executive directors					
Chan Yim Por Bonnie	100	–	–	–	100
Albert Saychuan Cheok *(resigned on 3 September 2019)*	322	–	–	–	322
Chan Tsz Kit	100	–	–	–	100
Wang Li	100	–	–	–	100
	622	3,474	60	68	4,224

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTs *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

2018

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chief executive					
Lyu Guoping	–	1,688	60	18	1,766
Executive directors					
Cheng Wai Keung	–	276	18	14	308
Tam Tak Wah	–	672	32	18	722
Tsang Ching Man	–	932	48	18	998
Independent non-executive directors					
Albert Saychuan Cheok *(Chairman)*	480	–	–	–	480
Chan Tsz Kit	100	–	–	–	100
Chan Yim Por Bonnie	100	–	–	–	100
Wang Li	100	–	–	–	100
	780	3,568	158	68	4,574

Notes:

(i) None of the directors or chief executive waived any emoluments during the years ended 31 December 2019 and 2018.

(ii) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group during the years ended 31 December 2019 and 2018.

(iii) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the years ended 31 December 2019 and 2018.

(iv) The chief executive's emoluments shown above were mainly for his services in connection with the management of the affairs of the Company and the Group during the years ended 31 December 2019 and 2018.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2018: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2018: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, the Company did not pay consideration to any third parties for making available directors' services (2018: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates and connected entities with such directors

During the year ended 31 December 2019, there are no loan, quasi-loan and other dealing arrangement in favour of the directors, or controlled body corporates and connected entities of such directors (2018: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transaction, arrangement and contract in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Group during the year included three directors and the chief executive (2018: one director and the chief executive), details of whose emoluments are set out in note 12 above. The emoluments of the remaining one individual (2018: three individuals) are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,334**	2,949
Discretionary bonuses	**–**	66
Retirement scheme contributions	**18**	54
	1,352	3,069

	Number of individuals	
	2019	2018
Emoluments bands		
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
	1	3

There was no arrangement under which any of these individuals waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

14. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**81**	1,806
Hong Kong Profits Tax	**–**	–
	81	1,806
Deferred tax		
Current year *(note 14(d))*	**(108,653)**	(128,889)
Income tax credit	**(108,572)**	(127,083)

(i) 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%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Thus, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong tax has been made as the Group has no assessable profit derived from Hong Kong during the years ended 31 December 2019 and 2018.

(ii) The Company's wholly-owned subsidiary, Can-Elite, incorporated under the laws of British Columbia, Canada, is subject to Income Tax Act (Canada) at a rate of 28% (2018: 28%).

Pursuant to the tax treaty agreement between the PRC government and the government of Canada for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, tax payable in the PRC on profits, income or gains arising in the PRC shall be deducted from any Canadian tax payable in respect of such profits, income or gains. No provision for Canadian tax has been made as the Group has no assessable profits derived from Canada during the years ended 31 December 2019 and 2018.

(iii) The subsidiaries in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2018: 25%).

14. INCOME TAX *(Continued)*

(b) Income tax credit for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before tax	**(505,733)**	(657,874)
Notional tax on loss before tax, calculated at the rates applicable in the jurisdictions concerned	**(120,974)**	(152,084)
Tax effect of income not taxable of tax purpose	**(6,169)**	(501)
Tax effect of expenses not deductible for tax purpose	**14,869**	24,081
Tax effect of deductible temporary differences not recognised	**(46)**	(2,532)
Tax effect of tax losses not recognised	**3,748**	5,264
Overprovision in respect of prior years	**–**	(1,311)
Income tax credit	**(108,572)**	(127,083)

(c) Current tax on the consolidated statement of financial position:

	2019	2018
	HK$'000	*HK$'000*
PRC Enterprise Income Tax	**4,238**	4,275
Hong Kong Profits Tax	**1,090**	1,090
	5,328	5,365

14. INCOME TAX *(Continued)*

(d) The components of deferred tax (assets) liabilities recognised in the consolidated statement of financial position and the movements during the years ended 31 December 2019 and 2018 are as follows:

	Fair value adjustments on financial assets at fair value through profit or loss	Fair value adjustments on PSC arising from the business combination	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2018	(1,271)	271,470	270,199
Credit to consolidated statement of profit or loss *(note 14(a))*	(2,534)	(126,355)	(128,889)
Exchange adjustment	–	(13,567)	(13,567)
At 31 December 2018 and 1 January 2019	(3,805)	131,548	127,743
Credit to consolidated statement of profit or loss *(note 14(a))*	(52)	(108,601)	(108,653)
Exchange adjustment	–	(2,374)	(2,374)
At 31 December 2019	(3,857)	20,573	16,716

(e) Deferred tax assets not recognised

Deferred tax assets of the Group amounting to HK$18,537,000 (2018: HK$15,638,000), arising from unused tax losses have not been recognised in the consolidated financial statements due to the uncertainty as to their future utilisation. The unused tax losses have no expiry date.

15. DIVIDEND

No dividend was paid or proposed during 2019, nor has any dividend been proposed since the end of reporting period (2018: Nil).

16. LOSS PER SHARE

(a) Basic loss per share

Calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(396,791)**	(530,452)

	2019	2018
Number of shares		
Weighted average number of ordinary shares at 31 December	**554,149,126**	479,148,706

Since there was no bonus element included in the rights issue completed in September 2019 *(note 31(c))*, no adjustment was applied to the loss per share in this regard.

(b) Diluted loss per share

No adjustment was made in calculating diluted loss per share for both years as the conversion of convertible notes and exercise of warrants would result in decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Plant and equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2018	30,550	119,069	2,270	4,537	828	157,254
Exchange adjustment	(1,957)	(6,151)	(45)	(205)	–	(8,358)
Additions	9,848	118	153	787	–	10,906
Transfer	(281)	281	–	–	–	–
Disposals	–	–	–	(575)	–	(575)
At 31 December 2018 and 1 January 2019	38,160	113,317	2,378	4,544	828	159,227
Exchange adjustment	(707)	(2,084)	(15)	(40)	–	(2,846)
Additions	243	–	56	–	–	299
Transfer	(188)	188	–	–	–	–
Impairment	(5,075)	(14,438)	–	–	–	(19,513)
Disposals	–	(100)	–	–	–	(100)
At 31 December 2019	32,433	96,883	2,419	4,504	828	137,067
Accumulated depreciation and impairment						
At 1 January 2018	–	52,340	2,125	2,753	828	58,046
Exchange adjustment	–	(3,078)	(37)	(62)	–	(3,177)
Charge for the year	–	9,919	139	370	–	10,428
Disposals	–	–	–	(271)	–	(271)
At 31 December 2018 and 1 January 2019	–	59,181	2,227	2,790	828	65,026
Exchange adjustment	–	(1,215)	(14)	(17)	–	(1,246)
Impairment	–	(7,052)	–	–	–	(7,052)
Charge for the year	–	8,803	118	353	–	9,274
Disposals	–	(14)	–	–	–	(14)
At 31 December 2019	–	59,703	2,331	3,126	828	65,988
Carrying amounts						
At 31 December 2019	32,433	37,180	88	1,378	–	71,079
At 31 December 2018	38,160	54,136	151	1,754	–	94,201

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

For the year ended 31 December 2019, the directors conducted a review of the Group's construction in progress and plant and equipment and determined that a number of assets are impaired, due to no capital incurred and significant decreased in exhausting CMB in certain wells during the year. The recoverable amounts of construction in progress and plant and equipment are lower than the carrying amounts as at 31 December 2019 which is carried at valuation based on both cost approach and market approach carried out by an independent qualified valuer, Peak Vision Appraisals Limited. Accordingly, impairment losses of approximately HK$12,461,000 has been recognised in profit or loss during the year ended 31 December 2019.

None of property, plant and equipment was pledged as security for borrowings of the Group as at 31 December 2019 and 2018.

18. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*
Cost	
At 1 January 2019	823
Additions	1,748
Exchange adjustment	(17)
At 31 December 2019	2,554
Accumulated depreciation	
As at 1 January 2019	103
Charge for the year	655
Exchange adjustment	(2)
At 31 December 2019	756
Carrying amount	
At 31 December 2019	1,798
At 1 January 2019	720

19. INTANGIBLE ASSETS

	Production sharing contract ("PSC") *HK$'000*
Cost	
At 1 January 2018	3,963,964
Exchange adjustment	(205,422)
At 31 December 2018 and 1 January 2019	3,758,542
Exchange adjustment	(69,512)
At 31 December 2019	3,689,030
Accumulated amortisation and impairment	
At 1 January 2018	2,878,078
Charge for the year	51,228
Impairment loss	454,192
Exchange adjustment	(151,152)
At 31 December 2018 and 1 January 2019	3,232,346
Charge for the year	15,701
Impairment loss	413,598
Exchange adjustment	(67,366)
At 31 December 2019	3,594,279
Carrying amount	
At 31 December 2019	94,751
At 31 December 2018	526,196

Notes:

(a) Through the acquisition of 100% equity interest in Merit First Investments Limited on 26 November 2008, the Group has obtained the interest in a coalbed methane PSC which was entered into between Can-Elite, a wholly-owned subsidiary of the Company, and China United on 8 November 2007. The interests of China United and Can-Elite under the PSC are in the proportion of 30% and 70% respectively, or in proportion to their participating interests in the development costs.

On 21 March 2008, the PSC was approved by the Ministry of Commerce of the PRC in respect of (i) the execution and implementation of the PSC; (ii) the terms of the PSC; and (iii) 70:30 profit sharing ratio between Can-Elite and China United. Beijing Z&D Law Firm, the legal adviser of the Company as to the PRC laws of the time, advised that China United and Can-Elite had obtained all relevant approvals in relation to the execution and implementation of the PSC.

19. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

On 18 February 2009, Can-Elite and China United entered into a modification agreement, which formed an integral part of the PSC, pursuant to which (i) the contract area has been increased from 356.802 to 567.843 square kilometres by an additional area of 211.041 square kilometres adjacent to the original contract area, at zero costs; and (ii) during the exploration period from 1 April 2008 to 31 March 2013, the number of wells to be drilled by Can-Elite under the PSC has been increased from 8 to 11 wells and the exploration costs shall be increased from RMB17,850,000 to RMB28,400,000. All other terms of the PSC shall remain unchanged. The modification agreement to the PSC was approved by the Ministry of Commerce of the PRC on 16 March 2009.

On 29 August 2013, Can-Elite entered into the second modification agreement to the modified PSC with China United, pursuant to which, the exploration period for the contract area under the PSC has been extended for two more years to 31 March 2015 during which Can-Elite shall expend at least RMB15,000,000 per year for exploration.

On 23 December 2015, Can-Elite entered into the third modification agreement to the modified PSC with China United. Pursuant to the third modification agreement, among other things, the exploration area of approximately 567.843 square kilometres, located in Su’nan, Anhui Province as set out under the modified PSC has been divided into Area A and Area B, consisting of 23.686 and 544.157 square kilometres, respectively. The exploration period of Area A has been extended for a period up to the date in which the relevant authorities of the PRC government grant the approval for the overall development program, whereas the exploration period of Area B has been extended for two more years from 1 April 2015 to 31 March 2017. During the extended exploration period, Can-Elite shall expend at least RMB8,000,000 per year for the exploration of Area A, and at least RMB40,000,000 for the exploration of Area B, respectively.

On 21 August 2017, Can-Elite entered into the fourth modification agreement to the modified PSC with China United. Pursuant to the fourth modification agreement, the well count required to be completed in Area A during the exploration period (a period up to the date of approval by the relevant authorities under the PRC government for the overall development program) has increased from at least two U-shaped connected wells to at least four U-shaped connected wells. Further, the exploration period of Area B has been extended for three more years, from the original expiry date (being 31 March 2017) to 31 March 2020. During the extended exploration period, at least 15 wells are required to be completed in Area B with the performance of relevant exploration works such as fracturing, drainage and extraction. In order to complete the above exploration works, Can-Elite is required to utilise at a minimum of RMB8,000,000 equivalent in US dollars per year towards Area A and at a minimum of RMB30,000,000 equivalent in US dollars towards Area B, respectively, as the expected minimum exploration expenditure amount.

19. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The management of the Company has applied the extension of the modification agreement for the exploration period of Area B with China United. The negotiation is still in progress with China United with a view of agreed terms and conditions, and the management of the Company considered that the chance to complete the extension of the modification agreement is highly probable.

The PSC provides a term of thirty consecutive years commencing 1 April 2008, with a production period of not more than twenty consecutive years commencing on a date determined by the joint management committee which is set up by Can-Elite and China United, pursuant to the PSC, to oversee the operations in the contract area.

Can-Elite and China United shall reimburse the costs incurred during the development and production periods in the proportion of 70% and 30% respectively, or in proportion to their participating interests of each coalbed methane field. Upon extraction of the coalbed methane and liquid hydrocarbons, the coalbed methane and liquid hydrocarbons products shall be sold by China United and the proceeds will be deposited into a joint bank account opened by Can-Elite and China United, and the profits be distributed between the parties in the proportion of their participating interests in the development costs, or any other marketing approaches and procedures to be agreed upon between Can-Elite and China United.

For all assistance to be provided by China United, administrative fees in the sum of US$30,000 and US$50,000 were payable by Can-Elite to China United during the exploration period and the development and production period, respectively, as agreed by Can-Elite and China United with reference to the administrative fees payable by other foreign investors to China United in other production sharing contracts. In the opinion of the directors of the Company, the administrative fees payable by Can-Elite are comparable to those payable by other foreign investors to China United in other production sharing contracts.

The PSC is amortised on a straight-line basis over the remaining contract terms of 18.9 years (2018: 19.9 years) of the PSC.

19. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The arrangement under the PSC is a joint operation which is accounted for in accordance with the accounting policy as set out in note 3(d) to the consolidated financial statements.

Set out below is the summary of assets, liabilities and results of the CBM business under the PSC included in the consolidated financial statements for the year:

		2019	2018
		HK$'000	*HK$'000*
(i)	**Results for the year**		
	Revenue	**–**	513
	Administrative expenses	**(19,956)**	(17,983)
	Finance costs	**(44,110)**	(38,336)
	Amortisation of PSC	**(15,701)**	(51,228)
	Impairment loss on property, plant and machinery	**(12,461)**	–
	Impairment loss on PSC	**(413,598)**	(454,192)
	PRC Enterprise Income Tax	**(81)**	(1,806)
	Reversal of deferred tax liabilities	**108,601**	126,355
(ii)	**Other comprehensive income (expense)**		
	Exchange difference on translation of foreign operations	**3,312**	(32,799)
(iii)	**Assets and liabilities**		
	Intangible assets - PSC	**94,751**	526,196
	Property, plant and equipment*	**70,674**	93,600
	Right-of-use assets	**1,048**	–
	Other payables	**(25,471)**	(32,957)
	Other borrowing	**(11,059)**	(11,267)
	Lease liabilities	**1,041**	–
	Deferred tax liabilities *(note 14(d))*	**(20,573)**	(131,548)

* The property, plant and equipment of the CBM business under the PSC consisted of construction in progress, plant and equipment, furniture and fixture and motor vehicles.

		2019	2018
		HK$'000	*HK$'000*
(iv)	**Capital commitments** *(note 34)*		
	Contracted but not provided for	**27,068**	32,397

19. INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) Impairment test on PSC

The recoverable amount of the PSC attributable to the Group has been determined based on value-in-use calculations. The valuation was carried out by Cushman & Wakefield Limited, an independent firm of professional valuers not connected with the Group. For the purpose of impairment testing, the carrying amount of intangible assets has been allocated to an individual cash-generating unit.

For impairment assessment purposes, cash flow projections are prepared on the following assumptions:

	2019	**2018**
Period of cash flow projections	18 years	19 years
Discount rate (pre-tax)	20.96%	19.23%

The calculation is based on the pre-tax cash flow projections of the financial budgets approved by management covering a 18-year (2018: 19-year) period and a pre-tax discount rate of 20.96% (2018: 19.23%), which have duly reflected risks specific to the PSC, assuming that all key information provided by management, which includes reserve quantity, feasibility of business plan, and exploitation method, are appropriate and feasible. The cash flow projections are based on budget sales, expected gross margins and expected capital expenditure determined based on management's experience and expectations of market developments in the coalbed methane industry in the PRC. The CBM reserve quantity used in the valuation of the PSC as at 31 December 2019 is based on the reports, including the technical reports issued by Netherland, Sewell & Associates, Inc. on 2 March 2011 and 31 October 2008, the technical reports prepared by an integrated geoscience and engineering consulting company on 23 March 2015 and the reserve evaluation report prepared in respect of the reserves located in Luling Block, being part of the contract area, which had been approved by the Office for Oil and Gas Profession of the Mineral Resources and Reserves Assessment Centre of the Ministry of Land and Resources of the PRC and was duly filed with the Ministry of Land and Resources of the PRC on 4 June 2014 after the compliance review. The completion of the approval and filing procedure signified that the risk assessment stage of Luling Block in the contract area has come to an end, and the PSC work will proceed to the design and development stage. Due to the further delay on the implementation and the scaledown of the business plan for the exploration and exploitation of the CBM and the continuous low level of domestic natural gas price in the PRC, the carrying amount of the PSC exceeds its estimated recoverable amount and an impairment loss of HK$413,598,000 (2018: HK$454,192,000) has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

20. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

		Proportion of ownership interest				
Name of the Company	**Place of incorporation/ operation**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Issued and paid up capital**	**Principal activities**
Ace Elect Investments Limited	Hong Kong	100%	–	100%	HK$1	Electronic components trading
Alpha Guidance Limited	Hong Kong	100%	–	100%	HK$1	Electronic components trading
Barraza Company Limited	Hong Kong	100%	100%	–	HK$2	Provision of secretarial services
Canada Can-Elite Energy Limited	Canada/PRC	100%	–	100%	CAD10,000	Coalbed methane gas exploration and development and exploitation
Champ Success International Limited	Hong Kong	80%	–	80%	HK$2	Electronic components trading
Cosmos Guard Limited	British Virgin Islands ('BVI")/ Hong Kong	100%	100%	–	US$1	Securities trading
Ever Double Investments Limited	BVI/ Hong Kong	100%	100%	–	US$1	Investment holding
Fortune Spring International Limited	BVI	100%	100%	–	US$1	Investment holding
GCINT Limited (formerly known as International Standard Resources Securities Limited)	Hong Kong	100%	–	100%	HK$15,000,000	Securities brokerage

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of the Company	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
Giant Front Limited	BVI	100%	–	100%	US$1	Investment holding
Goal Reach Investments Limited	Hong Kong	100%	–	100%	HK$1	Investment holding
International Standard Resources Financial Service Limited	Hong Kong	100%	100%	–	HK$1	Inactive
International Standard Resources Holdings Limited (formerly known as New Smart Energy Group Limited)	Hong Kong	100%	100%	–	HK$1	Inactive
Magic Chance Investments Limited	BVI	100%	100%	–	US$1	Securities trading
Merit First Investments Limited	BVI	100%	–	100%	US$1	Investment holding
Nation Rich Investments Limited	BVI	100%	100%	–	US$1	Investment holding
New Smart Credit Service Limited	Hong Kong	100%	100%	–	HK$1	Provision of financing services
New Smart Holdings Limited	Hong Kong	100%	100%	–	HK$2	Provision of corporate services
Powerful Sky Investments Limited	BVI	100%	–	100%	US$1	Investment holding
Profit Giant Investments Limited	BVI	100%	100%	–	US$1	Investment holding

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of the Company	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Issued and paid up capital	Principal activities
Smart Class Investments Limited	Hong Kong	100%	–	100%	HK$1	Investment holding
Strong Way International Limited	Hong Kong	60%	–	60%	HK$5,200,000	Electronic components trading
U-Cyber (Nominees) Limited	Hong Kong	100%	100%	–	HK$2	Inactive
U-Cyber Investment (Nominees) Limited	Hong Kong	100%	100%	–	HK$2	Inactive
Wisedeal Investments Limited	BVI	100%	100%	–	US$1	Investment holding
駿達朝揚(北京) 投資管理諮詢有限公司 *(note)*	PRC	100%	–	100%	HK$5,000,000	Property investment
深圳市白雲能源技術有限公司 *(note)*	PRC	100%	–	100%	RMB6,905,777	Provision of technology services for CBM development and utilisation
廣東碩華投資有限公司 *(note)*	PRC	100%	–	100%	RMB30,000,000	Provision of financing services
英發能源煤層氣(安徽)有限公司	PRC	100%	–	100%	HK$2,000,000	Inactive

Note:

These companies are wholly foreign-owned enterprises established in the PRC.

The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2019 and 2018.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Club debentures at FVTPL *(note (a))*	**1,000**	1,000
Current		
Listed investments in Hong Kong at FVTPL *(note (b))*	**10,125**	10,010

Notes:

(a) The fair value of the club debentures at FVTPL was estimated by the directors of the Company with reference to the expected value to be realised.

(b) The fair values of the listed securities are determined by reference to their respective quoted market prices available on the relevant exchange at the end of the reporting period.

22. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(note (a))*	**14,704**	15,293
Less: Impairment allowance *(note (b))*	**(14,472)**	(14,472)
	232	821
Other receivables	**251**	824
Other receivable from escrow agent *(note (c))*	**–**	50,000
Deposits and prepayments	**1,209**	1,395
	1,460	52,219
	1,692	53,040

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) Ageing analysis of trade receivables

The ageing analysis of the trade receivables of the Group, based on the dates of the invoices and net of impairment allowance, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0-45 days	**232**	581
46-90 days	**–**	240
91-365 days	**–**	–
Over 365 days	**14,472**	14,472
	14,704	15,293
Less: Impairment allowance	**(14,472)**	(14,472)
	232	821

The credit terms granted to trade receivables in respect of sale of electronic components are due between 0 day to 45 days from the date of billing.

(b) Impairment allowance

At 31 December 2019, the Group's trade receivables of HK$14,472,000 (2018: HK$14,472,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that it is highly unlikely that the receivables can be recovered. The Group does not hold any collateral over the trade receivable balances.

There is no trade receivable past due but not impaired at the end of both reporting periods.

(c) During the year, the Group and the escrow agent have resolved the disputed matter for the settlement amount of HK$50,000,000. The other receivable from escrow agent as at 31 December 2018 has been fully settled.

23. CASH AND BANK BALANCES

	2019	2018
	HK$'000	*HK$'000*
Cash at banks and on hand	**10,509**	6,374
Less: Cash balance in a pledged margin account	**(1)**	–
Less: Pledged bank deposits	**(120)**	(180)
Less: Restricted bank balances	**–**	(33)
Cash and cash equivalents in the consolidated statement of cash flows	**10,388**	6,161

Note:

Bank balances carry interest ranging from 0.01% to 0.3% (2018: from 0.01% to 0.3%) per annum. Short-term bank deposits amounting to HK$120,000 (2018: HK$180,000) carry fixed interest rate of 0.55% (2018: 0.2125%) per annum and are pledged to a bank to secure banking facilities granted to the Group.

24. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Independent third parties:		
Borrowing - secured *(note(a))*	**15,000**	–
Borrowing - unsecured *(note(b))*	**10,000**	–
	25,000	–

Notes:

(a) The amount is secured by a margin account of a regulated securities broker, repayable within one year and bearing interest at fixed interest rates of 24% per annum. At 31 December 2019, this margin account has listed securities of approximately HK$9,987,000 and cash balances of approximately HK$1,000.

(b) The amount is unsecured, repayable within one year and bearing interest at fixed interest rates of 24% per annum.

25. OTHER BORROWING, UNSECURED

Other borrowing, relating to the CBM business under the PSC *(note 19)* and payable to an independent third party, is unsecured, interest free and with no fixed repayment terms. The movements in other borrowing during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**11,267**	11,814
Advance from other borrowing	**–**	68
Exchange adjustment	**(208)**	(615)
At 31 December	**11,059**	11,267

26. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note (a))*	**1,000**	1,383
Other payables *(note (b))*	**27,908**	35,129
Amounts due to non-controlling interests of a subsidiary *(note 37)*	**16,342**	16,072
Accrued expenses	**9,609**	10,301
	54,859	62,885
Analysed for reporting purpose as:		
Non-current liabilities	**16,342**	16,072
Current liabilities	**38,517**	46,813
Total	**54,859**	62,885

26. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) The ageing analysis of the trade payables of the Group, based on the dates of the invoices, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current – within 1 month	**272**	510
More than 1 month but within 3 months	**529**	836
More than 3 months but within 6 months	**40**	7
More than 6 months	**159**	30
	1,000	1,383

(b) Other payables included approximately RMB5,737,000 (equivalent to approximately HK$6,414,000) of engineering fees payable to creditors in the PRC and approximately RMB9,863,000 (equivalent to approximately HK$11,026,000) of amount payable to China United.

27. BONDS

	Unlisted bond ("Bond I") HK$'000 (note (a))	Unlisted bond ("Bond II") HK$'000 (note (b))	Unlisted bond ("Bond III") HK$'000 (note (c))	Unlisted bond ("Bond IV") HK$'000 (note (d))	Total HK$'000
At 1 January 2018	23,919	958	10,936	37,985	73,798
Repayment of bonds	(24,000)	–	–	–	(24,000)
Interest charge	193	92	807	3,964	5,056
Less: Interest paid	(112)	(70)	(770)	(2,460)	(3,412)
At 31 December 2018 and 1 January 2019	–	980	10,973	39,489	51,442
Repayment of bonds	–	(1,000)	(1,000)	(36,000)	(38,000)
Interest charge	–	85	777	3,705	4,567
Less: Interest paid	–	(65)	(760)	(2,218)	(3,043)
At 31 December 2019	–	–	9,990	4,976	14,966

Analysed for reporting purpose as:

At 31 December 2019					
Non-current liabilities	–	–	9,990	–	9,990
Current liabilities	–	–	–	4,976	4,976
Total	–	–	9,990	4,976	14,966
At 31 December 2018					
Non-current liabilities	–	–	–	4,777	4,777
Current liabilities	–	980	10,973	34,712	46,665
Total	–	980	10,973	39,489	51,442

27. BONDS *(Continued)*

Notes:

(a) In December 2014, Bond I with an aggregate principal amount of HK$10,000,000 was issued to a subscriber through a placing agent, and an aggregate principal amount of HK$77,000,000 were issued to individual subscribers, with an interest rate of 6% per annum payable annually.

In January and February 2015, Bond I with an aggregate principal amount of HK$1,000,000 was issued to a subscriber through a placing agent, and an aggregate principal amount of HK$23,000,000 was issued to individual subscribers, with an interest rate of 6% per annum payable annually.

Bond I would mature and be redeemed by the Company on the third anniversary of the date of issue correspondingly. During the year ended 31 December 2018, an aggregate principal amount of HK$24,000,000 was repaid. There was no remaining balance of Bond I as at 31 December 2019 and 2018.

Imputed interest expenses on Bond I were calculated using effective interest method with an average effective interest rate of 10.02% (2018: 10.02%) per annum.

(b) In December 2014, Bond II with an aggregate principal amount of HK$1,000,000 was issued to a subscriber through a placing agent with an interest rate of 7% per annum payable annually.

Bond II would mature and be redeemed by the Company on the fifth anniversary of the date of issue correspondingly. During the year ended 31 December 2019, an aggregate principal amount of HK$10,000,000 was repaid. There was no remaining balance of Bond II as at 31 December 2019.

Imputed interest expenses on Bond II were calculated using effective interest method with an effective interest rate of 9.59% (2018: 9.59%) per annum.

(c) In August and November 2016, Bond III with an aggregate principal amount of HK$11,000,000 were issued to individual subscribers with an interest rate of 7% per annum payable semi-annually.

Bond III will mature and be redeemed by the Company on the third anniversary of the date of issue correspondingly.

In March 2019, the maturity date of Bond III with an aggregate principal amount of HK$10,000,000 as extended from third anniversary in August 2019 to sixth anniversary in August 2022 of the date of issue.

Imputed interest expenses on Bond III with an aggregate principal amount of HK$1,000,000 was calculated using effective interest method with an effective interest rate of 7.38% (2018: 7.38%) per annum.

Imputed interest expenses on Bond III with an aggregate principal amount of HK$10,000,000 was calculated using effective interest method with an effective interest rate of 7.04% (2018: 7.38%) per annum after extension.

(d) In November and December 2016, Bond IV with an aggregate principal amount of HK$36,000,000 were issued to subscribers through a placing agent with an interest rate of 6% per annum payable semi-annually.

In February 2017, Bond IV with an aggregate principal amount of HK$5,000,000 was issued to a subscriber through a placing agent with an interest rate of 6% per annum payable semi-annually.

Bond IV will mature and be redeemed by the Company on the third anniversary in February 2020 of the date of issue correspondingly.

Imputed interest expenses on Bond IV were calculated using effective interest method with an average effective interest rate of 10.44% (2018: 10.44%) per annum.

28. LOAN FROM ULTIMATE HOLDING COMPANY

The loan was sub-ordinated in nature which were unsecured, interest bearing at 24% and not repayable within one year. The ultimate holding company has confirmed that it will not demand the Company for repayment of such loans until all the other liabilities of the Group had been satisfied.

29. CONVERTIBLE NOTES, UNSECURED

On 20 March 2015, the Company issued convertible notes with principal amount of HK$637,000,000 ("Old Convertible Notes") to New Alexander Limited, which is an independent third party of the Group.

The initial conversion price of the Old Convertible Notes was HK$0.12 per share, subject to anti-dilutive adjustment, the Old Convertible Notes bear interest at 2% per annum, payable semi-annually in arrears on 30 June and 31 December in each year, and will mature on 31 December 2018. The holders of the Old Convertible Notes shall have the right to convert the whole or any part of the principal amount of the Old Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the Old Convertible Notes and 31 December 2018.

The Old Convertible Notes contain two components, liability and embedded derivatives. The liability component is carried at amortised cost using the effective interest method. The embedded derivatives component is carried at fair value. The effective interest rate of the liability component for the Old Convertible Notes is 11.80% per annum.

The conversion price of the Old Convertible Notes was adjusted to HK$0.11 on 17 September 2015 and to HK$0.10 on 19 November 2015 upon completion of the shares issue under open offer and bonus issue of warrants. Besides, the conversion price of the Old Convertible Notes was adjusted to HK$0.20 from the close of business on 23 February 2017 and to HK$0.17 on 4 March 2017 upon completion of the share consolidation and the rights issue respectively. Furthermore, the conversion price of the Old Convertible Notes was adjusted to HK$1.70 from the close of business on 25 July 2018 upon completion of the share consolidation as detailed in note 31 to the consolidated financial statements.

During the year ended 31 December 2018, no Old Convertible Notes was redeemed.

On 24 August 2018, the Company entered into a conditional agreement ("Convertible Notes Restructuring Agreement") with the noteholder to restructure the terms of the Old Convertible Notes. Upon completion of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement, on 6 November 2018, the Company issued new convertible notes with principal value of HK$365,000,000 ("New Convertible Notes") for settlement of the Old Convertible Notes.

The initial conversion price of the New Convertible Notes was HK$0.16 (subject to adjustments at any time during the period, commencing from the issue date), the New Convertible Notes bear interest at the coupon rate of 2% per annum, payable semi-annually in arrears on 30 June and 31 December in each year, and will mature on 31 December 2021. The holder of the New Convertible Notes shall have the right to convert the whole or any part of the principal amount of the New Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the New Convertible Notes and 31 December 2021.

29. CONVERTIBLE NOTES, UNSECURED *(Continued)*

The New Convertible Notes contain two components, liability and embedded derivatives. The liability component is classified as non-current liabilities and carried at amortised cost using the effective interest method. The embedded derivatives component is classified as non-current liabilities and carried at fair value. The effective interest rate of the liability component for the New Convertible Notes is 19.39% per annum.

The fair value of the embedded derivatives portion of the convertible notes that are not traded in active markets is determined using valuation techniques. The Group estimates the fair value of the embedded derivatives portion based on an independent professional valuation using the binomial lattice model, which requires various sources of information and assumptions. The inputs to this model are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing the fair value.

The following key inputs and data were applied to the binomial lattice model for the derivatives embedded in the convertible notes at 31 December 2019 and 2018.

	At 31/12/2019	At 31/12/2018
Share price	**HK$0.255**	HK$0.17
Conversion price	**HK$0.12**	HK$0.16
Risk free rate	**1.74%**	1.71%
Expected dividend yield	**Nil**	Nil
Annualised volatility	**86.9%**	72.06%

29. CONVERTIBLE NOTES, UNSECURED *(Continued)*

The movements of the embedded derivatives portion (at fair value) and the liability portion (at amortised cost) of the Old Convertible Notes and the New Convertible Notes are as follows:

Old Convertible Notes due on 31 December 2018

	Embedded derivatives portion *HK$'000*	**Liability portion** *HK$'000*	**Total** *HK$'000*
Carrying amount of convertible notes (with principal amount of HK$365,000,000) as at 1 January 2018	1,336	329,394	330,730
Imputed interest charged to consolidated statement of profit or loss	–	32,227	32,227
Decrease in fair value credited to consolidated statement of profit or loss	(1,336)	–	(1,336)
Interest paid	–	(7,300)	(7,300)
Carrying amount immediately before restructuring	–	354,321	354,321
Fair value at the date of restructuring	(134,716)	(225,722)	(360,438)
Loss on restructuring	134,716	(128,599)	6,117
Carrying amount of convertible notes	–	–	–

29. CONVERTIBLE NOTES, UNSECURED *(Continued)*

New Convertible Notes due on 31 December 2021

	Embedded derivatives portion *HK$'000*	Liability portion *HK$'000*	Total *HK$'000*
Issue of convertible notes (with principal amount of HK$365,000,000) on 6 November 2018	134,716	225,722	360,438
Imputed interest charged to consolidated statement of profit or loss	–	6,109	6,109
Increase in fair value charged to consolidated statement of profit or loss	7,882	–	7,882
Carrying amount of convertible notes (with principal amount of HK$365,000,000) as at 31 December 2018 and 1 January 2019	142,598	231,831	374,429
Imputed interest charged to consolidated statement of profit or loss	–	44,095	44,095
Decrease in fair value credited to consolidated statement of profit or loss	(32,250)	–	(32,250)
Repayment of interest	–	(7,319)	(7,319)
Carrying amount of convertible notes (with principal amount of HK$365,000,000) as at 31 December 2019	110,348	268,607	378,955

At 31 December 2019, New Convertible Notes with principal amount of HK$365,000,000 remained outstanding.

30. LEASE LIABILITIES

	2019 *HK$'000*
Lease liabilities payable:	
Within one year	1,159
Within a period of more than one year but not more than two years	646
	1,805
Less: amount due for settlement within 12 months under current liabilities	(1,159)
Amount due for settlement after 12 months under non-current liabilities	646

31. SHARE CAPITAL

	Number of ordinary shares	Share capital
		HK$'000
Issued and fully paid		
At 1 January 2018	4,790,823,420	2,032,227
Issue of shares upon exercise of warrants *(note (a))*	1,022,756	95
Share consolidation *(note (b))*	(4,312,661,559)	–
At 31 December 2018 and 1 January 2019	479,184,617	2,032,322
Issue of new shares under rights issue, net of share issue expenses *(note (c))*	239,592,308	27,352
Issue of shares upon exercise of warrants *(note (a))*	11,015,979	441
At 31 December 2019	729,792,904	2,060,115

Notes:

(a) Issue of shares upon exercise of warrants

On 11 May 2017, the Company issued a total of 958,158,684 bonus warrants ("2017 Warrants") on the basis of one bonus warrant for every five shares of the Company held by the shareholders on 24 April 2017. The holders of these 2017 Warrants are entitled to subscribe in cash at any time during the period commencing from 11 May 2017 to 10 May 2018 (both dates inclusive) for 958,158,684 ordinary shares at an initial subscription price of HK$0.093 per share (subject to adjustment).

During the year up to 10 May 2018, being the date of expiry of the 2017 Warrants, 1,022,756 ordinary shares were issued for cash at the subscription price of HK$0.093 per share pursuant to the exercise of the 2017 Warrants. There were no 2017 Warrants outstanding as at 31 December 2018 as they had lapsed on 10 May 2018.

On 16 October 2019, the Company issued a total of 143,755,385 new bonus warrants ("2019 Warrants") on the basis of one bonus warrant for every five shares of the Company held by the shareholders on 30 September 2019. The holders of these 2019 Warrants are entitled to subscribe in cash at any time during the period commencing from 16 October 2019 to 15 October 2020 (both dates inclusive) for 143,755,385 new ordinary shares at an initial subscription price of HK$0.04 per share (subject to adjustment).

During the year ended 31 December 2019, 11,015,979 ordinary shares were issued for cash at the subscription price of HK$0.04 per share pursuant to the exercise of the 2019 Warrants. At 31 December 2019, the outstanding number of 2019 Warrants are 132,739,406.

(b) Share consolidation effective on 26 July 2018

On 27 June 2018, the directors of the Company proposed that every ten issued shares of the Company be consolidated into one consolidated share. The share consolidation was approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 25 July 2018. As all the conditions precedent to the share consolidation have been fulfilled, the share consolidation became effective on 26 July 2018.

31. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) Issue of new shares under rights issue

In September 2019, the Company allotted 239,592,308 new ordinary shares on the basis of one rights share for every two shares at a subscription price of HK$0.12 per rights share. Net proceeds of approximately HK$27,352,000 were used for the repayment of unlisted corporate bonds and promissory notes issued by the Company and as the general working capital of the Group.

All the new shares issued during the years ended 31 December 2019 and 2018 ranked pari passu with the then existing shares in all respects.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") approved by the shareholders on 11 November 2014, under which the directors of the Company may, at their discretion, offer any eligible participants (including any directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. For each lot of the share options granted, the participants will pay a nominal consideration of HK$1. The period within which the shares must be taken up under an option is determined by the board of directors of the Company from time to time, except that such period shall not exceed ten years from the date of grant of the options.

The exercise price of the share options is determinable by the directors, that it shall be at least the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of share options; and (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant.

At the annual general meeting of the Company held on 7 June 2017, an ordinary resolution was passed refreshing the scheme mandate limit. The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at 7 June 2017. This limit can further be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. The maximum number of shares issuable under share options granted to each eligible participant under the Scheme within any twelve-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

There were no share options granted and exercised during the years ended 31 December 2019 and 2018. There were no share options outstanding as at 31 December 2019 and 2018.

33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately. The Group has no other material obligations for the payment of pension benefits associated with the MPF Scheme beyond the annual contributions described above.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in a defined contribution retirement scheme organised by the local government, whereby the Group is required to make contributions to the pension fund scheme at a certain percentage of the employees' relevant basic salaries. Contributions to the scheme vest immediately.

The Group's contributions to employee retirement benefits for the year ended 31 December 2019 were HK$1,060,000 (2018: HK$1,819,000). As at 31 December 2019, there was no material outstanding contribution to employee retirement benefits.

34. CAPITAL COMMITMENTS

Capital commitments outstanding as at 31 December 2019 and 2018 not provided for in the consolidated financial statements were as follows:

	2019	2018
	HK$'000	*HK$'000*
Production sharing contract:		
– Contracted but not provided for	**27,068**	32,397

On 21 August 2017, Can-Elite entered into the fourth modification agreement to the modified PSC with China United. Pursuant to the fourth modification agreement, the well count required to be completed in Area A during the exploration period (a period up to the date of approval by the relevant authorities under the PRC government for the overall development program) has increased from at least two U-shaped connected wells to at least four U-shaped connected wells. Further, the exploration period of Area B has been extended for three more years, from the original expiry date (being 31 March 2017) to 31 March 2020. During the extended exploration period, at least 15 wells are required to be completed in Area B with the performance of relevant exploration works such as fracturing, drainage and extraction. In order to complete the above exploration works, Can-Elite is required to utilise at a minimum of RMB8,000,000 (approximately HK$8,943,144) equivalent in US dollars per year towards Area A and at a minimum of RMB30,000,000 equivalent in US dollars towards Area B, respectively, as the expected minimum exploration expenditure amount.

The management of the Company has applied for extension of the modification agreement for the exploration period of Area B with China United. The negotiation is still in progress with China United to agree on the terms and conditions, and based on past experience, management of the Company considered that the chance to extend of the modification agreement is highly probable.

35. CONTINGENCIES

Environmental contingencies

The Group has not incurred any significant expenditure for environment remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines, concentrators and smelting plants irrespective of whether they are operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is not determinable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

36. PLEDGE OF ASSETS

The short-term bank deposits, amounted to approximately HK$120,000, have been pledged as securities for banking facilities granted to the Group as at 31 December 2019 and 2018.

Equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with carrying amount of HK$10,125,000 (2018: HK$8,237,000) are placed in margin accounts of a regulated securities broker. No margin facility is utilised as at 31 December 2019 and 2018.

One of the margin accounts of a regulated securities broker secured a borrowing of amount HK$15,000,000 at 31 December 2019. This margin account has listed securities of approximately HK$9,987,000 and cash balances of approximately HK$1,000.

37. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(A) Transactions with related parties

During the year, the Group had the following transactions with related parties in the normal course of business:

	2019 ***HK$'000***	2018 *HK$'000*
Loan interest payable to ultimate holding company *(note i)*	**47**	–
Interest on convertible notes to ultimate holding company	**1,460**	–
	1,507	–

37. RELATED PARTY TRANSACTIONS *(Continued)*

(B) Outstanding balances with related parties

	2019	2018
	HK$'000	*HK$'000*
Loan from ultimate holding company *(note i)*	**10,000**	–
Loan interest payable to ultimate holding company *(note ii)*	**47**	–
Salaries payable to a ultimate controlling party *(note iii)*	**41**	–
Amounts due to non-controlling interests of a subsidiary *(note iv)*	**16,342**	16,072
Convertible notes held by ultimate holding company		
– liability portion	**77,271**	–
Convertible notes held by a ultimate holding company		
– embedded derivatives	**31,744**	–
	135,445	16,072

Notes:

(i) The loans were sub-ordinated in nature which were unsecured, interest bearing at 24% and not repayable within one year. The ultimate holding company has confirmed that it will not demand the Company for repayment of such loans until all the other liabilities of the Group had been satisfied.

(ii) The interest expenses is arising from the loan from ultimate holding company.

(iii) The ultimate controlling party of the Company is Mr. Pan Jibiao.

(iv) The amounts due to non-controlling interests of a subsidiary are unsecured and interest free. The non-controlling interests of a subsidiary has agreed not to demand repayment in the next twelve months from the year end date.

(C) Key management personnel compensation

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**4,696**	4,949
Discretionary bonus	**50**	208
Retirement scheme contributions	**65**	86
	4,811	5,243

Total remuneration is included in “staff costs” *(note 11)*.

38. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**7**	11
Interest in subsidiaries, net	**11,088**	392,400
Financial assets at fair value through profit or loss	**1,000**	1,000
	12,095	393,411
Current assets		
Amounts due from subsidiaries, net	**32,409**	72,621
Other receivables	**157**	510
Other receivables from escrow agent	**–**	20,588
Cash and bank balances	**4,042**	1,269
	36,608	94,988
Current liabilities		
Bonds	**4,976**	46,665
Promissory notes	**–**	14,228
Borrowing	**10,000**	–
Other payables	**4,552**	1,924
	19,528	62,817
Net current assets	**17,080**	32,171

38. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

	2019	2018
	HK$'000	*HK$'000*
Total assets less current liabilities	**29,175**	425,582
Non-current liabilities		
Bonds	**9,990**	4,777
Loan from ultimate holding company	**10,000**	–
Promissory notes	**–**	5,012
Convertible notes-liability portion, unsecured	**268,607**	231,831
Convertible notes-embedded derivatives, unsecured	**110,348**	142,598
	398,945	384,218
Net (liabilities) assets	**(369,770)**	41,364
Capital and reserves		
Share capital	**2,060,115**	2,032,322
Reserves	**(2,429,885)**	(1,990,958)
(Capital deficiency) total equity	**(369,770)**	41,364

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 31 March 2020 and are signed on its behalf by:

Mr. Lo Tsz Fung Philip
DIRECTOR

Mr. Tam Tak Wah
DIRECTOR

38. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION *(Continued)*

Note:

Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

	Special capital reserve *HK$'000* *(note 39(a))*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2018	579,799	(1,971,250)	(1,391,451)
Loss and total comprehensive expenses for the year	–	(599,507)	(599,507)
At 31 December 2018 and 1 January 2019	579,799	(2,570,757)	(1,990,958)
Loss and total comprehensive expenses for the year	–	(438,927)	(438,927)
At 31 December 2019	579,799	(3,009,684)	(2,429,885)

Pursuant to the reductions in capital of the Company in 2003 ("2003 Capital Reduction"), 2009 ("2009 Capital Reduction") and 2012 ("2012 Capital Reduction"), the Company has undertaken that in the event of its making any future recoveries in respect of the provisions against certain specific subsidiaries as at 31 December 2002, 2008 and 2011, respectively, all such recoveries up to maximum amounts of HK$367,938,000 in relation to 2003 Capital Reduction, HK$130,663,000 in relation to 2009 Capital Reduction and HK$171,025,000 in relation to 2012 Capital Reduction, will be credited to a special capital reserve of the Company, which shall not be treated as realised profits for the purpose of section 79B of the predecessor Hong Kong Companies Ordinance (Cap.32) and shall be treated as an un-distributable reserve of the Company for the purpose of section 79C of the predecessor Hong Kong Companies Ordinance (Cap.32).

No credit transfer to this special capital reserve was made by the Company in 2019 and 2018.

39. RESERVES

(a) Special capital reserve

Pursuant to 2009 Capital Reduction and 2012 Capital Reduction, the amounts of HK$492,172,000 and HK$87,627,000 by which the capital reductions exceed the total accumulated losses of permanent nature of the Company as at 31 December 2008 and 31 December 2011, have been credited to a special capital reserve of the Company which shall not be treated as realised profits for the purpose of section 79B of the predecessor Hong Kong Companies Ordinance (Cap. 32) and shall be treated as an un-distributable reserve of the Company for the purpose of section 79C of the predecessor Hong Kong Companies Ordinance (Cap. 32).

39. RESERVES *(Continued)*

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and foreign operations. The reserve is dealt with in accordance with the accounting policies in note 3(g) to the consolidated financial statements.

(c) Distributable reserves

As at 31 December 2019, the aggregate amount of reserves available for distribution to owners of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap.622), with reference to section 79B of the predecessor Hong Kong Companies Ordinance (Cap. 32) was Nil (2018: Nil).

40. 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 *(Note 30)* HK$'000	Other borrowing *(Note 25)* HK$'000	Bonds *(Note 27)* HK$'000	Convertible notes – embedded derivatives *(Note 29)* HK$'000	Convertible notes – liabilities portion *(Note 29)* HK$'000	Promissory notes HK$'000	Borrowings *(Note 24)* HK$'000	Loan from ultimate holding company *(Note 28)* HK$'000	Interest payable HK$'000	Total HK$'000
At 1 January 2018	–	11,814	73,798	1,336	329,394	–	–	–	–	416,342
Financing cash flows	–	68	(27,412)	–	(7,300)	18,500	–	–	–	(16,144)
Loss on restructuring	–	–	–	–	(128,599)	–	–	–	–	(128,599)
Interest expenses	–	–	5,056	–	38,336	740	–	–	–	44,132
Changes in fair value	–	–	–	141,262	–	–	–	–	–	141,262
Exchange adjustment	–	(615)	–	–	–	–	–	–	–	(615)
At 31 December 2018 and 1 January 2019	–	11,267	51,442	142,598	231,831	19,240	–	–	–	456,378
Impact on initial application of HKFRS 16 *(note 2)*	719	–	–	–	–	–	–	–	–	719
At 1 January 2019	719	11,267	51,442	142,598	231,831	19,240	–	–	–	457,097
New leases entered	1,725	–	–	–	–	–	–	–	–	1,725
Financing cash flows	(624)	–	(38,000)	–	–	(19,240)	25,000	10,000	–	(22,864)
Interest paid	(79)	–	(3,043)	–	(7,319)	(1,304)	–	–	(480)	(12,225)
Interest expenses	79	–	4,567	–	44,095	1,304	–	–	727	50,772
Changes in fair value	–	–	–	(32,250)	–	–	–	–	–	(32,250)
Exchange adjustment	(15)	(208)	–	–	–	–	–	–	–	(223)
At 31 December 2019	1,805	11,059	14,966	110,348	268,607	–	25,000	10,000	247	442,032

41. EVENTS AFTER THE REPORTING PERIOD

(i) Pursuant to the circular of the Company dated 15 January 2020, the Company proposed to change the English name and the Chinese name of the Company from "International Standard Resources Holdings Limited 標準資源控股有限公司" to "Golden Century International Holdings Group Limited 金禧國際控股集團有限公司" (the "Proposed Change of Company Name"). The special resolution on the Proposed Change of Company Name has been approved by the shareholders of the Company at the extraordinary general meeting held on 6 February 2020. The Company Registry in Hong Kong has issued a Certificate of Change of Name of the Company on 18 March 2020.

(ii) Since the outbreak of the coronavirus disease 2019 ("COVID-19") began in January 2020 across the country, the Company has actively responded to and strictly implemented the various regulations and requirements of the government for virus epidemic prevention and controls. To ensure both epidemic prevention and operation, the Company and its subsidiaries have implemented strict internal measure to implement epidemic prevention work.

The Company expects that the COVID-19 epidemic situation and prevention and control measures will have a certain temporary impact on the Group's operation, and the degree of impact depends on the progress and duration of epidemic prevention and control and the implementation of local prevention and control policies.

The Company will continue to pay close attention to the development of the COVID-19 epidemic, and evaluate and actively respond to its impact on the financial position and operating results of the Group. As of the reporting date of the consolidated financial statements, no significant adverse impact has been found.

FINANCIAL SUMMARY

Results	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**7,587**	9,109	16,669	23,518	58,229
Loss before tax	**(505,733)**	(657,874)	(403,642)	(498,325)	(545,727)
Income tax	**108,572**	127,083	99,495	113,790	121,270
Loss for the year	**(397,161)**	(530,791)	(304,147)	(384,535)	(424,457)
Other comprehensive income (expenses) for the year	**3,197**	(33,081)	66,834	(82,841)	(89,845)
Total comprehensive expenses for the year	**(393,964)**	(563,872)	(237,313)	(467,376)	(514,302)
Loss for the year attributed to:					
Owners of the Company	**(396,791)**	(530,452)	(303,913)	(384,448)	(423,744)
Non-controlling interests	**(370)**	(339)	(234)	(87)	(713)
	(397,161)	(530,791)	(304,147)	(384,535)	(424,457)

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**190,954**	690,821	1,348,896	1,772,588	2,331,655
Total liabilities	**(518,688)**	(652,371)	(746,669)	(1,071,023)	(1,225,264)
(Capital deficiency) total equity	**(327,734)**	38,450	602,227	701,565	1,106,391
Non-controlling interests	**4,904**	4,534	4,195	3,961	3,874
(Capital deficiency) equity attributable to owners of the Company	**(322,830)**	42,984	606,422	705,526	1,110,265