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## Golden Century International Holdings Group Limited

### 金禧國際控股集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 91)

(Warrant Code: 1807)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of Golden Century International Holdings Group Limited (the “**Company**”) hereby presents the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”).

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

|  | Notes | Unaudited                                       |                             |
|--|-------|---|-----------------------------|
|  |       | Six months ended<br>30 June<br>2020<br>HK\$'000 | 30 June<br>2019<br>HK\$'000 |
| Revenue  | 3     | 2,978   | 4,366                       |
| Cost of sales                                  |       | (2,541)   | (3,885)                     |
| Gross profit                                   |       | 437   | 481                         |
| Other income                                   |       | 91  | 13                          |
| Other gains and losses                         |       | 13,370  | 56,337                      |
| Administrative expenses                        |       | (23,513)  | (21,084)                    |
| Amortisation of production sharing contract    |       | (2,538)   | (13,411)                    |
| Impairment loss on production sharing contract |       | –   | (413,598)                   |
| <b>Loss from operations</b>                    |       | <b>(12,153)</b>                                 | <b>(391,262)</b>            |
| Finance costs                                  | 4     | (30,826)  | (24,643)                    |
| <b>Loss before tax</b>                         | 5     | <b>(42,979)</b>                                 | <b>(415,905)</b>            |
| Income tax                                     | 6     | (3,283)   | 105,959                     |
| <b>Loss for the period</b>                     |       | <b>(46,262)</b>                                 | <b>(309,946)</b>            |
| Attributable to:                               |       |   |                             |
| Owners of the Company                          |       | (46,110)  | (309,807)                   |
| Non-controlling interests                      |       | (152)   | (139)                       |
|  |       | <b>(46,262)</b>                                 | <b>(309,946)</b>            |
| <b>Loss per share</b>                          | 8     |   |                             |
| Basic and diluted (HK cents per share)         |       | <b>(6.26)</b>                                   | <b>(64.65)</b>              |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2020*

|  | <b>Unaudited</b>        |                         |
|--|-------------------------|-------------------------|
|  | <b>Six months ended</b> |                         |
|  | <b>30 June</b>          | 30 June                 |
|  | <b>2020</b>             | 2019                    |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>         |
| <b>Loss for the period</b>   | <u>(46,262)</u>         | <u>(309,946)</u>        |
| <b>Other comprehensive income</b>  |                         |                         |
| <i>Item that may be reclassified subsequently to<br/>profit or loss:</i> |                         |                         |
| Exchange differences on translation<br>of foreign operations             | <u>2,117</u>            | <u>137</u>              |
| <b>Other comprehensive income for the period,<br/>net of income tax</b>  | <u>2,117</u>            | <u>137</u>              |
| <b>Total comprehensive expenses for the period</b>                       | <u><u>(44,145)</u></u>  | <u><u>(309,809)</u></u> |
| Attributable to:   |                         |                         |
| Owners of the Company  | (43,993)                | (309,670)               |
| Non-controlling interests  | <u>(152)</u>            | <u>(139)</u>            |
|  | <u><u>(44,145)</u></u>  | <u><u>(309,809)</u></u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

|  |              | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>Non-current assets</b>                                |              |  |  |
| Property, plant and equipment                            |              | 66,606                                   | 71,079                                     |
| Right-of-use assets                                      |              | 40,634                                   | 1,798                                      |
| Intangible assets  | 9            | 90,306                                   | 94,751                                     |
| Financial assets at fair value through<br>profit or loss |              | —  | 1,000                                      |
|  |              | <u>197,546</u>                           | <u>168,628</u>                             |
| <b>Current assets</b>                                    |              |  |  |
| Financial assets at fair value through<br>profit or loss |              | —  | 10,125                                     |
| Trade and other receivables                              | 10           | 9,437                                    | 1,692                                      |
| Cash and bank balances                                   |              | 75,119                                   | 10,509                                     |
|  |              | <u>84,556</u>                            | <u>22,326</u>                              |
| <b>Current liabilities</b>                               |              |  |  |
| Borrowings   |              | —  | 25,000                                     |
| Other borrowing, unsecured                               |              | 10,834                                   | 11,059                                     |
| Trade and other payables                                 | 11           | 37,496                                   | 38,517                                     |
| Bonds  |              | —  | 4,976                                      |
| Lease liabilities  |              | 9,266                                    | 1,159                                      |
| Tax payables   |              | 5,301                                    | 5,328                                      |
|  |              | <u>62,897</u>                            | <u>86,039</u>                              |
| <b>Net current assets (liabilities)</b>                  |              | <u>21,659</u>                            | <u>(63,713)</u>                            |
| <b>Total assets less current liabilities</b>             |              | <u>219,205</u>                           | <u>104,915</u>                             |

|   |              | <b>Unaudited</b>        | Audited          |
|---|--------------|-------------------------|------------------|
|   |              | <b>30 June</b>          | 31 December      |
|   |              | <b>2020</b>             | 2019             |
|   | <i>Notes</i> | <b>HK\$'000</b>         | <b>HK\$'000</b>  |
| <b>Non-current liabilities</b>                              |              |                         |                  |
| Other payables  | 11           | <b>16,612</b>           | 16,342           |
| Bonds   |              | <b>9,990</b>            | 9,990            |
| Convertible notes – liability portion,<br>unsecured         | 12           | <b>285,284</b>          | 268,607          |
| Convertible notes – embedded derivatives,<br>unsecured      | 12           | <b>88,111</b>           | 110,348          |
| Lease liabilities   |              | <b>29,366</b>           | 646              |
| Loan from ultimate holding company                          |              | <b>71,534</b>           | 10,000           |
| Loan from ultimate controlling party                        |              | <b>59,360</b>           | –                |
| Deferred tax liabilities                                    |              | <b>19,525</b>           | 16,716           |
|   |              | <u><b>579,782</b></u>   | <u>432,649</u>   |
| <b>Net liabilities</b>                                      |              | <u><b>(360,577)</b></u> | <u>(327,734)</u> |
| <b>Capital and reserves</b>                                 |              |                         |                  |
| Share capital   | 13           | <b>2,071,417</b>        | 2,060,115        |
| Reserves  |              | <b>(2,426,938)</b>      | (2,382,945)      |
| Capital deficiency attributable to owners<br>of the Company |              | <b>(355,521)</b>        | (322,830)        |
| Non-controlling interests                                   |              | <b>(5,056)</b>          | (4,904)          |
| Capital deficiency  |              | <u><b>(360,577)</b></u> | <u>(327,734)</u> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It is authorised for issue on 26 August 2020.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that become effective for the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2 to the condensed consolidated financial statement.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim results announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant for the understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

### **Going concern basis**

The Group incurred a net loss attributable to owners of the Company of approximately HK\$46,110,000 for the period ended 30 June 2020, and as at the same date, the Group’s total liabilities exceeded its total assets by approximately HK\$360,577,000 and capital deficiency attributable to owners of the Company amounted to approximately HK\$355,521,000.

The directors of the Company (the “Directors”) 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) As at 30 June 2020, the Company has drawn down loans of HK\$68,000,000 and undrawn loan facilities of HK\$92,000,000 granted by Century Gold Millennium International Holdings Group Limited (the “Ultimate Holding Company”), which is provided on a subordinated basis. The Ultimate Holding Company will not demand the Company for repayment of such loans nor cancel the undraw loan facilities until all other liabilities of the Group have been satisfied;
- (ii) In addition to the loan facilities stated above, Mr. Pan Jibiao, the ultimate controlling party of the Company (the “Ultimate Controlling Party”), and the Ultimate Holding Company 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 RMB54,000,000 (approximately HK\$59,139,000) for the period ended 30 June 2020, the Ultimate Controlling Party will not demand 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 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 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 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 condensed consolidated financial statements on a going concern basis.

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

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to the statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those financial statements. The auditor's report was unmodified, including reference to the matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

## **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than the changes in accounting policies resulting from the application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

## Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

|  |                                   |
|--|-----------------------------------|
| Amendments to HKAS 1 and HKAS 8            | Definition of Material            |
| Amendments to HKFRS 3                      | Definition of a Business          |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform    |
| Amendments to HKFRS 16                     | COVID-19-Related Rent Concessions |

The application of the Amendment to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### Impact of amendment to HKFRS 16

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with the earlier application permitted. The amendment did not have any impact on the Group's unaudited interim condensed consolidated financial information.

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Revenue

An analysis of the amount of each significant category of revenue from principal activities during the period is as follows:

|                               | Unaudited        |              |
|-------------------------------|------------------|--------------|
|                               | Six months ended |              |
|                               | 30 June          | 30 June      |
|                               | 2020             | 2019         |
|                               | HK\$'000         | HK\$'000     |
| Sale of electronic components | <u>2,978</u>     | <u>4,366</u> |

**(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 assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Electronics components
- Coalbed methane
- Treasury (i.e. securities trading, securities brokerage and money lending)

**Six months ended 30 June 2020 (Unaudited)**

|   | <b>Electronic<br/>components<br/>HK\$'000</b> | <b>Coalbed<br/>methane<br/>HK\$'000</b> | <b>Treasury<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|---|---|------------------------------|---------------------------|
| Recognised at a point in time   | 2,978   | –                                       | –                            | 2,978                     |
| Recognised over time  | –   | –                                       | –                            | –                         |
| <b>Reportable segment revenue<br/>from external customers</b>             | <b>2,978</b>                                  | <b>–</b>                                | <b>–</b>                     | <b>2,978</b>              |
| <b>Reportable segment results</b>   | <b>(380)</b>                                  | <b>(16,355)</b>                         | <b>(6,014)</b>               | <b>(22,749)</b>           |
| Amortisation of production sharing contract                               | –   | 2,538                                   | –                            | 2,538                     |
| Depreciation of property, plant and equipment and right-of-use assets     | 147   | 3,990                                   | 218                          | 4,355                     |
| Gain on fair value change of convertible notes – embedded derivatives     | –   | (19,722)                                | –                            | (19,722)                  |
| Interest expenses   | 15  | 24,854                                  | 990                          | 25,859                    |
| Loss on disposal of financial assets at fair value through profit or loss | –   | –                                       | 3,425                        | 3,425                     |
| Other income  | (33)  | (4)                                     | (4)                          | (41)                      |



Six months ended 30 June 2019 (Unaudited)

|  | Electronic<br>components<br><i>HK\$'000</i> | Coalbed<br>methane<br><i>HK\$'000</i> | Treasury<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---------------------------------------|-----------------------------|--------------------------|
| Recognised at a point in time  | 4,366                                       | –                                     | –                           | 4,366                    |
| Recognised over time   | –   | –                                     | –                           | –                        |
| <b>Reportable segment revenue<br/>from external customers</b>                          | <b>4,366</b>                                | <b>–</b>                              | <b>–</b>                    | <b>4,366</b>             |
| <b>Reportable segment results</b>  | <b>(444)</b>                                | <b>(409,605)</b>                      | <b>6,767</b>                | <b>(403,282)</b>         |
| Amortisation of production<br>sharing contract   | –   | 13,411                                | –                           | 13,411                   |
| Depreciation of property, plant<br>and equipment and right-of-use<br>assets            | –   | 4,606                                 | 216                         | 4,822                    |
| Gain on fair value change of<br>convertible notes –<br>embedded derivatives            | –   | (48,295)                              | –                           | (48,295)                 |
| Interest expenses  | –   | 21,131                                | 25                          | 21,156                   |
| Impairment loss on production<br>sharing contract                                      | –   | 413,598                               | –                           | 413,598                  |
| Loss on disposal of financial assets<br>at fair value through profit or<br>loss        | –   | –                                     | 1,261                       | 1,261                    |
| Loss on disposal of property, plant<br>and equipment                                   | –   | 55                                    | –                           | 55                       |
| Net gain on revaluation of<br>financial assets at fair value<br>through profit or loss | –   | –                                     | (5,864)                     | (5,864)                  |
| Write back of other payables   | –   | –                                     | (3,850)                     | (3,850)                  |

There was no inter-segment sales for both periods.

(i) *Reconciliations of reportable segment profit or loss*

|  | <b>Unaudited</b>        |                        |
|--|-------------------------|------------------------|
|  | <b>Six months ended</b> |                        |
|  | <b>30 June</b>          | <b>30 June</b>         |
|  | <b>2020</b>             | <b>2019</b>            |
|  | <b><i>HK\$'000</i></b>  | <b><i>HK\$'000</i></b> |
| Reportable segment loss                        | <b>(22,749)</b>         | (403,282)              |
| Other income                                   | <b>50</b>               | 13                     |
| Other gains and losses                         | <b>(2,927)</b>          | (356)                  |
| Unallocated head office and corporate expenses | <b>(12,386)</b>         | (8,793)                |
| Interest expenses                              | <b>(4,967)</b>          | (3,487)                |
| <b>Consolidated loss before tax</b>            | <b>(42,979)</b>         | (415,905)              |

#### 4. FINANCE COSTS

|  | Unaudited        |               |
|--|------------------|---------------|
|  | Six months ended |               |
|  | 30 June          | 30 June       |
|  | 2020             | 2019          |
|  | HK\$'000         | HK\$'000      |
| Imputed interest on bond                         | 445              | 2,485         |
| Imputed interest on convertible notes            | 24,817           | 21,131        |
| Imputed interest on lease liabilities            | 113              | 25            |
| Interest on borrowings                           | 1,741            | –             |
| Interest on loan from ultimate controlling party | 223              | –             |
| Interest on loan from ultimate holding company   | 3,487            | –             |
| Interest on promissory notes                     | –                | 1,002         |
|  | <u>30,826</u>    | <u>24,643</u> |

#### 5. LOSS BEFORE TAX

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

|  | Unaudited        |                |
|--|------------------|----------------|
|  | Six months ended |                |
|  | 30 June          | 30 June        |
|  | 2020             | 2019           |
|  | HK\$'000         | HK\$'000       |
| Staff costs (including directors' emoluments)  |                  |                |
| Salaries, wages and other benefits   | 9,648            | 8,202          |
| Contributions to defined contribution retirement plans                                   | 601              | 599            |
|  | <u>10,249</u>    | <u>8,801</u>   |
| Total staff costs  | <u>10,249</u>    | <u>8,801</u>   |
| Cost of inventories recognised as expenses   | 2,541            | 3,885          |
| Depreciation of property, plant and equipment and right-of-use assets                    | 5,571            | 4,936          |
| Loss on disposal of property, plant and equipment  | –                | 55             |
| Lease payments for short term lease not included in the measurement of lease liabilities | 640              | 1,163          |
| Write back of other payables   | –                | (3,850)        |
|  | <u>–</u>         | <u>(3,850)</u> |

## 6. INCOME TAX

|  | <b>Unaudited</b>        |                         |
|--|-------------------------|-------------------------|
|  | <b>Six months ended</b> |                         |
|  | <b>30 June</b>          | 30 June                 |
|  | <b>2020</b>             | 2019                    |
|  | <b>HK\$'000</b>         | <b>HK\$'000</b>         |
| Current tax  |                         |                         |
| People's Republic of China (the "PRC") Enterprise Income Tax | <u>60</u>               | <u>41</u>               |
| Deferred tax   |                         |                         |
| Current period ( <i>note (c)</i> )                           | <u>3,223</u>            | <u>(106,000)</u>        |
| Income tax expense (credit)                                  | <u><u>3,283</u></u>     | <u><u>(105,959)</u></u> |

### Notes:

- (a) 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 considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the condensed consolidated financial statements. Thus, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both period.
- (b) The Group's subsidiaries in the PRC are subject to PRC Enterprise Income Tax rate of 25% (2019: 25%) for the six months ended 30 June 2020.
- (c) Deferred tax arising from the reversal of the temporary difference related to revaluation and disposal of financial assets at fair value through profit or loss amounted to HK\$3,857,000 (2019: HK\$752,000) and the reversal of the temporary difference arising from the amortisation of the intangible assets in respect of production sharing contract amounted to HK\$634,000 (2019: HK\$106,752,000).

## 7. DIVIDEND

No dividend was paid, declared or proposed during the interim period (2019: Nil). The Directors have determined that no dividend will be paid in respect of the interim period (2019: Nil).

## 8. 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:

|  | <b>Unaudited</b>          |                           |
|--|---------------------------|---------------------------|
|  | <b>Six months ended</b>   |                           |
|  | <b>30 June</b>            | 30 June                   |
|  | <b>2020</b>               | 2019                      |
|  | <b>HK\$'000</b>           | <b>HK\$'000</b>           |
| <b><i>Loss for the purpose of basic loss per share</i></b>                                       |                           |                           |
| Loss for the period attributable to owners of the Company  | <u><u>(46,110)</u></u>    | <u><u>(309,807)</u></u>   |
| <b><i>Weighted average number of ordinary shares for the purpose of basic loss per share</i></b> | <u><u>736,449,385</u></u> | <u><u>479,184,617</u></u> |

(b) **Diluted loss per share**

No adjustment was made in calculating diluted loss per share for both periods 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.

9. **INTANGIBLE ASSETS**

|  | <b>Production<br/>sharing contract<br/>("PSC")<br/>HK\$'000</b> |
|--|---|
| <b>Cost</b>                                    |   |
| At 1 January 2019                              | 3,758,542   |
| Exchange adjustment                            | <u>(69,512)</u>   |
| At 31 December 2019 and 1 January 2020         | 3,689,030   |
| Exchange adjustment                            | <u>(75,008)</u>   |
| At 30 June 2020                                | <u><u>3,614,022</u></u>   |
| <b>Accumulated amortisation and impairment</b> |   |
| At 1 January 2019                              | 3,232,346   |
| Charge for the year                            | 15,701  |
| Impairment loss                                | 413,598   |
| Exchange adjustment                            | <u>(67,366)</u>   |
| At 31 December 2019 and 1 January 2020         | 3,594,279   |
| Charge for the period                          | 2,538   |
| Exchange adjustment                            | <u>(73,101)</u>   |
| At 30 June 2020                                | <u><u>3,523,716</u></u>   |
| <b>Carrying amount</b>                         |   |
| At 30 June 2020 (Unaudited)                    | <u><u>90,306</u></u>  |
| At 31 December 2019 (Audited)                  | <u><u>94,751</u></u>  |

The PSC is amortised on straight-line basis over the remaining contract terms of 18.4 years (31 December 2019: 18.9 years) of the PSC.

## 10. TRADE AND OTHER RECEIVABLES

|  | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|--|--|--|
| Trade receivables ( <i>note (a)</i> )          | 15,539                                   | 14,704                                     |
| Less: Impairment allowance ( <i>note (b)</i> ) | <u>(14,472)</u>                          | <u>(14,472)</u>                            |
|  | <u>1,067</u>                             | <u>232</u>                                 |
| Other receivables                              | 307                                      | 251  |
| Deposits and prepayments                       | <u>8,063</u>                             | <u>1,209</u>                               |
|  | <u>8,370</u>                             | <u>1,460</u>                               |
|  | <u><u>9,437</u></u>                      | <u><u>1,692</u></u>                        |

*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 allowance for doubtful debts, is as follows:

|                            | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|----------------------------|--|--|
| 0–45 days                  | 1,067                                    | 232  |
| 46–90 days                 | –  | –  |
| 91–365 days                | –  | –  |
| Over 365 days              | <u>14,472</u>                            | <u>14,472</u>                              |
|                            | 15,539                                   | 14,704                                     |
| Less: Impairment allowance | <u>(14,472)</u>                          | <u>(14,472)</u>                            |
|                            | <u><u>1,067</u></u>                      | <u><u>232</u></u>                          |

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

(b) Impairment allowance

At 30 June 2020, the Group's trade receivables of HK\$14,472,000 (31 December 2019: HK\$14,472,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and the management of the Group 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.

## 11. TRADE AND OTHER PAYABLES

|  | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|--|--|--|
| Trade payables ( <i>note (a)</i> )                       | 1,499                                    | 1,000                                      |
| Other payables ( <i>note (b)</i> )                       | 25,810                                   | 27,908                                     |
| Amounts due to non-controlling interests of a subsidiary | 16,612                                   | 16,342                                     |
| Accrued expenses   | 10,187                                   | 9,609                                      |
|  | <u>54,108</u>                            | <u>54,859</u>                              |
| Analysed for reporting purpose as:                       |  |  |
| Non-current liabilities                                  | 16,612                                   | 16,342                                     |
| Current liabilities                                      | 37,496                                   | 38,517                                     |
|  | <u>54,108</u>                            | <u>54,859</u>                              |
| Total  | <u>54,108</u>                            | <u>54,859</u>                              |

### Notes:

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

|  | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|--|--|--|
| Current – within 1 month               | 812                                      | 272  |
| More than 1 month but within 3 months  | 510                                      | 529  |
| More than 3 months but within 6 months | 7  | 40   |
| More than 6 months                     | 170                                      | 159  |
|  | <u>1,499</u>                             | <u>1,000</u>                               |

- (b) Other payables include approximately RMB3,807,000 (equivalent to approximately HK\$4,169,000) of engineering fees payable to creditors in the PRC, approximately RMB11,725,000 (equivalent to approximately HK\$12,841,000) of amount payable to China United, approximately HK\$1,102,000 of the provision for reinstatement costs and HK\$2,340,000 of deposits received from a major customer in electronics components business.

## 12. CONVERTIBLE NOTES, UNSECURED

On 6 November 2018, the Company issued new convertible notes with principal value of HK\$365,000,000 (“Existing Convertible Notes”) to New Alexander Limited (“New Alexander”), which is an independent third party of the Group.

The initial conversion price of the Existing Convertible Notes was HK\$0.16 (subject to adjustments at any time during the period, commencing from the issue date), the Existing 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 Existing Convertible Notes shall have the right to convert the whole or any part of the principal amount of the Existing Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the Existing Convertible Notes and 31 December 2021.

The Existing 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 Existing 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.

On 30 September 2019, the Ultimate Holding Company and Existing Convertible Notes holder, New Alexander, entered into the Convertible Notes Transfer Agreement, pursuant to which the Ultimate Holding Company conditionally agreed to acquire and the New Alexander conditionally agreed to sell the convertible notes issued by the Company and held by the New Alexander 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 share, at a total consideration of HK\$310,250,000.

The aggregate outstanding principal amount of HK\$105,000,000 Existing Convertible Notes have been transferred to the Ultimate Holding Company on 12 November 2019 and the aggregate outstanding principal amount of HK\$260,000,000 Existing Convertible Notes have been transferred to the Ultimate Holding Company on 1 April 2020.

On 30 June 2020, Existing Convertible Notes with the principal amount of HK\$10,000,000 were converted into 83,333,333 ordinary shares.

The following key inputs and data were applied to the binomial lattice model for the derivatives embedded in the Existing Convertible Notes at 30 June 2020 and 31 December 2019.

|                         | <b>At<br/>30 June<br/>2020</b> | At<br>31 December<br>2019 |
|-------------------------|--------------------------------|---------------------------|
| Share price             | <b>HK\$0.250</b>               | HK\$0.255                 |
| Conversion price        | <b>HK\$0.12</b>                | HK\$0.12                  |
| Risk-free rate          | <b>0.23%</b>                   | 1.74%                     |
| Expected dividend yield | <b>Nil</b>                     | Nil                       |
| Volatility              | <b>92%</b>                     | 86.9%                     |

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

**Existing Convertible Notes due on 31 December 2021**

|   | <b>Embedded<br/>derivatives<br/>portion</b><br><i>HK\$'000</i> | <b>Liability<br/>portion</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---|--|---|---------------------------------|
| 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 condensed consolidated statement of profit or loss  | –  | 44,095  | 44,095                          |
| Decrease in fair value credited to condensed consolidated statement of profit or loss                                     | (32,250)   | –   | (32,250)                        |
| Interest paid   | –  | (7,319)   | (7,319)                         |
|   | <hr/>  | <hr/>   | <hr/>                           |
| Carrying amount of convertible notes (with principal amount of HK\$365,000,000) as at 31 December 2019 (Audited)          | 110,348  | 268,607   | 378,955                         |
| Imputed interest charged to condensed consolidated statement of profit or loss  | –  | 24,817  | 24,817                          |
| Decrease in fair value credited to condensed consolidated statement of profit or loss                                     | (19,722)   | –   | (19,722)                        |
| Conversion of convertible notes (with principal amount of HK\$10,000,000)   | (2,515)  | (8,040)   | (10,555)                        |
| Interest payable  | –  | (100)   | (100)                           |
|   | <hr/>  | <hr/>   | <hr/>                           |
| Carrying amount of convertible notes (with principal amount of HK\$355,000,000) as at 30 June 2020 (Unaudited)            | <u>88,111</u>  | <u>285,284</u>                                  | <u>373,395</u>                  |

At 30 June 2020, Existing Convertible Notes with principal amount of HK\$355,000,000 remained outstanding.

**13. SHARE CAPITAL**

|  | <b>Number of<br/>ordinary shares</b> | <b>Share capital</b><br><i>HK\$'000</i> |
|--|--------------------------------------|---|
| <b>Issued and fully paid:</b>  |                                      |   |
| At 1 January 2019  | 479,184,617                          | 2,032,322                               |
| Issue of new shares under rights issue,<br>net of share issue expenses ( <i>note (a)</i> ) | 239,592,308                          | 27,352                                  |
| Issue of shares upon exercise of warrants ( <i>note (b)</i> )                              | <u>11,015,979</u>                    | <u>441</u>                              |
| At 31 December 2019 and January 2020 (Audited)   | 729,792,904                          | 2,060,115                               |
| Issue of shares upon exercise of warrants ( <i>note (b)</i> )                              | 18,663,075                           | 747                                     |
| Issue of shares upon conversion of convertible notes ( <i>note (12)</i> )                  | <u>83,333,333</u>                    | <u>10,555</u>                           |
| At 30 June 2020 (Unaudited)  | <u>831,789,312</u>                   | <u>2,071,417</u>                        |



Notes:

(a) 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.

(b) Issue of shares upon exercise of warrants

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 of the Company (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 was 132,739,406.

During the period ended 30 June 2020, 18,663,075 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 30 June 2020, the outstanding number of 2019 Warrants was 114,076,331.

## 14. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2020 not provided for in the condensed consolidated financial statements were as follows:

|   | Unaudited<br>30 June<br>2020<br>HK\$'000 | Audited<br>31 December<br>2019<br>HK\$'000 |
|---|--|--|
| Contracted but not provided for             |  |  |
| Production sharing contract ( <i>note</i> ) | 20,972                                   | 27,068                                     |
| Decoration contracts                        | 4,695                                    | –  |
|   | <u>25,667</u>                            | <u>27,068</u>                              |

*Note:* On 21 August 2017, Canada Can-Elite Energy Limited (“Can-Elite”) entered into the fourth modification agreement regarding the modified PSC with China United Coalbed Methane Corporation Limited (“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 of 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.

Subsequently, Can-Elite entered into the fifth modification agreement regarding the modified PSC with China United for the extension of exploration period and amendment of expenditure commitment for exploration (the “Fifth Modification Agreement”). Further details are disclosed in note 16(c) to the condensed consolidated financial statement.

## 15. 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, the management of the Group 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.

## 16. EVENTS AFTER THE REPORTING PERIOD

- a) On 19 May 2020, the Company, SD Financial Group Holdings Limited (the “Vendor”) and Mr Dai Zhi as guarantor entered into a sale and purchase agreement under which the Company has conditionally agreed that the Company shall purchase and the Vendor has conditionally agreed to sell 23,000,000 issued shares of SD Limited (the “Target Company A”) and 5,000,000 issued shares of SD Asset Management Limited (the “Target Company B”), representing the entire issued share capital of Target Company A and Target Company B at the consideration of HK\$10,000,000.

Target Company A is a company incorporated in Hong Kong with limited liability and a corporation licensed by the Securities and Futures Commission (“SFC”) to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (the “SFO”).

Target Company B is a company incorporated in Hong Kong with limited liability and a corporation licensed by SFC to carry out Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 9 (asset management) regulated activities under the SFO.

All conditions precedent to the sale and purchase agreement have been fulfilled and the completion took place on 1 August 2020. Target Company A and Target Company B became wholly-owned subsidiaries of the Company. Details are set out in the Company’s announcements dated 19 May 2020 and 3 August 2020.

- b) On 7 May 2020, the Company as subscriber, United Able International Limited (the “Target Company C”) as target company and Spring Wave Limited (“Spring Wave”) as the sole shareholder of Target Company C entered into a share subscription agreement. On 24 June 2020, the Company, Target Company C and Spring Wave entered into a supplemental agreement to the share subscription agreement. Pursuant to the share subscription agreement (as amended by the supplemental agreement), the Company has conditionally agreed that the Company shall subscribe and Target Company C shall allot and issue 11,700,000 new shares at the total subscription amount of HK\$3,000,000, representing 90% of the enlarged issued share capital of Target Company C immediately after completion.

Target Company C is a company incorporated in Hong Kong with limited liability and is a licensed insurance broker under the Insurance Ordinance to conduct general and long term business related regulated activities.

The transaction has not yet completed up to the date of approval of these condensed consolidated financial statements. Details are set out in the Company’s announcements dated 7 and 27 May, 10, 24 and 29 June, 10 July, 18 and 21 August 2020 and the Company’s circular dated 28 July 2020.

- c) On 10 August 2020, Can-Elite entered into the Fifth Modification Agreement regarding the modified PSC with China United. Pursuant to the Fifth Modification Agreement, the exploration period applied to Area A shall begin from the date of commencement of the implementation of the contract, to the date of filing to the relevant authorities under the Chinese Government for the Overall Development Program. Further, the exploration period of Area B has been extended for two more years, from the original expiry date (being 31 March 2020) to 31 March 2022. During the extended exploration period, at least 17 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 RMB35,000,000 equivalent in US dollars towards Area B, as the expected minimum exploration expenditure amount. Details are set out in the Company’s announcement dated 10 August 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

The Group's revenue in the Period was HK\$2,978,000 (2019: HK\$4,366,000), representing a decrease of 31.79% as compared with the same period last year. The revenue generated by the sale of electronic components decreased by 31.79% from HK\$4,366,000 in 2019 to HK\$2,978,000 in 2020. The coalbed methane (“**CBM**”) exploration and exploitation operating subsidiaries and the treasury segment did not contribute to the Group's revenue during the Period.

#### Gross Profit

The Group recorded a gross profit of HK\$437,000 in the Period, a decrease from HK\$481,000 in the same period last year.

#### Other Gains and Losses

The decrease in the other gains and losses of HK\$42,967,000, from HK\$56,337,000 in the same period last year to HK\$13,370,000 in the Period, was mainly caused by the decrease in the gain on fair value change of convertible notes – embedded derivatives.

#### Administrative Expenses

The administrative expenses amounted to HK\$23,513,000 in the Period (2019: HK\$21,084,000). The slight increment was mainly caused by the increase in staff costs as well as depreciation of property, plant and equipment and right-of-use assets.

#### Finance Costs

The finance costs incurred during the Period were HK\$30,826,000 (2019: HK\$24,643,000), which were mainly imputed interest on convertible notes, interests on loan from Century Gold Millennium International Group Holdings Limited (the “**Ultimate Holding Company**”) and Mr. Pan Jibiao, the ultimate controlling party of the Company (the “**Ultimate Controlling Party**”), and borrowings.

## **Loss for the Period**

The significant decrease in the net loss as compared with the same period last year was mainly due to the combined effect of (i) no impairment loss on the production sharing contract (the “PSC”) in the Period (2019: HK\$413,598,000); (ii) the decrease in the amortisation of PSC by HK\$10,873,000 from HK\$13,411,000 in the same period last year to HK\$2,538,000 in the Period; (iii) the decrease in the other gains and losses of HK\$42,967,000 from HK\$56,337,000 in the same period last year to HK\$13,370,000 in the Period; and (iv) a deferred tax credit of HK\$106,752,000 due to a significant reversal of the temporary difference arising from the amortisation of the intangible assets in respect of the PSC was recorded in the same period last year.

The Group recorded a loss attributable to the shareholders of the Company (the “Shareholders”) of approximately HK\$46,110,000 in the Period (2019: HK\$309,807,000), and basic and diluted loss per share was approximately HK6.26 cents (2019: HK64.65 cents).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2020, the Group’s cash and bank balances amounted to HK\$75,119,000 (as at 31 December 2019: HK\$10,509,000), which were mainly denominated in Hong Kong dollars and Renminbi. The net current assets of the Group were approximately HK\$21,659,000 (as at 31 December 2019: the net current liabilities of HK\$63,713,000). As at 30 June 2020, the Group had bonds of HK\$9,990,000 (as at 31 December 2019: HK\$14,966,000), loan from the Ultimate Holding Company of HK\$71,534,000 (as at 31 December 2019: HK\$10,000,000), loan from the Ultimate Controlling Party of HK\$59,360,000 (as at 31 December 2019: Nil) and convertible loan (liability and embedded derivatives portion) of HK\$373,395,000 (as at 31 December 2019: HK\$378,955,000).

## **GEARING RATIO**

As at 30 June 2020, the Group had total assets amounting to HK\$282,102,000 (as at 31 December 2019: HK\$190,954,000) and total liabilities of HK\$642,679,000 (as at 31 December 2019: HK\$518,688,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 227.82% as at 30 June 2020 (as at 31 December 2019: 271.63%).

## **CAPITAL STRUCTURE**

As at 30 June 2020, the Group had capital deficiency attributable to the Shareholders of HK\$355,521,000 (as at 31 December 2019: HK\$322,830,000).

## **Convertible Notes**

On 24 August 2018, the Company entered into the convertible notes restructuring agreement with New Alexander Limited (“**New Alexander**”), pursuant to which New Alexander 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 Notes**”) upon completion of the Convertible Notes Restructuring Agreement and issue and allotment of the conversion shares were approved. All the conditions precedent under the Convertible Notes Restructuring Agreement were fulfilled and the completion took place on 6 November 2018.

On 30 September 2019, the Ultimate Holding Company as purchaser and 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 the Ultimate Holding Company 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 share, at a total consideration of HK\$310,250,000 (equivalent to approximately HK\$0.102 per share of the Company). The CN Transfer Agreement was completed on 1 April 2020. During the Period, the Convertible Notes with the principal amount of HK\$10,000,000 were converted into shares and the principal amount of HK\$355,000,000 remained outstanding as at 30 June 2020.

## **Warrants**

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, 18,663,075 new ordinary shares were issued upon the exercise of 18,663,075 units of these bonus warrants. Net proceeds of approximately HK\$747,000 were raised upon the exercise of the bonus warrants and were used as the general working capital of the Group.

During the Period, the Group generally financed its operations from net proceeds from electronic components business, exercise of warrants, loans from the Ultimate Holding Company and the Ultimate Controlling Party.

## **DIVIDEND**

The Board does not recommend any payment of dividend in the Period (2019: Nil).

## **COMMITMENTS**

Details of the commitments of the Group are set out in note 14 to the condensed consolidated financial statements.

## **TREASURY POLICY**

The Group mainly operates in Hong Kong and the People's Republic of China (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, so the exposure to foreign exchange fluctuation is minimal.

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

## **CONTINGENCIES**

Save as disclosed in note 15 to the condensed consolidated financial statements, the Group had no other contingencies as at 30 June 2020.

## **CHARGES ON ASSETS**

As at 30 June 2020, the Group had no charges on assets.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in note 16 to the condensed consolidated financial statements, the Group had no other material event after the Period.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had 41 employees, of which 18 were in Hong Kong and 23 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**

Save as disclosed in note 16 (a) & (b) to the condensed consolidated financial statements, the Group had no other material acquisitions and disposals.

## **BUSINESS REVIEW**

According to the directive of the management of the Group, the Group has reformulated its business strategies with the efforts to develop a comprehensive and industrial-financial integrated global platform.

The Company has been renamed as “Golden Century International Holdings Group Limited” since 18 March 2020. The aims of which are to better reflect the Group’s strategic business plan and its direction of future development, and to provide the Company with a more appropriate corporate image and identity that will help the Company to develop its future business.

The recent relocation of the Group’s head office is regarded as a remarkable development. Pursuant to the Company’s announcement dated 11 June 2020, the head office of the Company had been relocated to the entire 45th Floor, Tower 1, Times Square, Causeway Bay with effect from 15 June 2020. This office relocation can help to increase the overall administrative efficiency of the Group, boost the staff morale and further strengthen the relationship and bonding with the Group’s clients and business alliances. In addition, the head office is conveniently located in the heart of the commercial zone in Hong Kong Island, which is easily accessible by transportation and conducive to the Group’s future business promotion.

During the Period, the Group was mainly engaged in CBM exploration and production in 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 30 June 2020, 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 with coal fines and were broken down due to the long term 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 to produce since July 2018. Thus, there was no contribution from the CBM business for the Period.

Despite the fact that there is a gain on fair value change of the embedded derivative portion of the convertible notes of HK\$19,722,000 (2019: HK\$48,295,000), a loss of HK\$16,355,000 (2019: HK\$409,605,000) was recorded mainly due to the amortisation of the PSC of HK\$2,538,000 (2019: HK\$13,411,000), the imputed interest on convertible notes of



HK\$24,817,000 (2019: HK\$21,131,000), depreciation of property, plant and equipment and right-of-use assets of HK\$3,990,000 (2019: HK\$4,606,000) and no impairment loss on the PSC in 2020 (2019: HK\$413,598,000).

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 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 holds 70% of participating interests in the PSC for a term of 30 years starting from 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. On 10 August 2020, Can-Elite and China United entered into the fifth modification agreement regarding the modified PSC (the “**Fifth Modification Agreement**”), pursuant to which the parties to the Fifth Modification Agreement agreed to further extend the exploration period of Area B for two years from the original expiry date of 31 March 2020.

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 third and fourth 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 late 2021.

Following the aforesaid extension, the Group will continue its focus on (i) executing its plan to continuing the necessary procedures, requirements and conditions for submission of the overall development proposal in respect of the Area A set out in the PSC to the relevant government authorities of the PRC; and (ii) preparation of the reserve report of Area B.

## 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\$2,978,000, which represents a 31.79% decrease as compared with the same period last year. 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 improve in the short run.

## Treasury Business

The treasury business includes (i) securities trading, (ii) securities brokerage and (iii) money lending business.

### (i) *Securities Trading*

The Group adopts a prudent approach for all its investments with the view for short to medium term profit. As at 30 June 2020, the Group did not hold any securities (31 December 2019: HK\$10,125,000). Due to the fluctuation in the stock market, the Group has disposed all its securities investment during the Period and recorded loss of HK\$3,425,000 on disposal of financial assets at fair value through profit and loss (2019: loss of HK\$1,261,000). During the same period last year, the Group also recorded net gain of HK\$5,864,000 on revaluation of financial assets at fair value through profit and loss from investment in Styland Holdings Limited (stock code: 211), which is principally engaged in investment holdings, financial services, mortgage financing, property development and investment and trading of securities.

### (ii) *Securities Brokerage*

The Group conducted securities brokerage business through a wholly-owned subsidiary, GCINT Limited (formerly known as International Standard Resources Securities Limited until 27 February 2020). However, due to the loss of responsible officers to comply with the applicable licensing requirements and consequential failure to apply the exchange participantship of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Board, after assessing the time and total cost to be incurred in connection with the re-activation of business of GCINT Limited, decided to cease the business of GCINT Limited with effect on 8 May 2020. In connection with the cessation of business of GCINT Limited, steps have been taken to notify the Securities and Futures Commission (“**SFC**”) and request the revocation of its licenses to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (“**SFO**”).

The Group aims to expand into the finance industry and become a wealth and financial services conglomerate. On 19 May 2020, the Company entered into a sale and purchase agreement as purchaser with SD Financial Group Holdings Limited as vendor and Mr. Dai Zhi as guarantor, pursuant to which the Company agreed to acquire the entire issued

share capital of SD Limited (a licensed corporation which can conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO) and the entire issued share capital of SD Asset Management Limited (a licensed corporation which can conduct Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO). The acquisition was completed on 1 August 2020. Details are set out in the Company's announcements dated 19 May 2020 and 3 August 2020.

**(iii) Money Lending**

The Group carries its money lending business by providing both secured and unsecured loans to corporate and individual customers. 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 the business environment, regular review and updates of internal policy are performed. During the Period, 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) (2019: Nil).

**PROSPECTS**

Given that there are increasing concerns over the environmental issues, it is foreseeable that the highly polluted energies will be eliminated and even phased out from the market and the use of replaceable clean energies will become more popular sooner or later, thus resulting in a keener market demand for natural gas. The demand growth of natural gas market will continue to retain its strong momentum. The management of the Group will continue to focus on our CBM business. Following the entry of the Fifth Modification Agreement of PSC with China United, the Group will continue its focus on (i) executing its plan to continue the necessary procedures, requirements and conditions for submission of the overall development proposal in respect of the Area A set out in the PSC to the relevant government authorities of the PRC; and (ii) preparing the reserve report of Area B.

In order to strive for better returns for our Shareholders, the Group has been diversifying its financial services sector. Upon acquisition of SD Limited and SD Asset Management Limited, the Group would be able to provide services of Types 1, 2, 4, 5 and 9 regulated activities under the SFO. On 21 August 2020, the ordinary resolution of the extraordinary general meeting relating to subscription of shares in United Able International Limited was approved and upon the allotment, the Group will have a member which holds the insurance brokerage licence under the Insurance Ordinance. With these licenses, the Group could provide a wider range of financial services to its clients. Details of the acquisition of SD Limited and SD Asset Management Limited and the subscription of shares in United Able International Limited are set out in note 16(a) and (b) to the condensed consolidated financial statements.

Looking forward, amidst the Coronavirus, we will do our utmost to seize any market opportunities arising from the Chinese economy transformation, keep on optimising operation performance, provide value-added services to our clients, strive to expand into new industries/new markets, and enhance the relationship and bonding with the international and local strategic alliances, with a view to providing our investors with satisfactory returns.

## **DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

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

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

### **Long positions in shares of the Company**

| <b>Name of Director/<br/>chief executive of<br/>the Company</b> | <b>Nature of interest</b>        | <b>Number of<br/>ordinary<br/>shares</b> | <b>Number of<br/>underlying<br/>shares</b> | <b>Total</b>  | <b>Approximate<br/>percentage of<br/>issued<br/>share capital<br/>of the<br/>Company<br/>(Note 1)</b> |
|---|----------------------------------|--|--|---------------|---|
| Pan Jibiao (Note 2)   | Through a controlled corporation | 469,817,393<br>(Note 2)                  | 3,035,787,471<br>(Note 3)                  | 3,505,604,864 | 421.45%   |
| Lyu Guoping   | Beneficial owner                 | 25,000                                   | 5,000<br>(Note 4)                          | 30,000        | 0.00%   |

Notes:

1. Based on 831,789,312 ordinary shares of the Company issued as at 30 June 2020.
2. These 469,817,393 ordinary shares of the Company are 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 3,035,787,471 underlying shares consist of (i) a total of 77,454,138 warrant shares at an exercise price of HK\$0.04 per warrant share which may be allotted and issued upon exercise in full of such warrants; and (ii) a total of 2,958,333,333 conversion shares at a conversion price of HK\$0.12 which may be issued and allotted upon full conversion of the convertible notes, and such conversion shares were issued by the Company and due in 2021, in an aggregate outstanding principal amount of HK\$355,000,000 as at 30 June 2020.
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 5,000 warrants.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares of the Company, 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.

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

As at 30 June 2020, the interests and short positions of the substantial Shareholders (other than the Directors and chief executive of the Company) in the shares of the Company 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:

| <b>Name of substantial Shareholders</b>                                      | <b>Nature of interest</b> | <b>Number of ordinary shares</b> | <b>Number of underlying shares</b> | <b>Total</b>  | <b>Approximate percentage of issued share capital of the Company</b><br><i>(Note 1)</i> |
|--|---------------------------|----------------------------------|------------------------------------|---------------|---|
| Century Gold Millennium International Holdings Group Limited <i>(Note 2)</i> | Beneficial owner          | 469,817,393                      | 3,035,787,471<br><i>(Note 3)</i>   | 3,505,604,864 | 421.45%   |

*Notes:*

1. Based on 831,789,312 ordinary shares of the Company issued as at 30 June 2020.
2. These 469,817,393 ordinary shares of the Company are 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 3,035,787,471 underlying shares consist of (i) a total of 77,454,138 warrant shares at an exercise price of HK\$0.04 per warrant share which may be allotted and issued upon exercise in full of such warrants; and (ii) a total of 2,958,333,333 conversion shares at a conversion price of HK\$0.12 which may be issued and allotted upon full conversion of the convertible notes, and such conversion shares were issued by the Company and due in 2021, in an aggregate outstanding principal amount of HK\$355,000,000 as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company has not been notified of any other interests or short positions in the 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.

## **CORPORATE GOVERNANCE**

The Company had complied with the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Listing Rules throughout the Period with the following major deviations:

### **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. Mr. Chan Yim Por Bonnie is the only independent non-executive Director (“**INED**”) who is not appointed for a specific term while Mr. Lai Kin Keung and Mr. Yeung Chi Wai both entered into the service agreements with the Company for a term of three years. 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 under the articles of association of the Company. 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.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

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 as set out in Appendix 10 to the Listing Rules. Before the Group’s interim 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 of 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 Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY**

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

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Scheme**”) approved by the Shareholders on 11 November 2014, under which 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 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 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 Board, that it shall be at least the higher of (i) the closing price of the Shares on the Stock Exchange on the date of grant of share options; and (ii) the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of 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 in issue as at 7 June 2017. This limit can further be refreshed by the Shareholders 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 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 Period. There were no share options outstanding as at 30 June 2020.

## REVIEW OF INTERIM RESULTS

The unaudited interim results for the Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises all the INEDs including Mr. Yeung Chi Wai, Mr. Lai Kin Keung and Mr. Chan Yim Por Bonnie.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our Shareholders for their support and to our staff for their contributions and diligence during the Period.

By order of the Board  
**Golden Century International Holdings Group Limited**  
**Pan Jibiao**  
*Chairman*

Hong Kong, 26 August 2020

*As at the date of this announcement, the executive Directors are Mr. Pan Jibiao (Chairman) and Ms. Shao Yanxia, the non-executive Director is Mr. Shiu Shu Ming, and the independent non-executive Directors are Mr. Lai Kin Keung, Mr. Yeung Chi Wai and Mr. Chan Yim Por Bonnie.*