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## **NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司 \***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00166)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 AND CHANGE IN USE OF PROCEEDS**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2019</b>
Revenue (HK\$'000)	<b>5,034,518</b>	236,646
Loss before taxation (HK\$'000)	<b>(64,558)</b>	(2,310,385)
Loss for the year (HK\$'000)	<b>(79,494)</b>	(2,290,137)
Loss per share – Basic (HK cent)	<b>(0.91)</b>	(26.15)

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

\* For identification purposes only

The board of directors (the “**Board**”) of New Times Energy Corporation Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Revenue</b>	<i>4</i>	<b>5,034,518</b>	236,646
Cost of sales	<i>6</i>	<b>(5,011,019)</b>	(224,724)
<b>Gross profit</b>		<b>23,499</b>	11,922
Other income, gains and losses, net	<i>5</i>	<b>5,226</b>	3,026
General and administrative expenses	<i>6</i>	<b>(39,644)</b>	(52,248)
Assets impairment losses	<i>7</i>	<b>(5,823)</b>	(2,250,076)
Net investment loss	<i>8</i>	<b>(29,623)</b>	(4,211)
Exploration expenses	<i>6</i>	<b>–</b>	(202)
Finance costs	<i>9</i>	<b>(11,115)</b>	(13,812)
Share of losses of joint ventures		<b>(7,078)</b>	(4,784)
<b>Loss before taxation</b>		<b>(64,558)</b>	(2,310,385)
Income tax (expense)/credit	<i>11</i>	<b>(14,936)</b>	20,248
<b>Loss for the year</b>		<b>(79,494)</b>	(2,290,137)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(79,483)</b>	(2,290,086)
Non-controlling interests		<b>(11)</b>	(51)
		<b>(79,494)</b>	(2,290,137)
<b>Loss per share for loss attributable to owners of the Company for the year</b>	<i>13</i>		
Basic ( <i>HK cent</i> )		<b>(0.91)</b>	(26.15)
Diluted ( <i>HK cent</i> )		<b>(0.91)</b>	(26.15)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
<b>Loss for the year</b>	<b>(79,494)</b>	<b>(2,290,137)</b>
<b>Other comprehensive loss</b>		
Item that will not be reclassified to profit or loss:		
Change in fair value of equity securities at fair value through other comprehensive income	<b>(16,060)</b>	<b>(2,626)</b>
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>(21,053)</b>	<b>(26,763)</b>
<b>Other comprehensive loss for the year, net of tax</b>	<b>(37,113)</b>	<b>(29,389)</b>
<b>Total comprehensive loss for the year</b>	<b>(116,607)</b>	<b>(2,319,526)</b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	<b>(116,596)</b>	<b>(2,319,475)</b>
Non-controlling interests	<b>(11)</b>	<b>(51)</b>
	<b>(116,607)</b>	<b>(2,319,526)</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2020*

		<b>2020</b>	2019
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Exploration and evaluation assets	14	<b>63,128</b>	103,835
Property, plant and equipment		<b>62,150</b>	28,539
Investments in joint ventures		<b>941</b>	7,849
Financial assets at fair value through other comprehensive income		<b>8</b>	16,068
Prepayments, deposits and other receivables		<b>4,316</b>	10,911
		<b>130,543</b>	167,202
<b>Current assets</b>			
Inventories		<b>28,800</b>	14,304
Trade and other receivables	15	<b>76,833</b>	21,985
Current tax recoverable		<b>1,398</b>	41
Financial assets at fair value through profit or loss	16	<b>74,090</b>	120,100
Gold investment	17	<b>68,589</b>	–
Cash and cash equivalents		<b>640,915</b>	771,662
		<b>890,625</b>	928,092
<b>Current liabilities</b>			
Trade and other payables	18	<b>70,478</b>	64,246
Borrowings	19	<b>143,067</b>	10,544
Lease liabilities		<b>3,162</b>	834
Derivative financial instruments		<b>2,925</b>	–
Provisions		<b>20,117</b>	9,968
Income tax payable		<b>1,040</b>	–
		<b>240,789</b>	85,592
<b>Net current assets</b>		<b>649,836</b>	842,500
<b>Total assets less current liabilities</b>		<b>780,379</b>	1,009,702

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Borrowings	19	3,000	141,000
Lease liabilities		3,503	–
Deferred tax liabilities		14,920	11,711
Provisions		–	10,536
		<u>21,423</u>	<u>163,247</u>
<b>Net assets</b>		<u><b>758,956</b></u>	<u>846,455</u>
<b>Equity</b>			
Equity attributable to owners of the Company			
Share capital		87,589	87,589
Reserves		671,418	758,710
		<u>759,007</u>	<u>846,299</u>
<b>Non-controlling interests</b>		<u>(51)</u>	<u>156</u>
<b>Total equity</b>		<u><b>758,956</b></u>	<u>846,455</u>

*Notes:*

## **1 GENERAL INFORMATION**

The Company is a limited liability company incorporated in Bermuda as an exempted company and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1402, 14/F., New World Tower I, 16-18 Queen's Road Central, Hong Kong respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company is an investment holding company. The principal activities of the Company's subsidiaries are exploration, development, production and sale of natural resources; and general and commodities trading.

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

## 2 BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). The consolidated financial statements have been prepared under the historical cost convention except for the following:

- financial assets at fair value through other comprehensive income (“**FVOCI**”), financial assets and liabilities at fair value through profit or loss (“**FVPL**”) (including derivative financial instruments) measured at fair value,
- gold investment measured at fair value; and
- adjustments for the effect of inflation where entities operate in a hyperinflationary economy.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

*(a) Amended standards and improvement by the HKICPA and IFRS Interpretation Committee (“IFRIC”) agenda decision adopted by the Group*

A number of amended standards, improvement and IFRIC agenda decision became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following agenda decision issued by IFRIC:

IFRIC Agenda Decision	Translation of a Hyperinflationary Foreign Operation – Presenting Exchange Differences
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The impact of the changes in accounting policy from the application of the agenda decision is disclosed in Note 2.1 below.

The following amendments to existing standards and improvement are effective to the Group for accounting periods beginning on or after 1 January 2020 but did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting
HKFRS 3 (Amendments)	Definition of Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

**(b) New and amended standards, interpretation and accounting guideline by the HKICPA not yet adopted**

The following new standard, amendments to existing standards, interpretation and accounting guideline have been issued but are not effective for the financial year beginning on or after 1 January 2020 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 16 (Amendments)	Covid-19 Related Rent Concessions	1 June 2020
Annual Improvements to HKFRS Standards 2018 – 2020	Annual Improvements to HKFRSs Standards 2018 – 2020	1 January 2022
Amendments to HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope Amendments	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HK(IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Group will adopt the above new standard, amendments to existing standards, interpretation and accounting guideline when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments to standards, interpretation and accounting guideline, none of which is expected to have significant effect on the consolidated financial statements of the Group.

## 2.1 Changes in accounting policies

In March 2020, the IFRIC issued a set of agenda decisions on translating the results of a hyperinflationary foreign operation into the non-hyperinflationary presentation currency in the parent's consolidated financial statements, and concluded that the entity presents either:

- The restatement and translation effects in other comprehensive income, if the entity considers that the combination of those two effects meet the definition of an exchange difference in HKAS 21; or
- The translation effect in other comprehensive income, if the entity considers that only the translation effect meets the definition of an exchange difference in HKAS 21.

The Group has voluntarily changed its accounting policy to conform with the IFRIC's decision and the change in accounting policy has applied retrospectively.

The accounting policy change resulted in all the translation effects to be presented in other comprehensive income as opposed to directly in equity and presented the cumulative pre-hyperinflation foreign exchange differences in the exchange reserve, while having no overall impact on the Group's total equity. The cumulated losses from the translation of hyperinflationary foreign operation in the accumulated losses as at 1 January 2019, 31 December 2019 and 31 December 2020 amounting to approximately HK\$487,089,000, HK\$26,808,000 and HK\$21,121,000 has been reclassified to exchange reserve.

The impact of the consolidated statement of comprehensive income for the years ended 31 December 2019 and 2020 is presented as below:

Statement of comprehensive income (extract) – For the year ended 31 December 2019	As originally presented HK\$'000	Change of accounting policy HK\$'000	As restated HK\$'000
Exchange differences on translation of foreign operations	45	(26,808)	(26,763)
Other comprehensive loss for the year, net of tax	(2,581)	(26,808)	(29,389)
Total comprehensive loss for the year	(2,292,718)	(26,808)	(2,319,526)
Total comprehensive loss attributable to owners of the Company	<u>(2,292,667)</u>	<u>(26,808)</u>	<u>(2,319,475)</u>
 Statement of comprehensive income (extract) – For the year ended 31 December 2020	 Under old accounting policy HK\$'000	 Change of accounting policy HK\$'000	 As restated HK\$'000
Exchange differences on translation of foreign operations	68	(21,121)	(21,053)
Other comprehensive loss for the year, net of tax	(15,992)	(21,121)	(37,113)
Total comprehensive loss for the year	(95,486)	(21,121)	(116,607)
Total comprehensive loss attributable to owners of the Company	<u>(95,475)</u>	<u>(21,121)</u>	<u>(116,596)</u>



### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the consolidated financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are (i) exploration, development, production and sale of natural resources in Argentina; and (ii) general and commodities trading in Hong Kong and the Mainland China. Further details regarding the Group's principal activities are disclosed in Note 4(b).

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
– Sales of physical gold under general and commodities trading	4,975,370	–
– Sales of non-ferrous metals and petroleum-related products under general and commodities trading	33,559	216,331
– Sales of oil products under oil exploration and production	25,589	20,315
	<u>5,034,518</u>	<u>236,646</u>

Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group for the year ended 31 December 2020 are disclosed as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer 1	3,399,716	–
Customer 2	818,606	–

The above customers are included in general and commodities trading segment. No revenue was generated from these customers during the year ended 31 December 2019.

**(b) Segment reporting**

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors assess the performance of the operating segments based on the segment assets, segment liabilities, segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as these consolidated financial statements.

During the year ended 31 December 2020, the Group expanded its commodities trading of non-ferrous metal to include physical gold trading. In addition, the Group also entered into the trading of petroleum-related products in the Mainland China. The trading of petroleum-related products in the Mainland China is not a reportable operating segment, as it did not meet the quantitative threshold in accordance with HKFRS 8. The results of the general trading have been aggregated into one segment with commodities trading as they have similar nature of business and similar average gross margins. As a result, “commodities trading” segment has been renamed to “general and commodities trading” segment.

Management has identified two reportable segments based on the Group’s business model:

- Upstream: This segment is engaged in the exploration, development, production and sale of crude oil. Currently the Group’s activities in this regard are carried out in Argentina.
- General and commodities trading: This segment includes trading of non-ferrous metals, gold and petroleum-related products.

Segment assets include all the assets with the exception of investments in joint ventures, financial assets at FVOCI and unallocated corporate assets. Segment liabilities include all the liabilities with the exception of deferred tax liabilities and unallocated corporate liabilities.

Segment profit/loss represents the profit/loss resulted by each segment without allocation of assets impairment losses, share of losses of joint ventures, net investment loss, unallocated interest income and expenses and other expenses in corporate head office. This is the measure reported to the Group's chief executive decision maker for the purposes of resource allocation and performance assessment.

Capital expenditure comprises addition to exploration and evaluation assets and property, plant and equipment for the years ended 31 December 2020 and 2019.

- (i) Information regarding the Group's reportable segments as provided to the Group's chief executive decision maker for the purposes of resource allocation and performance assessment for the year is set out below:

	Upstream		General and commodities trading		Total	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue (Note)	<u>25,589</u>	<u>20,315</u>	<u>5,008,929</u>	<u>216,331</u>	<u>5,034,518</u>	<u>236,646</u>
Reportable segment result	<u>(2,534)</u>	<u>(26,600)</u>	<u>5,662</u>	<u>(259)</u>	<u>3,128</u>	<u>(26,859)</u>
Depreciation and amortisation	6,547	4,617	49	–	6,596	4,617
Exploration expenses	–	202	–	–	–	202
Fair value gains on gold investment	–	–	6,119	–	6,119	–
Losses on derivative financial instruments	–	–	(9,489)	–	(9,489)	–
Interest income	798	44	1	–	799	44
Interest expenses	–	–	11	–	11	–
Addition to non-current segment assets	1,187	19,804	507	–	1,694	19,804
Reportable segment assets	162,324	168,798	278,984	4,861	441,308	173,659
Reportable segment liabilities	<u>(28,063)</u>	<u>(30,083)</u>	<u>(22,109)</u>	<u>(848)</u>	<u>(50,172)</u>	<u>(30,931)</u>

Note:

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both the current and prior years. All of the Group's revenue is recognised at a point in time.

(ii) **Reconciliations of reportable segment revenues, loss before taxation, assets and liabilities:**

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue	<u>5,034,518</u>	<u>236,646</u>
<b>Result</b>		
Reportable segment result	3,128	(26,859)
Unallocated interest income	6,196	14,891
Unallocated interest expenses	(11,104)	(13,812)
Assets impairment losses	(5,823)	(2,250,076)
Other expenses in corporate head office	(20,254)	(25,517)
Share of losses of joint ventures	(7,078)	(4,784)
Net investment loss	<u>(29,623)</u>	<u>(4,228)</u>
Loss before taxation	<u><u>(64,558)</u></u>	<u><u>(2,310,385)</u></u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	441,308	173,659
Investments in joint ventures	941	7,849
Financial assets at FVOCI	8	16,068
Unallocated corporate assets		
– Cash and cash equivalents	502,858	767,713
– Financial assets at FVPL	74,090	119,173
– Other receivables	1,354	9,522
– Others	<u>609</u>	<u>1,310</u>
Total assets	<u><u>1,021,168</u></u>	<u><u>1,095,294</u></u>

	2020 HK\$'000	2019 HK\$'000
<b>Liabilities</b>		
Reportable segment liabilities	(50,172)	(30,931)
Deferred tax liabilities	(14,920)	(11,711)
Unallocated corporate liabilities		
– Unallocated borrowings	(141,316)	(151,544)
– Deposit received	(44,994)	(48,880)
– Unallocated lease liabilities	(6,187)	(834)
– Others	(4,623)	(4,939)
Consolidated total liabilities	<u>(262,212)</u>	<u>(248,839)</u>

**(iii) Geographical information**

The Company is domiciled in Bermuda while the Group operates its business primarily in Hong Kong, the Mainland China and Argentina.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial assets at FVOCI ("**specified non-current assets**"). The geographical location of the Group's revenue is based on the locations of customers. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment and exploration and evaluation assets; and (ii) the location of the operation to which they are allocated, in the case of prepayments, deposits and other receivables. In the case of investments in joint ventures, it is based on the location of the operation of such joint ventures.

	Revenues from external customers		Specified non-current assets	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong	4,771,343	4,459	1,682	1,697
Mainland China	33,559	–	483	6,903
Argentina	25,589	20,315	128,370	142,534
Singapore	168,809	211,872	–	–
United Arab Emirates	35,218	–	–	–
	<u>5,034,518</u>	<u>236,646</u>	<u>130,535</u>	<u>151,134</u>

## 5 OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	6,995	14,935
Drilling service income	978	1,523
Losses on derivative financial instruments	(9,489)	–
Fair value gains on gold investment	6,119	–
Hyperinflation monetary adjustments ( <i>Note</i> )	7,659	21,416
Net foreign exchange losses	(7,622)	(34,865)
Others	586	17
	<u>5,226</u>	<u>3,026</u>

### *Note:*

In May 2018, the Argentine peso underwent a severe devaluation resulting in the three-year cumulative inflation of Argentina to exceed 100%, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by HKAS 29, Financial Reporting in Hyperinflationary Economies, for the activities of the Argentine subsidiaries and branches from 1 January 2018 onwards.

Under HKAS 29, the non-monetary assets and liabilities stated at historical cost, the equity and the statement of profit or loss of subsidiaries and branches operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index, and monetary items that are already stated at the measuring unit at the end of the reporting period are not restated.

To measure the impact of inflation on the Group's financial position and results, the Group has elected to use the Wholesale Price Index (Indice de Precios Mayoristas) for periods up to 31 December 2016, and the Retail Price Index (Indice de Precios al Consumidor) thereafter. These price indices have been recommended by the Government Board of the Argentine Federation of Professional Councils of Economic Sciences.

Current year hyperinflation monetary adjustment for the change in price index amounting to approximately HK\$7,659,000 (2019: HK\$21,416,000) was recognised in the consolidated statement of profit or loss.

## 6 EXPENSES BY NATURE

Operating loss has been arrived after charging the following items:

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Cost of inventories recognised as expense		<b>5,000,333</b>	224,724
Depreciation of property, plant and equipment		<b>6,568</b>	4,661
Depreciation of right-of-use assets		<b>2,419</b>	2,119
Employee benefit expenses (including directors' remuneration)	<i>10</i>	<b>16,379</b>	19,577
Processing charges		<b>7,823</b>	–
Auditor's remuneration			
– Audit services		<b>1,880</b>	1,900
– Non-audit services		<b>20</b>	850
Others		<b>15,241</b>	23,343
Total cost of sales, general and administrative expenses, and exploration expenses		<b>5,050,663</b>	277,174

## 7 ASSETS IMPAIRMENT LOSSES

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Exploration and evaluation assets	<i>14</i>	–	2,243,254
Property, plant and equipment		<b>5,823</b>	–
Inventories		–	6,822
		<b>5,823</b>	2,250,076

## 8 NET INVESTMENT LOSS

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Net losses in listed equity securities	<i>16</i>	<b>32,906</b>	6,850
Net gains in listed and unlisted debt securities	<i>16</i>	<b>(1,599)</b>	(1,010)
Net gains in unlisted equity-linked securities	<i>16</i>	<b>(1,684)</b>	(1,612)
Gain in unlisted funds		–	(17)
		<b>29,623</b>	4,211

## 9 FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on borrowings	10,888	13,721
Interest on lease liabilities	227	91
	<u>11,115</u>	<u>13,812</u>

## 10 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries, wages and other benefits	14,827	17,674
Contributions to defined contribution retirement plan	1,552	1,903
	<u>16,379</u>	<u>19,577</u>

## 11 INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the year	1,040	–
<b>Current tax – overseas</b>		
Under-provision in respect of prior years	–	9
<b>Deferred tax</b>		
Charged/(credited) to the profit or loss	13,896	(20,257)
	<u>14,936</u>	<u>(20,248)</u>

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Company and its subsidiaries incorporated in Bermuda and the BVI are not subject to any income tax in Bermuda and the BVI for both the current and prior years.

Hong Kong profits tax has been provided for at the rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%) on the estimated assessable profit for the year. No provision for Hong Kong profits tax has been made for the year ended 31 December 2019 as the Group’s operations in Hong Kong had no assessable profits.



Subsidiaries of the Group in Argentina are subject to Argentina corporate income tax (“**AIT**”) at 30% (2019: 30%) and minimum presumed income tax (“**MPIT**”). MPIT is supplementary to AIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of subsidiaries of the Group in Argentina are the higher of AIT and MPIT. The tax rate of AIT decreased from 30% to 25% for the year ending 31 December 2021 onwards.

Subsidiaries of the Group in the Mainland China are subject to Corporate Income Tax (“**CIT**”) in accordance with the Law of the PRC on Corporate Income Tax (the “**CIT Law**”). Under the CIT Law, the income tax rate applicable to these subsidiaries is 25% (2019: 25%).

Taxation for other overseas subsidiaries of the Group is charged at the appropriate current rates of taxation ruling in the relevant countries and regions.

## **12 DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil)

## **13 LOSS PER SHARE**

### **(a) Basic loss per share**

The calculation of basic loss per share is based on the Group’s loss attributable to owners of the Company of approximately HK\$79,483,000 (2019: HK\$2,290,086,000) and weighted average number of ordinary shares in issue during the year of approximately 8,758,881,000 shares (2019: 8,758,881,000 shares).

### **(b) Diluted loss per share**

For the years ended 31 December 2019 and 2020, basic and diluted loss per share was the same as there were no potentially dilutive ordinary shares in issue during the year.

# 14 EXPLORATION AND EVALUATION ASSETS

	Exploration rights <i>HK\$'000</i>	Exploratory drilling <i>HK\$'000</i>	Geological studies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019					
Cost	3,229,713	126,338	187,924	33,991	3,577,966
Accumulated impairment	(1,013,545)	(5,009)	(187,924)	(33,991)	(1,240,469)
	<u>2,216,168</u>	<u>121,329</u>	<u>–</u>	<u>–</u>	<u>2,337,497</u>
Year ended 31 December 2019					
At 1 January 2019	2,216,168	121,329	–	–	2,337,497
Addition	–	19,285	–	–	19,285
Write off	–	(202)	–	–	(202)
Impairment	(2,214,726)	(28,528)	–	–	(2,243,254)
Hyperinflation adjustments	(1,442)	(8,049)	–	–	(9,491)
	<u>–</u>	<u>103,835</u>	<u>–</u>	<u>–</u>	<u>103,835</u>
At 31 December 2019					
Cost	3,228,271	137,372	181,986	33,991	3,581,620
Accumulated impairment	(3,228,271)	(33,537)	(181,986)	(33,991)	(3,477,785)
	<u>–</u>	<u>103,835</u>	<u>–</u>	<u>–</u>	<u>103,835</u>
Year ended 31 December 2020					
At 1 January 2020	–	103,835	–	–	103,835
Addition	–	1,151	–	–	1,151
Transfers	–	(28,619)	–	–	(28,619)
Hyperinflation adjustments	–	(13,239)	–	–	(13,239)
	<u>–</u>	<u>63,128</u>	<u>–</u>	<u>–</u>	<u>63,128</u>
At 31 December 2020					
Cost	3,226,181	89,212	137,637	31,429	3,484,459
Accumulated impairment	(3,226,181)	(26,084)	(137,637)	(31,429)	(3,421,331)
	<u>–</u>	<u>63,128</u>	<u>–</u>	<u>–</u>	<u>63,128</u>

## 15 TRADE RECEIVABLES

Trade receivables are due within 30 days (2019: 30 days) from the date of billing. The following is an ageing analysis of trade receivables, presented based on the invoice date and net of loss allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	59,801	2,321
31 – 60 days	85	–
61 – 90 days	1,178	–
Over 90 days	207	184
	<u>61,271</u>	<u>2,505</u>

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed equity securities ( <i>note (i)</i> )	53,054	80,618
Listed debt securities ( <i>note (ii)</i> )	14,945	30,528
Unlisted debt securities ( <i>note (ii)</i> )	6,091	–
Unlisted equity-linked securities ( <i>note (iii)</i> )	–	8,027
Unlisted funds	–	927
	<u>74,090</u>	<u>120,100</u>

### Notes:

- (i) The listed equity securities represent listed shares on the Stock Exchange and are stated at fair value. Net investment loss of approximately HK\$32,906,000 (2019: HK\$6,850,000) has been recognised in profit or loss during the year ended 31 December 2020.
- (ii) Most of the debt securities represent the senior notes listed on the Singapore Exchange Securities Trading Limited and the Stock Exchange and are stated at fair value. The unlisted debt securities are issued by a company listed on the Stock Exchange and are designated as FVPL. Net investment income of approximately HK\$1,599,000 (2019: HK\$1,010,000) has been recognised in profit or loss during the year ended 31 December 2020.

- (iii) The unlisted equity-linked securities represent securities which contained embedded derivatives, the return of which were determined with reference to the closing price of certain equity securities listed on the Stock Exchange. The unlisted equity-linked securities were designated as FVPL. The unlisted equity-linked securities have been disposed during the year ended 31 December 2020. Net investment income of approximately HK\$1,684,000 (2019: HK\$1,612,000) has been recognised in profit or loss during the year ended 31 December 2020.

## 17 GOLD INVESTMENT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gold held for investment, at fair value	<u>68,589</u>	<u>–</u>

The balance represented investment in physical gold bullions which measured at fair value. The purposes of holding physical gold bullions are to support the development of the Group's physical gold trading business, and to achieve capital appreciation and capture the effectiveness of gold as inflation-proofing instrument. The fair value gain of approximately HK\$6,119,000 has been recognised in profit or loss during the year ended 31 December 2020 (2019: Nil).

## 18 TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	4,147	3,460
31 – 60 days	50	536
61 – 90 days	48	1,152
Over 90 days	<u>1,450</u>	<u>1,253</u>
	<u>5,695</u>	<u>6,401</u>

## 19 BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Unsecured term loans due for repayment within 1 year	<u>143,067</u>	<u>10,544</u>
Unsecured term loans due for repayment after 1 year:		
After 1 year but within 2 years	3,000	138,000
After 2 years but within 5 years	<u>–</u>	<u>3,000</u>
	<u>3,000</u>	<u>141,000</u>
	<u>146,067</u>	<u>151,544</u>
Reconciliation to the consolidated statement of financial position:		
Current portion	143,067	10,544
Non-current portion	<u>3,000</u>	<u>141,000</u>
	<u>146,067</u>	<u>151,544</u>

The term loans carried fixed interest rates ranging from 4.00% to 8.00% (2019: 5.00% to 8.00%) per annum.

The carrying amounts of the Group's borrowings are mainly denominated in HK\$ and approximate their fair values.

## 20 COMMITMENTS

The Group had the following capital commitments at the date of statement of financial position:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised but not contracted for	<u>236,606</u>	<u>43,608</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GENERAL REVIEW**

With the coronavirus pandemic dominating 2020, affecting millions of people worldwide, paralysing global economies, and dampening oil demand and prices to unprecedented levels, 2020 has been an extraordinarily challenging year for the Group's main operations in Argentina.

Due to the difficult business conditions imposed by the coronavirus pandemic, the Group for the year ended 31 December 2020, recorded a loss after tax of approximately HK\$79.5 million. The majority of the loss in 2020 was primarily attributable to losses incurred from the Group's investment in shares of oil and gas companies, such as Beijing Gas Blue Sky Holdings Limited, as well as losses arising from the Group's joint venture interest in an oil and gas services company, in addition to the net effect of foreign exchange losses and hyperinflationary accounting adjustments arising from the Group's wholly owned Argentina subsidiary.

Facing this unforeseen event, and during a time of travel restriction in many parts of the world, the Group in June 2020 expanded its commodities trading business in precious metals and entered into the business of physical gold trading in Hong Kong.

In the fourth quarter of 2020, the Group also set up a new office in Nanjing, China, for the purposes of trading of hydrocarbon-based products, including crude oil, bitumen and isoprene in the region, which is due to commence in early 2021.

Despite heavy write-downs of oil and gas related investments in the year 2020, the Group still maintains a healthy, cash-rich financial position. The Group continues to contemplate and pursue potential new merger and acquisition opportunities in the oil and gas sector, as well as in the renewable energy business.

The Group is committed to the investment and future development of clean energy for global sustainability. Serious considerations to achieving Net Zero Emissions will be taken in all potential acquisitions.

With the approval of various vaccination programs, and a gradual reduction in the rate of coronavirus infection in many countries, together with the recent recovery of international oil prices back to pre-pandemic levels in early 2021, the Group is cautiously optimistic for the year ahead.

## BUSINESS REVIEW

The Group's oil and gas participation in Argentina during 2020 was solely in the Northwest Basin located in the province of Salta. In addition to the Group's oil and gas exploration and production activities, the Group was also engaged in the business of commodities trading, including physical gold trading since June 2020.

### Northwest Basin, Argentina

The Northwest Basin is one of the significant gas producing basins in Argentina. This basin is geologically and structurally complex because of the superposition of four main basins and tectonic influences, including a Late Jurassic to Early Cretaceous-aged rift extension and Tertiary-aged Andean compression. The Group is of the view that the complex geological structures create opportunities for the discovery of conventional light oil and natural gas during exploration activities.

As at 31 December 2020, the Group held the following concession in the Northwest Basin situated in Northern Argentina:

Concession	Participating interest	Surface area (in km <sup>2</sup> )	Proven Reserves (MMBOE)	Probable Reserves (MMBOE)	Possible Reserves (MMBOE)	Prospective Resources (MMBOE)	Group's Net 2P Reserves (MMBOE)
Los Blancos	50.00%	897	1.82	1.81	1.36	2.50	1.82

### Exploration, Development and Production activities

#### *Los Blancos Concession*

Operated by High Luck Group Limited (“**High Luck**”), the Group's Argentina wholly owned subsidiary, the Los Blancos Concession (formerly named as the Chirete Concession) covers a surface area of approximately 897 km<sup>2</sup> in the Province of Salta in Northern Argentina. Based on competent, independent third party analysis of the reservoir and historical production data for the past two years, the Group's estimated net interest of 2P Reserves is 1.82 MMBOE (“**Million Barrels of Oil Equivalent**”) as stated in the table above.

The Los Blancos Concession is an oil concession in which the Group has farmed into a 50% participating interest, with Pampa Energia S.A. being the owner of the other 50%. Being the Operator of the concession, High Luck is responsible for the day to day operational and management of the field.

## Operations update

Following the first recorded cases of coronavirus infection in Argentina in the beginning of March 2020, emergency social distancing measures were promptly introduced nationwide by the Argentina government on 20 March 2020, in an attempt to control the contagion.

Argentina's oil demand and prices consequently plummeted and remained depressed for the most part of the remainder of the 2020 year, as domestic economic activity stagnated. For the country's oil refineries and producers, there was a temporary suspension or slowdown in oil production and related activities during June 2020, as a result of physical oil storage constraints caused by the lack of demand.

For the Group, the situation was no different, where gross oil production (i.e. for 100% participating interest) at the Los Blancos Concession was scaled down from pre-pandemic levels of 600 barrels of oil per day ("**bopd**") in January 2020, to approximately 30 bopd in June, before returning back to normal production levels in August, and ramped up to 800 bopd from the beginning of October 2020.

Despite the intervention efforts by the Argentina government to reinvigorate the domestic oil market with the enactment of Decree No. 488/20 on 18 May 2020, which mandated oil activities to be sustained at pre-pandemic levels, and the establishment of a minimum USD45 per barrel price (when international oil prices during 2020 was between a historic low of USD20 per barrel to USD40 per barrel), there was almost zero compliance with the decree by oil refineries across the whole country, before the decree was subsequently repealed.

On 15 October 2020, under Decree No. 622/20 issued by the provincial authorities of Salta, High Luck was granted an Exploitation Permit for the Los Blancos Concession, following its commercial oil discovery in 2018. The Exploitation Permit officially entitles High Luck to produce crude oil in the area for the next 25 years.

During the year to 31 December 2020, the average daily production achieved for the Group's 50% participating interest in the Los Blancos Concession was approximately 240 bopd. The Group's share of oil production for the year was approximately 175 MBBL. Light crude oil continues to freely flow unaided under its own wellhead pressure with an API index of approximately 37° at zero water content, free of sulphur and other contaminants.



## **Tartagal Oriental and Morillo Concessions**

The Tartagal Oriental and Morillo Concessions (the “**T&M Concessions**”) are located in the Province of Salta in Northern Argentina and comprise of two oil blocks. The concessions cover a total surface area of 10,583 km<sup>2</sup> and have an estimated net resource of 130.0 MMBOE attributable to the Group.

Prior to the refusal to grant the Group an exploration permit extension beyond the expiry date of 13 September 2019 by the previous provincial authorities of Salta, the Group was a 69.25% participating interest holder in the concessions and the operator of the field.

Following the ruling by the law court of Salta in favour of the Group, which stated the provincial authorities must exhaust all administration processes in regard to the Group’s previous appeals pertaining to the disputed working units’ recognition matter in the T&M Concessions, there has been no further progress, news or decision from the provincial government office. The Group has made impairment provision for the entire value of T&M Concessions in 2019. With the province of Salta still in partial lockdown due to the coronavirus pandemic, the Group does not anticipate significant progress to be made anytime soon. The Group intends to work towards a resolution to the current stalemate with the Provincial Government of Salta when appropriate in the near future.

## **Palmar Largo Concessions**

The Group ceased oil production operations at the Palmar Largo Concessions (the “**PL Concessions**”) on 30 November 2018, after the sudden and unexpected relinquishment of the Palmar Largo block at the request of the Province of Formosa, which in the opinion of the Group, may amount to illegal seizure of the Group’s assets by the provincial authorities of Formosa.

Whilst impairment provisions have already been made in 2018 for all the assets in PL Concessions, the Group continues to seek a resolution with the new owner and operator of the concessions, and the provincial authorities of Formosa.

However, due to a clear lack of intention by the aforementioned parties to compensate or provide physical access for the Group to recover the oil inventory and assets illegally seized by the new operator during the past two years after the Groups’ forced relinquishment of the PL Concessions, the Group will prepare to file lawsuits against both parties.

## **Oil Price**

During the year ended 31 December 2020, international oil prices witnessed one of the biggest falls in decades. Following the outbreak of the coronavirus pandemic, Brent Oil had traded for as low as USD20 per barrel. As the global community has adapted to the new reality, and started executing its vaccination programs, international crude oil prices have seen a recovery back to pre-pandemic levels, as a new sense of optimism for global economic recovery spreads.

In Argentina, despite the government's attempts to reinvigorate the domestic oil market with the issuance of Decree No. 488/20 on 18 May 2020, which mandated oil activities be restored to pre-pandemic levels, and set a USD45 minimum domestic oil price per barrel, both measures proved ineffective as a result of the government's inability to enforce the decree among nearly all the oil refineries in the country, before the decree was subsequently repealed.

In Northern Argentina, where the Group's oil production facilities are situated, the average price paid by Refinor was approximately USD36 per barrel during the year to 31 December 2020. This was below the USD45 minimum domestic price per barrel set by Decree 488/20, and also below prevailing domestic prices in Argentina. In order to reduce the Group's reliance on Refinor, and to counteract their almost monopolistic status in the region, the Group continues to develop and build its new customer base, with the goal of securing a fairer market price for its oil.

### **Devaluation of the Argentine Pesos and Hyperinflation**

During 2020, the Argentine Pesos ("ARS") further devalued from a rate of ARS59.8 per USD at the beginning of the year, to ARS84.1 per USD by 31 December 2020. This equated to 40.6% devaluation of the ARS (2019: 70.3% devaluation).

In regard to the Argentina economy, the country continues to be burdened with spiralling hyperinflation. For the year, the annualized inflation rate was 36.1%, which was an improvement on the previous year's inflation of 54%.

With the substantial depreciation of the Argentine Pesos and hyperinflation, there are signs that economic stability in Argentina is slowly being restored, since the newly-elected government took office in December 2019. However, as Argentina historically and of recent years has always been a challenging environment for businesses to operate in, the Group remains cautious about the country's political and economic outlook.

### **COMMODITIES TRADING**

With the coronavirus pandemic prompting governments around the world to implement emergency social distancing measures and travel restrictions, the Group expanded its existing business in commodities trading. On 1 June 2020, the Group expanded locally in Hong Kong, its commodities trading of non-ferrous metals, also into physical gold trading.

The Group's physical gold trades are conducted via an established and reputable intermediary, with a long-established history and presence in Hong Kong. To ensure the Group is not financially exposed to the daily market fluctuations of gold spot prices, all physical trades and physical inventories held by the Group of this precious metal are fully hedged with financial hedging instruments. For the last 7 months of the 2020, the Group had aggregated trading volume totalling HK\$4,975.4 million.

The Group is committed to the expanding its physical gold trading business with additions of factory facilities and refining capacities to improve trading volumes and profit margins in 2021.

During the fourth quarter of the year, the Group also established a new office/wholly owned foreign enterprise (“**WOFE**”) in Nanjing, China for the purpose of trading of hydrocarbon-based products, including crude oil, bitumen and isoprene in the region, which will commence in early 2021.

## **MERGERS AND ACQUISITIONS, FUTURE DEVELOPMENT & FUNDING**

During the year, the Group considered and made a number of non-binding offers for investment opportunities in the oil and gas sector, and also one in the power generation business. While negotiation on some of these opportunities are still ongoing into 2021, the Group continuously looks for oil and gas assets at reasonable and sustainable prices to enhance its shareholders' value.

The Group wishes to emphasize that it is committed to future investment and development of clean energy for global sustainability. In considering potential acquisitions, the Group will seriously investigate their possibility of transforming oil and gas productions to achieving Net Zero Emissions.

While the Group plans its acquisition of oil and gas assets in 2021 as well as investigating the possibility of building its own refining facilities to enhance its physical gold trading business, these activities will be financed by existing internal resources and that no public fund raising by the Company is anticipated in 2021.

## CHANGE IN USE OF PROCEEDS

With the Los Blancos Concession commercially producing oil, the Group's Argentina operation is able to generate cash to be financially self-sufficient in the near future. Consequently, the Board of the Company has resolved to reallocate HK\$59.29 million from the unutilised Open Offer Proceeds, which was set for Argentina operational purposes, and to re-designate this amount for the purposes of investment in oil and gas, power generation, and renewable energy. The Board considers this latest proposed change in use of proceeds is in the best interests of the Company and its shareholders as a whole.

The following table summarises the latest proposed change in use of proceeds and the resulting new allocation for the unutilised amount of net proceeds of the Open Offer Proceeds at the date of this announcement.

Intended use	Unused amount of net proceeds as at 31 December 2019 <i>HK\$ million</i>	Change in use of proceeds on 26 March 2020 <i>HK\$ million</i>	Change in use of proceeds on 29 April 2020 <i>HK\$ million</i>	Actual use of net proceeds during the year ended 31 December 2020 <i>HK\$ million</i>	Proposed change in use of proceeds as at date of this announcement <i>HK\$ million</i>	New allocation for remaining portion of proceed <i>HK\$ million</i>
<b>Open Offer Proceeds:</b>						
Argentina operational purposes	59.29	–	–	–	(59.29)	–
Investment for oil and gas portfolio	500.00	(500.00)	–	–	–	–
Investment in oil and gas, power generation, and renewable energy	–	500.00	(350.00)	–	59.29	209.29
Expansion of metal commodities trading	–	–	350.00	(85.52)	–	264.48
	<u>559.29</u>	<u>–</u>	<u>–</u>	<u>(85.52)</u>	<u>–</u>	<u>473.77</u>
Total	<u>559.29</u>	<u>–</u>	<u>–</u>	<u>(85.52)</u>	<u>–</u>	<u>473.77</u>

## FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2020 was approximately HK\$5,034.52 million (2019: HK\$236.65 million). The revenue derived from commodities trading for the year ended 31 December 2020 was approximately HK\$4,975.37 million (2019: HK\$216.33 million). The increase in revenue derived from commodities trading was contributed by revenue from sales of physical gold for the year ended 31 December 2020. The revenue derived from sales of petroleum-related products for the year ended 31 December 2020 was approximately HK\$33.56 million (2019: Nil). The revenue derived from sales of oil products under the Group's oil exploration and production business for the year ended 31 December 2020 was approximately HK\$25.59 million. This represents an increase of approximately 25.94% as compared to the HK\$20.32 million revenue generated for the corresponding period in 2019. The Group reported a gross profit of approximately HK\$23.50 million (2019: HK\$11.92 million) for the year ended 31 December 2020. The increase in gross profit was mainly contributed by the increase in gross profit of the Group's oil exploration and production business and physical gold trading business.

General and administrative expenses of the Group for the year ended 31 December 2020 was approximately HK\$39.64 million, which represents a decrease of approximately 24.13% as compared to approximately HK\$52.25 million for the corresponding period in 2019.

For the year ended 31 December 2020, the Group recognised an impairment loss on right-of-use assets amounting to approximately HK\$5.82 million. For the year ended 31 December 2019, the Group recognised impairment losses on exploration and evaluation assets in respect of the Union of Temporary Enterprise in Tartagal Oriental and Morillo concessions, and inventories amounting to approximately HK\$2.24 billion and HK\$6.82 million respectively.

The Group recognised net investment loss in respect of financial instruments of approximately HK\$29.62 million (2019: HK\$4.21 million) for the year ended 31 December 2020.

For the year ended 31 December 2019, the Group recognised exploration expenses in relation to a dry hole of approximately HK\$0.20 million; whilst there were no such expenses recognised for the year ended 31 December 2020.

Finance costs of the Group for the year ended 31 December 2020 was approximately HK\$11.12 million, which represents a decrease of approximately 19.48% as compared to approximately HK\$13.81 million for the corresponding period in 2019.

Share of losses of joint ventures of the Group for the year ended 31 December 2020 were approximately HK\$7.08 million, which represents an increase of approximately 48.12% as compared to approximately HK\$4.78 million for the corresponding period in 2019.

Income tax charge of the Group for the year ended 31 December 2020 was approximately HK\$14.94 million; whilst it was an income tax credit of approximately HK\$20.25 million for the corresponding period in 2019.

For the year ended 31 December 2020, the Group recorded a loss for the year of approximately HK\$79.49 million (2019: HK\$2.29 billion).

Basic loss per share for the year ended 31 December 2020 was approximately HK0.91 cent (2019: HK26.15 cents).

The board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

In respect of the aggregate net proceeds of approximately HK\$557.23 million (“**2016 Subscription Shares Proceeds**”) raised from the subscription of shares in July 2016 and November 2016, amongst which approximately HK\$357.16 million had been used up to 31 December 2019 towards its intended use as stated in the circular of the Company dated 28 June 2016, and the announcements of the Company dated 28 October 2016 and 27 August 2018. On 26 March 2020, the Company announced a change on its intended use of the unused balances of the 2016 Subscription Shares Proceeds and the Open Offer Proceeds (as defined below). Details of the change were set out in the announcement of the Company dated 26 March 2020. As at 31 December 2019, the unused balance of the 2016 Subscription Shares Proceeds was approximately HK\$200.07 million. The actual use of the 2016 Subscription Shares Proceeds during the year ended 31 December 2020 was, as to approximately HK\$0.21 million, for Argentina operational purposes as intended, and as to approximately HK\$68.82 million, for general administrative purposes including the repayment of debt and interest, and payment of overhead as intended. As at 31 December 2020, the unused balance of the 2016 Subscription Shares Proceeds was approximately HK\$131.04 million.

In respect of the net proceeds of approximately HK\$736.40 million (“**Open Offer Proceeds**”) raised from the open offer in April 2017, amongst which approximately HK\$177.11 million had been used up to 31 December 2019 towards its intended use as stated in the circular of the Company dated 28 February 2017, the offering memorandum of the Company dated 27 March 2017, and the announcement of the Company dated 27 August 2018. On 26 March 2020 and 29 April 2020, the Company announced changes on its intended use of the unused balances of the 2016 Subscription Shares Proceeds and the Open Offer Proceeds. Details of the changes were set out in the announcements of the Company dated 26 March 2020 and 29 April 2020. As at 31 December 2019, the unused balance of the Open Offer Proceeds was approximately HK\$559.29 million. The actual use of the Open Offer Proceeds during the year ended 31 December 2020 was, as to approximately HK\$85.52 million, for expansion of metal commodities trading as intended. As at 31 December 2020, the unused balance of Open Offer Proceeds was approximately HK\$473.77 million.

The following table summaries the use of net proceeds for the 2016 Subscription Shares Proceeds and Open Offer Proceeds during the year ended 31 December 2020.

	Unused amount of net proceeds as at 31 December 2019 <i>HK\$ million</i>	Change in use of proceeds on 26 March 2020 <i>HK\$ million</i> <i>(note 5)</i>	Change in use of proceeds on 29 April 2020 <i>HK\$ million</i> <i>(note 5)</i>	Actual use of net proceeds during the year ended 31 December 2020 <i>HK\$ million</i>	Unused amount of net proceeds as at 31 December 2020 <i>HK\$ million</i>
<b>2016 Subscription Shares Proceeds:</b>					
Argentina operational purposes	200.07	(179.36)	–	(0.21)	20.50 <i>(note 1)</i>
Investment in oil and gas, power generation, and renewable energy	–	79.36	–	–	79.36 <i>(note 2)</i>
Investment in short to medium term financial instruments, and general administrative purposes	–	100.00	–	(68.82)	31.18 <i>(note 3)</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>200.07</u>	<u>–</u>	<u>–</u>	<u>(69.03)</u>	<u>131.04</u>
<b>Open Offer Proceeds:</b>					
Argentina operational purposes	59.29	–	–	–	59.29 <i>(note 1)</i>
Investment for oil and gas portfolio	500.00	(500.00)	–	–	–
Investment in oil and gas, power generation, and renewable energy	–	500.00	(350.00)	–	150.00 <i>(note 2)</i>
Expansion of metal commodities trading	–	–	350.00	(85.52)	264.48 <i>(note 4)</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>559.29</u>	<u>–</u>	<u>–</u>	<u>(85.52)</u>	<u>473.77</u>



*Notes:*

1. The expected timeline in relation to the use of the unused amount of net proceeds as at 31 December 2020 will depend on the Group's business, and oil and gas investment plans in Argentina, which are discussed in the section headed "Operations update" and "Change in use of proceeds" under Management Discussion and Analysis to this announcement.
2. The expected timeline in relation to the use of the unused amount of net proceeds as at 31 December 2020 will depend on the availability and timing of suitable opportunities.
3. The unused amount of net proceeds as at 31 December 2020 is expected to be utilised on or before the year ending 31 December 2021.
4. The unused amount of net proceeds as at 31 December 2020 is expected to be utilised on or before the year ending 31 December 2023.
5. Details of the change in use of proceeds are set out in the announcements of the Company dated 26 March 2020 and 29 April 2020 respectively.

The Group maintained a treasury policy (as reviewed or modified from time to time when deemed necessary) for the investment of surplus cash. Surplus cash is mainly maintained in the form of term deposits with the licensed banks. The management of the Group closely monitors the Group's liquidity position to ensure that the Group has sufficient financial resources to meet its funding requirements from time to time.

The Group entered into certain derivative financial instruments for economic hedging purposes in order to mitigate the financial impact of gold price fluctuations in gold inventories and gold bullion purchased or held by the Group. The use of these derivative financial instruments is closely monitored and controlled by the Group.

As at 31 December 2020, the Group's net current assets amounted to approximately HK\$649.84 million (31 December 2019: HK\$842.50 million) and the Group had cash and cash equivalents of approximately HK\$640.92 million (31 December 2019: HK\$771.66 million).

Cash and cash equivalents of the Group as at 31 December 2020 were mainly denominated in Hong Kong Dollar, United States Dollar, Argentine Peso and Renminbi.



As at 31 December 2020, total equity of the Group was approximately HK\$758.96 million (31 December 2019: HK\$846.46 million). Net asset value per share equated to approximately HK\$0.09 (31 December 2019: HK\$0.10). Debt ratio, calculated as total liabilities divided by total assets, was approximately 25.68% (31 December 2019: 22.72%).

The Group financed its operations generally from a combination of working capital, borrowings and proceeds from the issuance of shares of the Company.

### **Borrowings**

As at 31 December 2020, included in the carrying amount of borrowings of the Group was unsecured debt securities of approximately HK\$141.32 million (31 December 2019: HK\$151.54 million) denominated in Hong Kong Dollar and carrying interest at fixed rate. The remaining balance was unsecured short-term loan of approximately HK\$4.75 million (31 December 2019: Nil) denominated in Renminbi and carrying interest at fixed rate. Details of the maturity of the carrying amount of the Group's borrowings are set out in note 19 to this announcement.

### **Gearing Ratio**

As at 31 December 2020, gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was approximately 19.25% (31 December 2019: 17.90%).

### **Charge on Assets**

As at 31 December 2020, the Group did not have any charge on its assets (31 December 2019: Nil).

### **Contingent Liabilities**

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

### **Capital Commitments**

Details of the capital commitments of the Group as at 31 December 2020 are set out in note 20 to this announcement.

## **Principal Risks and Uncertainties**

The Group's financial condition, results of operations, businesses and prospects are subject to a number of risks and uncertainties including business risks, operational risks and financial risks.

The Group's business of commodities trading is exposed to development risk, as well as supply chain risk. The Group mitigates these risk factors by developing its customer base in order to achieve better operating performance on its commodities trades, and also by expanding its supplier base to achieve a stable supply of commodities.

The Group's business activities in exploration, development, production and sale of crude oil are susceptible to geological, exploration and development risks. The Group strives to establish and maintain comprehensive technical and operational teams. Through detailed planning, analysis and discussion amongst the teams, and with support from experienced consultants and experts, the Group is able to manage and mitigate the risks arising from changes in the business environment to a reasonably acceptable level.

In the normal course of business, the Group is exposed to credit risk, liquidity risk, interest rate risk, currency risk, price risk arising from prices fluctuation of crude oil and commodities, and equity price risk arising from its investment in equity securities.

In addition to the abovementioned risks and uncertainties, there may be other risks and uncertainties which the Group has not identified, or is aware of, or considers it to be of minimal impact to the Group presently, which however has the potential to become significant in the future.

## **Foreign Exchange Exposure**

Assets and liabilities of the Group are mainly denominated in Hong Kong Dollar, United States Dollar, Argentine Peso and Renminbi. Most of these assets and liabilities are in the functional currency of the operations to which the transactions relate. The currencies giving rise to foreign exchange risk is primarily those from the Group's exploration and production activities in Argentina and investments in foreign companies. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor the foreign exchange exposures on an on-going basis and will consider hedging instruments should the need arise.

## **Employees**

As at 31 December 2020, the Group employed a total of 44 (2019: 38) permanent employees in Hong Kong, China and Argentina. Total employee remuneration (including directors' remuneration and benefits) for the year ended 31 December 2020 amounted to approximately HK\$16.38 million (2019: HK\$19.58 million). The Group provides its employees with competitive remuneration packages relative to their job performance, qualifications, experience, and prevailing market conditions in the respective geographical locations and businesses in which the Group operates.

## **Relationship with Suppliers, Customers and other Stakeholders**

The Group understands the importance of maintaining a good relationship with its suppliers, customers, social communities and governments to meet its objectives and long-term goals. Save as disclosed in the section headed "Business Review", there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders during the year.

## **Material Acquisitions and Disposals**

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies, and joint ventures during the year ended 31 December 2020.

## **Environmental Policies and Performance**

The Group is committed to the long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the environmental policies and performance of the Group are set out in "Environmental, Social and Governance Report" section of the forthcoming annual report of the Company.

## **Significant Investments**

As at 30 December 2020, the Group held financial assets at fair value through profit or loss and gold investment in gold bullion amounting to approximately HK\$74.09 million and HK\$68.59 million respectively.

### ***(i) Financial assets at fair value through profit or loss***

As at 31 December 2020, the Group's financial assets at fair value through profit or loss comprised of listed equity securities, listed debt securities and unlisted debt securities amounting to approximately HK\$53.05 million, HK\$14.95 million and HK\$6.09 million respectively.

As at 31 December 2020, details of the listed equity securities are set out below:

Name of company	Principal business	Fair value at 31 December 2020 <i>HK\$ million</i>	Net investment loss for the year ended 31 December 2020 <i>HK\$ million</i>
Beijing Gas Blue Sky Holdings Limited (Stock Code: 6828)	Sales and distribution of natural gas and other related products	43.27	(30.76) (Note (i))
NWS Holdings Limited (Stock Code: 659)	Development of, investment in and/or operation of roads, commercial aircraft leasing, construction and insurance; and investment in and/or operation of environmental and logistic projects, facilities and transport	3.74	(1.26) (Note (i))
China Overseas Land & Investment Ltd. (Stock Code: 688)	Property development and investment, and other operations	6.04	(1.96) (Note (i))
Total		<u>53.05</u>	<u>(33.98)</u>

*Note:*

- (i) Balance represented a loss arising from the change in fair value for the year ended 31 December 2020.

The carrying value for each of the above listed equity securities is less than 5% of the total assets of the Group.

At as 31 December 2020, the Group held three investments of debt securities listed in Hong Kong or overseas and an investment of unlisted debt securities. The carrying value for each of these four investments is less than 5% of the total assets of the Group. For the year ended 31 December 2020, the Group recognised a net investment income of approximately HK\$1.60 million, which comprised interest income of approximately HK\$1.88 million and a loss arising from the change in fair value of approximately HK\$0.28 million, on the listed and unlisted debt securities in the consolidated statement of profit or loss.

**(ii) Gold investment**

During the year ended 31 December 2020, the Group purchased gold bullion at a cost of approximately HK\$62.47 million. As at 31 December 2020, the fair value of the gold bullion was approximately HK\$68.59 million, representing approximately 6.72% of the total assets of the Group. For the year ended 31 December 2020, the Group recognised a gain arising from the change in fair value of approximately HK\$6.12 million on the gold bullion. The purposes of holding gold bullion are to support the development of the Group's physical gold trading business, and to achieve capital appreciation and capture the effectiveness of gold as inflation-proofing instrument. The Group entered into certain derivative financial instruments for economic hedging purposes in order to mitigate the financial impact of gold price fluctuations.

**EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed above, the Group does not have any material subsequent events after 31 December 2020 and up to the date of this announcement.

**CORPORATE GOVERNANCE AND OTHER INFORMATION**

**Corporate Governance Code**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company and management of the Group strive to attain and maintain high standards of corporate governance best suited to the needs of its businesses and interest and value of the shareholders of the Company (the “**Shareholders**”) as the Board believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth.

The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. For the year ended 31 December 2020 (the “**Year**”), the Company complied with all code provisions of the CG Code and adopted the recommended best practices of the CG Code insofar as they are relevant and practicable, apart from the deviations set out below.

## **Code Provision C.1.2**

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the period under review, the management of the Company did not provide monthly updates to all members of the Board as required by the code provision C.1.2 of the CG Code, as all the executive Directors were involved in the daily operations of the Group and were fully aware of the performance, position and prospects of the Company, and the management of the Company had provided to all Directors (including independent non-executive Directors) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details prior to the regular board meetings. In addition, the management of the Company had provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

## **Rule 3.10(1) and Rule 3.10A**

Between 24 March 2020 and 18 June 2020, the Company was unable to meet the requirement of having a minimum number of three independent non-executive Directors under Rule 3.10(1) of the Listing Rules and also Rule 3.10A which stipulates that the number of independent non-executive Directors should represent at least one third of the Board.

## **Model Code for Director's Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, each of the Directors has confirmed that he had complied with the required standard set out in the Model Code throughout the Year.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **REVIEW OF 2020 CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements of the Group for the Year, including the accounting principles and practices, internal control and financial reporting matters have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the Year.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2020, the Company had no retained profits available for cash distribution and/or distribution in specie. Pursuant to the Company Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$740,880,000 is currently not available for distribution. The Company's share premium account of HK\$4,868,181,000 may be distributed in the form of fully paid bonus shares.

## **DIVIDEND**

The Directors did not recommend the payment of a final dividend for the Year (2019: Nil).

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

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

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules throughout the Year and up to the date of this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company will be held on Thursday, 3 June 2021 (the "AGM"). A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders in due course.

## **MATERIAL LITIGATION**

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2020. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group for the year ended 31 December 2020.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed during the period from Monday, 31 May 2021 to Thursday, 3 June 2021 (both days inclusive), during which no transfers of shares will be registered, for the purpose of determining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 28 May 2021.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the respective websites of the Company ([www.nt-energy.com](http://www.nt-energy.com)) and The Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the Year will be dispatched to the Shareholders and made available on the above websites in due course.

## **GLOSSARY**

"BOPD"	Barrels of oil per day
"km <sup>2</sup> "	Square kilometers
"MMBOE"	Million barrels of oil equivalent, a barrel is 42 U.S. Gallons or 0.158987 m <sup>3</sup>
"MBBL"	Thousands of barrels of oil
"Prospective Resources"	Quantities of petroleum which are estimated to be potentially recovered from undiscovered accumulations
"Probable Reserves"	Additional reserves that are less certain to be recovered than Proven Reserves but which, together with Proven Reserves, are as likely as not to be recovered
"Possible Reserves"	Unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves



“Proven Reserves”                      Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible

“2P Reserves”                      Proven Reserves + Probable Reserves

By order of the board of directors  
**New Times Energy Corporation Limited**  
**CHENG, Kam Chiu Stewart**  
*Chairman*

Hong Kong, 18 March 2021

As at the date of this announcement, the Board comprises:

***EXECUTIVE DIRECTORS:***

Mr. CHENG, Kam Chiu Stewart (*Chairman*)

Mr. TANG, John Wing Yan (*Chief Executive Officer*)

***NON-EXECUTIVE DIRECTOR:***

Mr. LEE, Chi Hin Jacob

***INDEPENDENT NON-EXECUTIVE DIRECTORS:***

Mr. YUNG, Chun Fai Dickie

Mr. CHIU, Wai On

Mr. HUANG, Victor