



INTERIM REPORT

2019

EPI **EPI (Holdings) Limited**
長盈集團(控股)有限公司

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



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Abbreviations

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

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

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

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

COMPANY SECRETARY

Mr. Chan Shui Yuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Reed Smith Richards Butler
Lau, Horton & Wise LLP

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

TRADING OF SHARES

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

WEBSITE

<http://www.epiholdings.com>

* The above information is updated to 24 September 2019, the latest practicable date before printing of this interim report.

Management Discussion and Outlook

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

For the period under review, the Group recorded a revenue of HK\$31,293,000 which declined by 6% compared to the prior interim period (30 June 2018: HK\$33,131,000). The decline was mainly due to the drop in revenue of the petroleum business resulting from the decrease in average selling price of crude oil sold and reduction in volume of crude oil produced by the Group's petroleum business, though the drop in revenue was partly offset by the increase in interest income generated from the money lending business.

Petroleum Exploration and Production

During the six months ended 30 June 2019, the Group continued to engage in petroleum exploration and production in the Chañares Herrados Area ("CHE Area") (the "Concession") in the Cuyana Basin, Mendoza Province of Argentina. Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares") is the concessionaire of the Concession (the "Concessionaire").

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

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

During the current interim period, the Group continued to focus on the investment to improve the production of and had performed maintenance works for the ten existing oil wells in the CHE Area.

Management Discussion and Outlook

For the period under review, the Group's petroleum exploration and production business generated a revenue of HK\$12,581,000 (30 June 2018: HK\$22,135,000) and recorded an operating loss before provision of impairment losses of HK\$3,865,000 (30 June 2018: operating profit of HK\$1,010,000). The decrease in the operation's revenue was the combined effect of the drop in average crude oil selling price offered by YPF S.A., an Argentina state-owned oil company and the buyer of the operation's output, from an average US\$63.7 per barrel in the corresponding period last year to US\$52.1 per barrel in the current interim period, and the drop in production of crude oil by about 30%. The fall in oil price offered by YPF S.A. during the interim period, which largely followed the downward trend of international oil price after reaching its peak in October 2018, reflects the cloudy outlook of international oil price caused by, among other factors, the continuous trade disputes between the United States and China, and the higher than expected oil production in the United States. Whilst the drop in crude oil production of the operation during the review period was the combined results of (i) the extended maintenance works performed on two oil wells which took more than double the normal time required to complete the tasks; (ii) the natural decline of output of the Group's ten oil wells, which have been in production for over eight years; and (iii) the temporary production suspension of two oil wells pending for costs-revenue analysis, as after years of production the reserves of these oil wells have fallen to a level that it may not be economical to continue production.

The Group had performed an impairment review on the exploration and evaluation assets and the oil and gas properties of the Concession at 30 June 2019. At 30 June 2019, the Group reconsidered the future development of the investment plan on the Concession and concluded that no further well drilling programme will be launched at present primarily because, according to management's estimates, the prevailing and forecast crude oil selling prices have not yet reached a level that new well drillings will warrant a satisfactory return. Accordingly, the Group determined that there was no reversal of impairment loss on the exploration and evaluation assets of the Concession. For the impairment assessment of the oil and gas properties, the recoverable amount of the oil and gas properties was determined based on the discounted cash flow projection of the Group's oil wells with their production reserves and the estimated future oil prices being the major parameters. Having taken into account the drop in production of the Group's oil wells by 30% during the current interim period as mentioned, the estimates of production reserves of the oil wells have been adjusted downward and a provision of impairment losses on the Group's oil and gas properties of HK\$14,126,000 (30 June 2018: nil) was recognised accordingly. Overall speaking, the operation recorded an overall loss of HK\$17,991,000 (30 June 2018: profit of HK\$1,010,000) comprising operating loss of HK\$3,865,000 (30 June 2018: operating profit of HK\$1,010,000) and provision of impairment losses of HK\$14,126,000 (30 June 2018: nil).

As disclosed in the Company's announcement dated 15 August 2017, based on the representation of the Concessionaire of the Concession in the CHE Area (the "CHE Concession"), the Executive of the Province of Mendoza accepted the investment commitment plan (the "Investment Commitment") submitted by the Concessionaire in respect of the CHE Area, and the CHE Concession was extended until 14 November 2027 (the "CHE Extension").

Management Discussion and Outlook

References are also made to the announcements of the Company dated 24 May 2019 and 18 June 2019, the Company was notified by the Concessionaire that the Executive of the Province of Mendoza has issued a decree (the "Decree") in respect of the termination of the CHE Concession as the Concessionaire has not fulfilled its Investment Commitment, without stating an effective date of termination of the CHE Extension. Accordingly, the Company has clarified with its legal adviser in Argentina (the "Local Legal Adviser") as to the contents of the Decree and has been advised that it is stated in the Decree that the CHE Concession should now be made available for other investors to invest and operate under a formal bidding process (the "Bidding Process"), and that before the successful bidder takes over the concession, the Concessionaire can continue to operate in the CHE Concession and pay the same fees, royalties and other payments to the government under the same contractual conditions previously granted. The interpretation of the Local Legal Adviser for these statements in the Decree is that the Concessionaire is allowed to continue operating the oilfield until a new concessionaire takes over, and that during such period, the Concessionaire should be able to extract and sell oil and should continue to pay fees, royalties and other payments, which logically are only payable in a context where the Concessionaire is allowed to extract and sell oil. Based on the understanding of the Company, the Concessionaire continues to operate in the CHE Concession and has continued to send to the Group the daily production reports which contains daily production and sales quantity, and monthly report which contains production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and the Concessionaire under the Operation Agreement entered into between the relevant parties on 5 June 2012.

In light of the advice from the Local Legal Adviser and the Company's understanding that the Concessionaire continues to operate in the CHE Concession, the Company considers that the termination of the CHE Extension contemplated under the Decree has no immediate impact on the Group's operations, financial position and performance unless and until there is a successful bidder who can take over the CHE Concession after the Bidding Process.

The Group was notified by the Concessionaire that it has taken several legal actions in order to protect its rights in the CHE Concession, including action to reverse the decision under the Decree in respect of the termination of the CHE Concession.

The Company is also evaluating its position and if it is in the interest of the Company to do so, it may participate in the Bidding Process (subject to the legal actions of the Concessionaire, if and when the bidding process materialises) when it commences so as to minimise interruption to the Group's petroleum exploration and production business if the Company's bid is accepted.

Further announcement in relation to the above matters will be made as and when practicable.

Management Discussion and Outlook

Money Lending

During the six months ended 30 June 2019, the Group's money lending business reported increases in both revenue and operating profit (before expected credit loss allowance) by 135% to HK\$13,942,000 (30 June 2018: HK\$5,938,000) and 140% to HK\$13,967,000 (30 June 2018: HK\$5,824,000) respectively. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the period under review. Before granting loans to potential customers, the management uses internal credit assessment process to assess the borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During the current period, an expected credit loss of HK\$5,130,000 (30 June 2018: HK\$719,000), which reflects the credit risk involved in collectability of certain loans determined under the Group's loan impairment policy, was recognised against the loan receivables.

At 30 June 2019, the loans portfolio held by the Group amounted to HK\$252,016,000 (after expected credit loss allowance of HK\$12,182,000) (31 December 2018: HK\$251,652,000 (after expected credit loss allowance of HK\$7,052,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Total %	Interest rate per annum %	Maturity
	Guaranteed (unsecured) %	Secured %	Unsecured %			
Corporate	19.60	33.85	2.27	55.72	10 - 18	Within one year
Corporate	-	2.71	-	2.71	8	More than two years but within three years
Individual	-	33.33	8.24	41.57	10 - 18	Within one year
	<u>19.60</u>	<u>69.89</u>	<u>10.51</u>	<u>100.00</u>		

As shown above, 19.60% of the loan portfolio is guaranteed by credible guarantor(s), 69.89% is secured by various collaterals and the remaining 10.51% is unsecured.

Investment in Securities

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

Management Discussion and Outlook

At 30 June 2019, the Group's investment in securities operation held a financial asset at fair value through profit or loss ("FVTPL") portfolio valued at HK\$49,172,000 (31 December 2018: HK\$71,816,000), comprising equity securities listed in Hong Kong, and debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions) valued at HK\$139,972,000 (31 December 2018: HK\$130,330,000), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK\$4,770,000 (30 June 2018: HK\$5,058,000) and a loss (before expected credit loss allowance) of HK\$14,518,000 (30 June 2018: HK\$20,670,000).

Financial assets at FVTPL

At 30 June 2019, the Group held a financial asset at FVTPL portfolio amounting to HK\$49,172,000 (31 December 2018: HK\$71,816,000) measured at market/fair value. During the period under review, the portfolio generated a revenue of HK\$306,000 (30 June 2018: HK\$128,000) representing dividends from equity securities of HK\$138,000 (30 June 2018: HK\$128,000) and interest income from debt securities of HK\$168,000 (30 June 2018: nil). The Group recognised a net loss on financial assets at FVTPL of HK\$19,588,000, which comprised net unrealised loss and net realised loss of HK\$19,232,000 and HK\$356,000 respectively (30 June 2018: net loss on financial assets at FVTPL of HK\$25,523,000, which comprised net unrealised loss and net realised gain of HK\$28,501,000 and HK\$2,978,000 respectively).

The realised loss recorded during the period represented loss on disposal of equity securities in open market and the unrealised loss represented decrease in market value of those equity securities held by the Group at the period end. The losses on the financial assets at FVTPL recognised by the Group was largely a result of the volatile conditions of the Hong Kong stock market during the interim period resulting mainly from the continuous trade disputes between the United States and China. The Group has adopted a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market fluctuations during the review period.

At 30 June 2019, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$49,172,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio
	%
Conglomerate	7.80
Education	13.40
Game publishing and service	33.34
Property	39.51
Others	5.95
	<hr/>
	100.00

Management Discussion and Outlook

At 30 June 2019, the weightings of the Group's top five and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$49,172,000 (together with other information) are as below:

Investee company's name and its principal activities [†]	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2019	% of shareholding interest	Acquisition costs	*Acquisition costs during the period/carrying amount at 1 January 2019	Market/fair value at 30 June 2019	Accumulated unrealised loss recognised up to 30 June 2019	Unrealised gain (loss) recognised during the six months ended 30 June 2019	[‡] Investee company's financial performance	[‡] Future prospects of the investee company
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
				A	B	C	D = C - A	E = C - B		
Equity securities listed in Hong Kong										
Emperor International Holdings Limited (HKEX stock code: 163)										
Property investments, property development and hospitality	30.73	2.66	0.20	18,278	13,838	15,110	(3,168)	1,272	For the year ended 31 March 2019, revenue increased by 38% to HK\$4,352,386,000 while profit for the year decreased by 8% to HK\$3,327,762,000 as compared to 2018.	The investee company continues to replenish land parcels in a disciplined manner, paving the way for healthy growth in future. With its well-balanced portfolio, the investee company is confident of seizing the opportunities emerging from the new growth engines and driving solid recurrent rental income in the long-run.
FingerTango Inc. (HKEX stock code: 6860)										
Leading mobile game publisher and a pioneer in the simulation game publishing industry in China	26.56	2.30	0.53	25,284	18,307	13,062	(12,222)	(5,245)	For the six months ended 30 June 2019, revenue decreased by 2% to RMB525,129,000 and profit for the period decreased by 46% to RMB47,274,000 as compared to the same period in 2018.	The investee company will continue to extend its existing game portfolio and broaden its game category while focusing on the simulation game segment, and will continue to optimise the game content, enhance the player experience, boost player stickiness and loyalty, and seek synergetic merger and acquisition opportunities to accelerate business growth with the aim to reinforce its leadership in mobile game operation.

Management Discussion and Outlook

Investee company's name and its principal activities [†]	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2019	% of shareholding interest	Acquisition costs	*Acquisition costs during the period/ carrying amount at 1 January 2019	Market/fair value at 30 June 2019	Accumulated unrealised loss recognised up to 30 June 2019	Unrealised gain (loss) recognised during the six months ended 30 June 2019	Investee company's financial performance	Future prospects of the investee company
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
				A	B	C	D = C - A	E = C - B		
China										
E-Information Technology Group Limited (HKEX stock code: 8055)										
Provision of distance learning programs and education consultation	13.40	1.16	1.17	9,304	10,982	6,589	(2,715)	(4,393)	For the six months ended 30 June 2019, revenue increased by 8% to HK\$36,955,000 and loss for the period decreased by 2% to HK\$14,924,000 as compared to the same period in 2018.	The investee company will implement cost-effective measures to streamline the operation so as to enhance the profitability and value of the e-learning business, and will continue to look for opportunities for its existing business, particularly in developing both vertically and horizontally within its existing medical education platform, expanding further into its service network, and to increase its shareholders' value and reduce business risk.
CNQC International Holdings Limited (HKEX stock code: 1240)[†]										
Property development and construction business in Hong Kong, Singapore and Southeast Asia	8.78	0.76	0.18	4,632	4,667	4,316	(316)	(351)	For the six months ended 30 June 2019, revenue decreased by 2% to HK\$5,021,909,000 and profit for the period decreased by 28% to HK\$199,433,000 as compared to the same period in 2018.	The investee company will continue to evaluate property projects in Hong Kong, Singapore and Southeast Asia proactively, and seek opportunities to increase land bank, and will continue to upgrade the industrialisation or prefabricated prefinished volumetric construction technology, and expand into the countries and areas in the "Belt and Road" initiative.

Management Discussion and Outlook

Investee company's name and its principal activities [#]	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2019	% of shareholding interest	*Acquisition costs during the period/ carrying amount at		Market/fair value at 30 June 2019	Accumulated unrealised loss recognised up to 30 June 2019	Unrealised gain (loss) recognised during the six months ended 30 June 2019	[#] Investee company's financial performance	[#] Future prospects of the investee company
	%	%	%	Acquisition costs HK\$'000	1 January 2019 HK\$'000	HK\$'000	HK\$'000	HK\$'000		
				A	B	C	D = C - A	E = C - B		
Digital Hollywood Interactive Limited (HKEX stock code: 2022)										
Development, operations and publishing of web-based games and mobile games business in North America, Europe, the PRC and other regions	6.78	0.59	0.79	16,802	4,345	3,334	(13,468)	(1,011)	For the six months ended 30 June 2019, revenue decreased by 36% to US\$8,958,904 and its results experienced a turnaround and recorded loss for the period of US\$4,774,677.	The investee company will continue to extend its game portfolio, insist on the philosophy of "focusing on products' long lifecycle", maintain continuous operation with long-term data flow, deepen its involvement in the research and development, distribution and promotion in the global hypertext markup language 5 field, enlarge its market shares in emerging markets and strengthen its leading position in overseas distribution.
Others	13.75	1.18	N/A	40,244	16,265	6,761	(33,483)	(9,504)	-	-
	100.00	8.65		114,544	68,404	49,172	(65,372)	(19,232)		

[#] Extracted from published financial information of the investee companies.

^{*} The amount represented the costs of the securities acquired during the six months ended 30 June 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

⁺ The Group recognised a dividend income of HK\$138,000 from its investment in CNQC International Holdings Limited during the six months ended 30 June 2019.

Debt instruments at FVTOCI

At 30 June 2019, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$139,972,000 (31 December 2018: HK\$130,330,000) was measured at market/fair value. During the period under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$4,464,000 (30 June 2018: HK\$4,930,000) representing interest income from debt securities. According to the maturity of the debt securities, part of the debt instruments at FVTOCI of HK\$3,172,000 was classified as current assets.

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

Management Discussion and Outlook

At the period end, a net fair value gain on debt instruments at FVTOCI amounting to HK\$7,802,000 was recognised as other comprehensive income (30 June 2018: net fair value loss of HK\$11,891,000 recognised as other comprehensive expense). Such fair value gain on debt instruments held by the Group was mainly a result of the general expectation of a reduction in market interest rates during the current interim period, which caused the market value of debt instruments held by the Group to rise.

During the review period, debt securities of HK\$11,738,000 were redeemed by an issuer. A gain on redemption of HK\$328,000 was released from the Group's investment revaluation reserve and recognised as a gain in the current period (30 June 2018: loss of HK\$41,000).

At 30 June 2019, the Group invested in debt securities issued by various aircraft leasing company and property companies and their respective weightings to the market/fair value of the Group's debt instrument at FVTOCI portfolio of HK\$139,972,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio %	Yield to maturity on acquisition %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2019 HK\$'000	Market/fair value at 30 June 2019 HK\$'000	Accumulated fair value loss recognised up to 30 June 2019 HK\$'000	Fair value gain recognised during the six months ended 30 June 2019 HK\$'000
			A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>							
Aircraft leasing	10.09	4.93	15,444	13,562	14,120	(1,324)	558
Property	89.91	5.26 - 12.50	128,084	118,818	125,852	(2,232)	7,034
	100.00		143,528	132,380	139,972	(3,556)	7,592

* The amount represented the costs of the securities acquired during the six months ended 30 June 2019 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

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

Overall Results

For the six months ended 30 June 2019, the Group reported a loss attributable to owners of the Company of HK\$39,258,000 (30 June 2018: HK\$39,314,000) that was mainly due to the net loss on financial assets at FVTPL of HK\$19,588,000, the provision of impairment losses on oil and gas properties of HK\$14,126,000 and the expected credit loss on loan and interest receivables of HK\$5,130,000, though the losses were partly offset by the profitable results contributed by the money lending business of HK\$13,967,000 (before expected credit loss allowance) and the absence of net fair value changes on derivative component of convertible notes of HK\$15,929,000 which was recognised in the prior interim period. Basic loss per share was HK0.75 cent, decreased by HK0.03 cent when compared to the previous period (30 June 2018: HK0.78 cent).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

On 8 November 2017, two indirectly wholly owned subsidiaries of the Company, Mega Link Hengtian (Xiamen) Equity Investment Co., Ltd. and Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership), entered into a limited partnership agreement (the “Limited Partnership Agreement”) with two independent parties in respect of, among other matters, the establishment of a limited partnership (the “Limited Partnership”) and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership is RMB120,000,000 in which the Group has committed to contribute a total of RMB61,510,000 to subscribe for an aggregate approximately 51.26% interest in the Limited Partnership. The purpose of the Limited Partnership is to invest in a series of projects in the smart city big data industry in the PRC. It is expected that the Limited Partnership will invest in smart city and big data application projects in the next few years and will construct cloud computing data centers in the PRC. At 30 June 2019, capital had not yet been injected into the Limited Partnership, the Group is in negotiation of a project with good business potential and capital will be injected into the Limited Partnership once the Group has decided to invest in the project. Details of the Limited Partnership were set out in the announcement of the Company dated 8 November 2017.

During the six months ended 30 June 2019, the Group financed its operation mainly by cash generated from its operations and shareholders’ funds. At the interim period end, the Group had current assets of HK\$388,331,000 (31 December 2018: HK\$435,693,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$128,785,000 (31 December 2018: HK\$155,409,000). The Group’s current ratio, calculated based on current assets over current liabilities of HK\$23,893,000 (31 December 2018: HK\$24,330,000), was about 16.3 (31 December 2018: 17.9). At 30 June 2019, the Group’s trade and other receivables and prepayments amounted to HK\$10,295,000 (31 December 2018: HK\$12,780,000). The decrease in trade and other receivables was mainly due to the amount placed with securities brokers in relation to securities investment activities reduced to HK\$1,768,000 (31 December 2018: HK\$2,578,000) and the trade receivables of the petroleum business reduced to HK\$280,000 (31 December 2018: HK\$1,060,000) at the period end.

At 30 June 2019, the Group’s net assets decreased by 6% to HK\$542,932,000 (31 December 2018: HK\$575,053,000) was mainly a result of the loss incurred for the period. The Group’s gearing ratio, calculated on the basis of total liabilities of HK\$25,533,000 (31 December 2018: HK\$24,614,000) divided by total assets of HK\$568,465,000 (31 December 2018: HK\$599,667,000), was about 4% (31 December 2018: 4%). Finance costs represented interest on lease liabilities of HK\$145,000 for the current period whilst finance costs in the prior period represented the effective interest on convertible notes issued in April 2017 (30 June 2018: HK\$3,164,000).

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

Management Discussion and Outlook

Foreign Currency Management

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

Contingent Liability

At 30 June 2019, the Group had no significant contingent liability (31 December 2018: nil).

Pledge of Assets

At 30 June 2019, the Group had no pledged assets (31 December 2018: nil).

Capital Commitment

Pursuant to the Limited Partnership Agreement, the Group is committed to contribute a total of RMB61,510,000 to subscribe for the interest in the Limited Partnership. At 30 June 2019, the Group had not yet injected any capital into the Limited Partnership.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2019, the Group had a total 44 (30 June 2018: 34) employees including directors of the Company, with 38 (30 June 2018: 27) employees in Hong Kong and the PRC and 6 (30 June 2018: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK\$7,336,000 for the current period (30 June 2018: HK\$6,052,000). The rise in staff costs of HK\$1,284,000 was mainly due to the increase of the Group's headcount. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in the PRC and Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

PROSPECTS

The Group's petroleum exploration and production operation recorded an operating loss of HK\$3,865,000 for the current period (before provision of impairment losses, which was non-cash in nature, on certain properties of the concession) (30 June 2018: operating profit of HK\$1,010,000). The operating loss was mainly due to the decrease in the operation's revenue resulting from the drop in average crude oil selling price from an average of US\$63.7 per barrel in the corresponding period last year to US\$52.1 per barrel in the current period; and the drop in production of crude oil by about 30% mainly due to the natural decline of output and reserves of the Group's oil wells as they have been in production for over eight years. The market outlook for international oil price is unclear and will remain volatile mainly led by the continuous trade disputes between the United States and China and any unexpected changes in world demand and supply. To alleviate such adverse impact, the Group will work with the Concessionaire of the CHE Concession for various possible measures to lift up the oil production of the operation in order to improve its financial performance, despite the threat from the local authorities for terminating the concession of the CHE Area.

The Group's money lending business continued to deliver encouraging results for the review period by showing increases in both revenue and operating profit, however, it is the intention of the management to manage this business under more stringent credit control measures and be more prudent in granting new loans in light of the possible slowdown of the Hong Kong economy.

The investment and stock markets in Hong Kong have been very volatile in recent months and there are signs that the local economy may slow down owing to the continuous trade disputes between the United States and China, and the recent outbreak of a series of social events in Hong Kong against the amendment bill to Fugitive Offenders Ordinance. The Group had recorded losses for its securities investments for the review period, the management will continue its cautious and disciplined approach in managing the Group's securities investments portfolio, which comprises of equity securities listed in Hong Kong and corporate bonds listed in Hong Kong or overseas with a view to reduce its exposure to market fluctuations.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects, particularly in the energy sector, aiming to create new value for shareholders.

As referred to in the Company's announcement dated 8 November 2017, the Group had entered into a limited partnership agreement with two independent parties to establish a limited partnership for the purpose of investing in a series of projects in the smart city big data industry in the PRC. The Board expects that the investments to be carried out by the limited partnership will bring attractive investment returns and create a new stream of revenue for the Group. Further announcement in relation to these investments will be made by the Company to shareholders as and when appropriate.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	31,293	33,131
Sales of petroleum		12,581	22,135
Interest income		18,406	10,868
Others		306	128
Purchases, processing and related expenses		(10,674)	(15,369)
Other income and losses, net	5	(487)	(62)
Net loss on financial assets at fair value through profit or loss	6	(19,588)	(25,523)
Gain (loss) on redemption of debt instruments at fair value through other comprehensive income		328	(41)
Net fair value changes on derivative component of convertible notes		–	(15,929)
Wages, salaries and other benefits		(7,336)	(6,052)
Depreciation and depletion		(5,364)	(2,645)
Expected credit loss on financial assets of:			
Loan and interest receivables		(5,130)	(719)
Debt instruments at fair value through other comprehensive income		(316)	–
Provision of impairment losses on non-financial assets	7	(14,126)	–
Other expenses		(5,521)	(5,644)
Finance costs	8	(145)	(3,164)
Loss before tax		(37,066)	(42,017)
Income tax (expense) credit	9	(2,192)	2,703
Loss for the period attributable to owners of the Company	10	(39,258)	(39,314)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain (loss) on debt instruments at fair value through other comprehensive income		7,802	(11,891)
Release on redemption of debt instruments at fair value through other comprehensive income		(328)	41
Exchange differences on translation of foreign operations		(337)	(790)
Other comprehensive income (expense) for the period, net of income tax		7,137	(12,640)
Total comprehensive expense for the period attributable to owners of the Company		(32,121)	(51,954)
Loss per share attributable to owners of the Company			
– Basic	12	HK(0.75) cent	HK(0.78) cent

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		30,658	47,951
Right-of-use assets		5,668	–
Debt instruments at fair value through other comprehensive income	13	136,800	115,708
Loan and interest receivables	14	6,821	–
Other tax recoverables		187	315
Total non-current assets		180,134	163,974
Current assets			
Debt instruments at fair value through other comprehensive income	13	3,172	14,622
Loan and interest receivables	14	245,195	251,652
Trade and other receivables and prepayments	15	10,295	12,780
Other tax recoverables		884	1,230
Financial assets at fair value through profit or loss	16	49,172	71,816
Bank balances and cash		79,613	83,593
Total current assets		388,331	435,693
Current liabilities			
Trade and other payables	17	14,599	19,126
Income tax payable		5,195	5,204
Lease liabilities		4,099	–
Total current liabilities		23,893	24,330
Net current assets		364,438	411,363
Total assets less current liabilities		544,572	575,337
Non-current liabilities			
Deferred tax liabilities		2	284
Lease liabilities		1,638	–
Total non-current liabilities		1,640	284
Net assets		542,932	575,053
Capital and reserves			
Share capital	19	52,403	52,403
Reserves		490,529	522,650
Total equity		542,932	575,053

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018 (audited)	50,181	770,285	201,645	1,672	-	(466,106)	557,677
Loss for the period	-	-	-	-	-	(39,314)	(39,314)
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(11,891)	-	-	(11,891)
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	41	-	-	41
Exchange differences on translation of foreign operations	-	-	-	-	(790)	-	(790)
Total comprehensive expense for the period	-	-	-	(11,850)	(790)	(39,314)	(51,954)
Issue of share upon conversion of convertible notes (Note 18)	722	25,278	-	-	-	-	26,000
At 30 June 2018 (unaudited)	50,903	795,563	201,645	(10,178)	(790)	(505,420)	531,723
At 1 January 2019 (audited)	52,403	918,270	201,645	(11,301)	(4,631)	(581,333)	575,053
Loss for the period	-	-	-	-	-	(39,258)	(39,258)
Net fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	7,802	-	-	7,802
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(328)	-	-	(328)
Exchange differences on translation of foreign operations	-	-	-	-	(337)	-	(337)
Total comprehensive expense for the period	-	-	-	7,474	(337)	(39,258)	(32,121)
At 30 June 2019 (unaudited)	52,403	918,270	201,645	(3,827)	(4,968)	(620,591)	542,932

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	(1,574)	(7,174)
Net cash (used in) from investing activities		
Purchase of debt instruments at fair value through other comprehensive income	(13,840)	(23,435)
Proceeds from redemption of debt instruments at fair value through other comprehensive income	11,738	23,400
Bank interest received	163	439
	(1,939)	404
Net cash used in financing activities		
Interest paid	–	(1,545)
Net decrease in cash and cash equivalents	(3,513)	(8,315)
Cash and cash equivalents at the beginning of the period	83,593	287,349
Effect of foreign exchange rate changes	(467)	(446)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	79,613	278,588

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, and are presented in HK\$ which is the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) unless otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018. Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interest in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 “Leases” (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 “Leases” (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 “Leases” (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

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

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 January 2019, the Group recognised additional lease liabilities of HK\$7,645,000 and right-of-use assets of HK\$7,645,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied for lease on properties located in Hong Kong, the PRC and Argentina are 3.5%, 5.0% and 1.38% per annum respectively.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application of HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

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

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

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

Impact on the condensed consolidated statement of financial position

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. REVENUE

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of petroleum	12,581	22,135
Interest income from money lending business*	13,942	5,938
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	4,464	4,930
Dividend and interest income from financial assets at fair value through profit or loss ("FVTPL")	306	128
	31,293	33,131

* Under effective interest method

During the periods under review, revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15 "Revenue from contracts with customers".

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

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

4. SEGMENT INFORMATION

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

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

- (i) Petroleum exploration and production
- (ii) Money lending
- (iii) Investment in securities

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

Segment revenue and results

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

Six months ended 30 June 2019

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Investment in securities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales/sources	<u>12,581</u>	<u>13,942</u>	<u>4,770</u>	<u>31,293</u>
Results				
Segment results before provision of impairment losses/expected credit loss	<u>(3,865)</u>	<u>13,967</u>	<u>(14,518)</u>	<u>(4,416)</u>
Provision of impairment losses/ expected credit loss	<u>(14,126)</u>	<u>(5,130)</u>	<u>(316)</u>	<u>(19,572)</u>
Segment results	<u>(17,991)</u>	<u>8,837</u>	<u>(14,834)</u>	<u>(23,988)</u>
Other income and losses, net				(358)
Corporate expenses				(12,575)
Finance costs				<u>(145)</u>
Loss before tax				<u>(37,066)</u>
Income tax expense				<u>(2,192)</u>
Loss for the period				<u>(39,258)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Six months ended 30 June 2018

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Investment in securities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales/sources	22,135	5,938	5,058	33,131
Results				
Segment results before provision of expected credit loss	1,010	5,824	(20,670)	(13,836)
Provision of expected credit loss	–	(719)	–	(719)
Segment results	1,010	5,105	(20,670)	(14,555)
Other income and losses, net				(105)
Corporate expenses				(8,264)
Net fair value changes on derivative component of convertible notes				(15,929)
Finance costs				(3,164)
Loss before tax				(42,017)
Income tax credit				2,703
Loss for the period				(39,314)

Segment results represent the loss incurred/profit earned by each segment without allocation of certain other income and losses, net, corporate expenses, net fair value changes on derivative component of convertible notes, finance costs and income tax (expense) credit.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	34,830	54,355
Money lending	263,008	268,145
Investment in securities	190,911	204,723
Total segment assets	488,749	527,223
Unallocated:		
Property, plant and equipment	1,435	1,783
Right-of-use assets	5,668	–
Bank balances and cash	67,854	65,185
Other unallocated assets	4,759	5,476
Consolidated assets	568,465	599,667
Segment liabilities		
Petroleum exploration and production	1,846	2,406
Money lending	1,298	1,210
Investment in securities	–	414
Total segment liabilities	3,144	4,030
Unallocated:		
Other payables	16,652	20,584
Lease liabilities	5,737	–
Consolidated liabilities	25,533	24,614

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

- all assets are allocated to operating segments other than certain property, plant and equipment, right-of-use assets, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables and lease liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4. SEGMENT INFORMATION (continued)

Revenue from major products and services

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

5. OTHER INCOME AND LOSSES, NET

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	163	439
Interest and other income from a securities broker	1	275
Exchange losses, net	(488)	(809)
Others	(163)	33
	(487)	(62)

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at FVTPL	(19,232)	(28,501)
Net realised (loss) gain on disposal of financial assets at FVTPL	(356)	2,978
	(19,588)	(25,523)

7. PROVISION OF IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of impairment losses on property, plant and equipment	14,126	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on convertible notes (Note 18)	–	3,164
Interest on lease liabilities	145	–
	145	3,164

9. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax (charge) credit comprises:		
Current tax		
Hong Kong	(2,298)	(216)
The PRC	–	(440)
Argentina		
– Withholding tax on interest income from a group entity	(300)	(560)
	(2,598)	(1,216)
Overprovision in prior years		
Hong Kong	70	–
The PRC	54	–
Deferred tax	282	3,919
Income tax (expense) credit recognised in profit or loss	(2,192)	2,703

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for both periods.

No provision of the PRC enterprise income tax was made for the period as there was no assessable profit. The PRC enterprise income tax was calculated at 25% of the estimated assessable profit for the previous period.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases in respect of office properties and buildings	–	1,100
Professional and consultancy fee	2,648	2,378

11. DIVIDENDS

No dividend was paid or proposed for the six months ended 30 June 2019 (six months ended 30 June 2018: nil), nor has any dividend been proposed since the end of the reporting periods.

12. LOSS PER SHARE

The calculation of the loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to the owners of the Company for the purpose of calculating basic loss per share	(39,258)	(39,314)
	Six months ended 30 June	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	5,240,344	5,035,534

Diluted loss per share for the six months ended 30 June 2019 and 2018 are not presented as there were no dilutive potential ordinary shares in issue during both periods.

For the six months ended 30 June 2019, the computation of diluted loss per share does not assume the exercise of the Company's share options since the exercise price of the share options is higher than the average market price of Company's share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12. LOSS PER SHARE (continued)

For the six months ended 30 June 2018, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes since their assumed exercises would result in a decrease in loss per share. In addition, the computation also did not assume the exercise of the Company's share options since the exercise price of the share options was higher than the average market price of the Company's share.

13. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or overseas with fixed interests ranging from 4.70% to 11.75% (31 December 2018: 4.70% to 8.75%) per annum and maturity dates ranging from 19 July 2020 to 28 June 2025 (31 December 2018: 13 February 2019 to 28 June 2025)	139,972	130,330
Analysed as:		
Current portion	3,172	14,622
Non-current portion	136,800	115,708
	139,972	130,330

At 30 June 2019, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

Debt instruments at FVTOCI are listed bonds with the credit loss allowance measured on 12-month expected credit loss ("ECL") basis as the credit risks on the financial instruments have not increased significantly since initial recognition. The Group assessed the ECL for debt instruments at FVTOCI by reference to credit rating of the bonds by rating agencies or credit spread and yield to maturity of bonds issued within similar industries, macroeconomic factors affecting the respective industry for each issuer, corporate historical default and loss rate and exposure of default of each bond investment.

During the six months ended 30 June 2019, ECL on debt instruments at FVTOCI of HK\$316,000 (six months ended 30 June 2018: nil) was recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14. LOAN AND INTEREST RECEIVABLES

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Fixed-rate loan receivables	252,128	250,997
Interest receivables	12,070	7,707
	264,198	258,704
Less: impairment allowance	(12,182)	(7,052)
	252,016	251,652
Analysed as:		
Guaranteed (unsecured)	49,383	46,535
Secured	176,135	167,349
Unsecured	26,498	37,768
	252,016	251,652

At 30 June 2019, the range of interest rate and maturity dates attributed to the Group's loan receivables was 8% to 18% (31 December 2018: 10% to 18%) per annum and from 4 July 2019 to 14 March 2022 (31 December 2018: 3 January 2019 to 16 November 2019) respectively.

An analysis of the Group's fixed-rate loan and interest receivables by the respective contractual maturity dates is as follows:

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Fixed-rate loan and interest receivables:		
Within one year	245,195	251,652
In more than one year but not more than two years	–	–
In more than two years but not more than three years	6,821	–
	252,016	251,652

During the six months ended 30 June 2019, ECL on loan and interest receivables of HK\$5,130,000 (six months ended 30 June 2018: HK\$719,000) was recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Trade receivables (Note (i))	280	1,060
Deposits and prepayments	4,085	5,001
Deposits held for petroleum exploration and production operation	3,220	3,265
Others (Note (ii))	2,710	3,454
	10,295	12,780

Notes:

- (i) The oil selling price for the Argentina operation is quoted in US\$ and converted into ARS for invoicing. The Group allows an average credit period of 30 to 60 days. The trade receivables of HK\$280,000 (31 December 2018: HK\$1,060,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Receivables that were neither past due nor impaired related to a customer with no recent history of default.

The Group applies the simplified approach of HKFRS 9 to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. At 30 June 2019, the trade receivables balances were within the credit period of 60 days, the directors of the Company considered that the lifetime ECL allowance is insignificant at 30 June 2019.

- (ii) The amount included HK\$1,768,000 (31 December 2018: HK\$2,578,000) placed with securities brokers in relation to securities investment activities in Hong Kong.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	49,172	71,816

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

17. TRADE AND OTHER PAYABLES

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Trade payables	179	338
Other tax payables	3,709	3,885
Accrued professional fees	8,778	10,865
Other payables and accruals	1,933	4,038
	14,599	19,126

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

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
0 – 30 days	179	338

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. CONVERTIBLE NOTES

On 11 April 2017, the Company entered into a subscription agreement with a subscriber, an independent third party, for the subscription of the 3% convertible notes in aggregate principal amount of HK\$80,000,000 which could be converted into ordinary shares of HK\$0.01 each of the Company at an initial conversion price of HK\$0.36 per share (the "CN Subscription").

On 26 April 2017, the completion of the CN Subscription took place and the convertible notes were issued to the subscriber.

The convertible notes were denominated in HK\$ and would be matured on the end of the eighteenth month from the issue date i.e. on 26 October 2018 (the "Maturity Date"). The Company should redeem all the convertible notes remained outstanding and not converted on the Maturity Date at 100% of the principal amount outstanding plus accrued and unpaid interest. The Company might at any time after the issue date and prior to the Maturity Date, by giving not less than five business days prior notice to the noteholder, redeem the outstanding convertible notes at 100% of the principal amount outstanding plus accrued and unpaid interest.

The holder of the convertible notes should, subject to certain conditions, have the right on any business days prior to the earlier of the date on which the Company gives notice to exercise the redemption rights or five business days prior to the Maturity Date to convert the whole or part of the outstanding principal amount of the convertible notes at an initial conversion price of HK\$0.36 per share into ordinary shares of the Company. On 4 April 2018, 8 October 2018 and 18 October 2018, convertible notes with aggregate principal amount of HK\$80,000,000 were converted into ordinary shares at conversion price of HK\$0.36 per share and 222,222,222 ordinary shares of HK\$0.01 each were issued to the holder of convertible notes. All convertible notes were converted into shares of the Company before the Maturity Date.

The convertible notes contained two components, a liability component and a conversion component. The conversion component gave the holders the right at any time to convert the convertible notes into ordinary shares of the Company. However, since the conversion component would be settled other than by the exchange of a fixed amount of cash, the conversion component was accounted for as derivative liability and was measured at fair value with subsequent changes in fair value recognised in profit or loss.

The fair value of the liability component upon the issuance of the convertible notes was calculated at the present value of the redemption amount, at 100% of the principal amount plus coupon interest of 3% discounted at the Company's cost of borrowing.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. CONVERTIBLE NOTES (continued)

The fair value of the conversion component was determined using the binomial option pricing model, and the key inputs into the model at the relevant dates were as follows:

	Issue date at 26 April 2017	Conversion at 4 April 2018	Conversion at 8 October 2018	Conversion at 18 October 2018
Conversion price	HK\$0.360	HK\$0.360	HK\$0.360	HK\$0.360
Share price	HK\$0.445	HK\$0.920	HK\$0.560	HK\$0.560
Volatility	41.31%	35.51%	49.11%	40.76%
Remaining life	1.5 years	0.56 year	0.05 year	0.02 year
Risk-free rate	0.68%	1.10%	1.86%	1.72%

During the year ended 31 December 2018, convertible notes with aggregate principal amount of HK\$80,000,000 were converted into ordinary shares at conversion price of HK\$0.36 per share and 222,222,222 ordinary shares of HK\$0.01 each were issued to the holder of convertible notes. The weighted average share price at the dates of conversion during the year ended 31 December 2018 was HK\$0.68.

	Liability component <i>HK\$'000</i>	Conversion component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	76,145	46,617	122,762
Conversion of convertible notes	(25,042)	(958)	(26,000)
Change in fair value on derivative component recognised in profit or loss	–	15,929	15,929
Effective interest (<i>Note 8</i>)	3,164	–	3,164
Interest paid/payable	(1,149)	–	(1,149)
At 30 June 2018	53,118	61,588	114,706
Conversion of convertible notes	(54,178)	(70,029)	(124,207)
Change in fair value on derivative component recognised in profit or loss	–	8,441	8,441
Effective interest	1,828	–	1,828
Interest paid	(768)	–	(768)
At 31 December 2018	–	–	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	100,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 1 January 2018	5,018,122	50,181
Issue of shares upon conversion of convertible notes (<i>Note</i>)	222,222	2,222
At 31 December 2018, 1 January 2019 and 30 June 2019	5,240,344	52,403

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 22 June 2016. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to the participants as incentive or rewards for their contribution to the Group or any entity in which the Group holds any equity interest.

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

Details of movements in the number of share options during the six months ended 30 June 2019 and throughout the year ended 31 December 2018 under the Share Option Scheme are as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$ (Note (iii))	Outstanding at	Granted/ forfeited/ exercised/ expired during the period from	Outstanding at	Granted/ forfeited/ exercised/ expired during the period from	Outstanding at	Granted/ forfeited/ exercised/ expired during the period from	Outstanding at
				1 January 2018	1 January 2018 to 30 June 2018	30 June 2018	1 July 2018 to 31 December 2018	31 December 2018 and 1 January 2019	1 January 2019 to 30 June 2019	30 June 2019
Directors:										
Mr. Liu Zhiyi	4 May 2017	4 May 2017 – 3 May 2020	0.53	43,500,000	-	43,500,000	-	43,500,000	-	43,500,000
Mr. Sue Ka Lok	4 May 2017	4 May 2017 – 3 May 2020	0.53	22,800,000	-	22,800,000	-	22,800,000	-	22,800,000
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 – 3 May 2020	0.53	600,000	-	600,000	-	600,000	-	600,000
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 – 3 May 2020	0.53	900,000	-	900,000	-	900,000	-	900,000
Mr. To Yan Ming, Edmond	4 May 2017	4 May 2017 – 3 May 2020	0.53	300,000	-	300,000	-	300,000	-	300,000
Mr. Pun Chi Ping	4 May 2017	4 May 2017 – 3 May 2020	0.53	300,000	-	300,000	-	300,000	-	300,000
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 – 3 May 2020	0.53	300,000	-	300,000	-	300,000	-	300,000
				68,700,000	-	68,700,000	-	68,700,000	-	68,700,000
Employees:										
In aggregate	4 May 2017	4 May 2017 – 3 May 2020	0.53	368,010,000	-	368,010,000	-	368,010,000	-	368,010,000
				436,710,000	-	436,710,000	-	436,710,000	-	436,710,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20. SHARE OPTION SCHEME (continued)

Notes:

- (i) The share options granted are vested upon granted.
- (ii) The exercise price of the share options is subject to adjustments in the case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.
- (iii) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted on 4 May 2017 was HK\$0.46.

The binomial option pricing model was used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options were based on the independent professional valuer's best estimate. The value of a share option varied with different variables and certain subjective assumptions. The estimated fair value of the share options on their grant dates were as follows:

Option type	Grant date	Exercisable period (both dates inclusive)	Fair value on grant date HK\$
Senior management	4 May 2017	4 May 2017 – 3 May 2020	0.171
Employees	4 May 2017	4 May 2017 – 3 May 2020	0.167

The inputs into the model in respect of the share options granted were as follows:

	Option type	
	Senior management	Employees
Share price on grant date	HK\$0.530	HK\$0.530
Exercise price on grant date	HK\$0.530	HK\$0.530
Volatility	47.10%	47.10%
Expected life	3 years	3 years
Risk-free rate	0.95%	0.95%

Volatility was determined by using the historical volatility of comparable companies with business natures and operations similar to the Company over the previous three years.

No share-based payments expense was recognised during the six months ended 30 June 2019 and 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)			
Financial assets					
Debt instruments at FVTOCI					
Listed debt securities	139,972	130,330	Level 1	Quoted bid prices in active markets	N/A
Financial assets at FVTPL					
Listed equity securities	49,172	71,816	Level 1	Quoted bid prices in an active market	N/A

There were no transfers between Level 1, 2 and 3 in the current period and the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the periods were as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,747	2,214
Post-employment benefits	64	52
	2,811	2,266

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

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

At 30 June 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

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

Other Information

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

Notes:

- (i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 shares of the Company in issue at 30 June 2019.
- (ii) These interests were held by BJHK Company Limited ("BJHK"), which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 shares of the Company under the SFO.
- (iii) These interests were held by Billion Expo International Limited ("Billion Expo"), which was a wholly owned subsidiary of Premier United Group Limited ("Premier United") which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.
- (iv) This represented the interest of the underlying shares issuable under the share options granted by the Company on 4 May 2017 pursuant to the share option scheme adopted by the shareholders of the Company on 22 June 2016. The consideration paid by the director on acceptance of the share options granted was HK\$1.00. The exercise price of the share options granted is HK\$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

Save as disclosed above, at 30 June 2019, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 22 June 2016. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to participants as incentives or rewards for their contribution to the Group or any entity in which the Group holds any equity interest.

Details of movement of share options of the Company during the six months ended 30 June 2019 and 2018 are set out in Note 20 to the condensed consolidated financial statements. No share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2019 and 2018.

Further details of the Share Option Scheme were set out in the Company's 2018 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Scheme" above, at no time during the six months ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

At 30 June 2019, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

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

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

Other Information

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

Notes:

- (i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 shares of the Company in issue at 30 June 2019.
- (ii) These interests were held by BJHK, which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 shares of the Company under the SFO.
- (iii) These interests were held by Billion Expo, which was a wholly owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.
- (iv) This represented the interest of the underlying shares issuable under the share options granted by the Company on 4 May 2017 pursuant to the share option scheme adopted by the shareholders of the Company on 22 June 2016. The consideration paid by the director on acceptance of the share options granted was HK\$1.00. The exercise price of the share options granted is HK\$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

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

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

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company at 30 June 2019 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2019, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision A.2.1

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

Deviation

There has been a deviation from the Code Provision A.2.1 during the six months ended 30 June 2019 due to Mr. Liu Zhiyi, an Executive Director of the Company, has served both roles of the chairman and the chief executive officer. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

Effective communications

Code Provision E.1.2

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

Deviation

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

Other Information

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2019 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Liu Zhiyi

Chairman and Chief Executive Officer

Hong Kong, 29 August 2019