



EPI (Holdings) Limited
長盈集團(控股)有限公司

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

INTERIM REPORT 2021





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The background features a collage of semi-transparent images. On the right, there's a close-up of a metallic industrial flange with several bolts. In the center, a line graph with a grid is visible, showing a fluctuating line. On the left, there's a blurred image of what appears to be a control panel or machinery. The overall color palette is a mix of light and dark teal/green tones.

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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 Hong Kong 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)
“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.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sue Ka Lok
Mr. Yiu Chun Kong
Mr. Chan Shui Yuen
Mr. Liang Weijie

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 2107, 21st Floor
Great Eagle Centre
23 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
Stevenson, Wong & Co.

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

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>

Management Discussion and Outlook

BUSINESS REVIEW

For the six months ended 30 June 2021 (“HY2021”), the Group continued to principally engaged in the business of petroleum exploration and production, money lending and investment in securities.

During HY2021, there are signs that the launch of vaccination programs in many countries and regions including China, the US, the UK and Hong Kong are effective in easing the global pandemic situation, amid the emergence of the coronavirus variants and the new waves of outbreak in some countries. Some major economies are on their recovery path and international oil prices such as Brent crude oil had gradually increased from around US\$50 per barrel in December 2020 to around US\$73 per barrel in June 2021, for reasons including the expectation of a global economic recovery. In tandem with the easing of the global pandemic situation and the stabilisation of economic conditions of some major economies including China and the US, the conditions of the international financial and investment markets, including Hong Kong, were relatively stable during the current period.

For HY2021, the Group achieved a profit attributable to owners of the Company of HK\$18,073,000 (30 June 2020: HK\$2,217,000), which was mainly attributed to the net gain on financial assets at fair value through profit or loss (“FVTPL”) of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000), and the decrease in other expenses to HK\$1,887,000 (30 June 2020: HK\$8,146,000). Basic earnings per share were HK0.34 cent (30 June 2020: HK0.04 cent). The Group’s revenue for the period declined by 10% to HK\$17,782,000 (30 June 2020: HK\$19,861,000), which was mainly due to the drop in revenue of the petroleum exploration and production business.

Petroleum Exploration and Production, Solar Power Generation

As stated in the Company’s announcement dated 16 March 2021, the Group’s interest in an oil concession in the Chañares Herrados area (the “CHE Concession”) located in Cuyana Basin, Mendoza Province of Argentina had been taken over by a new concessionaire on 13 March 2021. Accordingly, for HY2021, the Group’s petroleum exploration and production business had recorded a 68% decline in revenue to HK\$1,826,000 (30 June 2020: HK\$5,669,000), due to the cessation of the Group’s interest in the CHE Concession, and an operating loss of HK\$893,000 (30 June 2020: HK\$2,252,000).

Since May 2020, the Group has been actively exploring other investment opportunities in natural resources exploration and production, including an oilfield investment in Canada. As announced by the Company on 27 July 2021, the Company entered into a memorandum of understanding with a target company in Canada and its shareholders’ representative in relation to the possible acquisition of the entire issued capital of the target company. The target company is principally engaged in upstream operations in the exploration, development and production of crude oil and gas in Canada. Pursuant to the memorandum of understanding, the Group has the right to conduct legal, financial, commercial and technical due diligence investigations on the target company for a period of three months ending in October 2021. The entering into of a legally binding sale and purchase agreement, and the determination of the amount and payment structure of the consideration for the possible acquisition, will be subject to the results of the due diligence review and the negotiation between the Company and the shareholders’ representative of the target company. The Company will inform shareholders of any further update(s) on this possible acquisition as and when appropriate.

Management Discussion and Outlook

In addition to the potential oilfield investment in Canada mentioned above, the Group is actively participating in the bidding process of three oilfield projects located at Tierra del Fuego, Mendoza, and Neuquen province in Argentina. Concurrent with submitting business proposals for the projects under the respective bidding processes, the Group is performing due diligence review on the business, financial and technical aspects of the oilfields. The Company will inform shareholders if these projects are materialised as and when appropriate.

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions. As announced by the Company on 23 July 2021, in order to capture the business opportunities in decarbonization, the Group envisages to expand its footprints in the energy sector to the next level by investing in renewable energy business including solar energy generation projects, which could provide the Group with viable and sustainable business development. To pursue this business initiative, the Group has entered into a cooperation framework agreement with a specialist solar energy total solutions and services provider to invest in solar power generation system projects, from which the electricity generated will be sold to the two power companies in Hong Kong, thereby earning the feed-in tariff income from the two power companies under the Renewable Energy Feed-in Tariff Scheme (“FiT Scheme”) jointly launched by the Government of Hong Kong and the two power companies. A number of projects are on the pipeline which are expected to be materialised in the coming months, tariff income to be generated by these projects are expected to provide the Group with a long-term stable source of income which carry a good financial return.

On 30 August 2021, the Group entered into a sale and purchase agreement to acquire a portfolio of solar power generation projects from a vendor for a consideration of not exceeding HK\$75,000,000. In line with the Company’s business expansion plan in investing in renewable energy business including solar energy generation projects, the Group will acquire a portfolio of existing and to-be-completed solar power generation projects which are participating in the FiT Scheme as aforementioned. The portfolio of projects will provide the Group with immediate tariff income or tariff income in the near term upon their completion, which could provide strong recurring cash flow to the Group to support its further development in renewable energy business. Further details of the transaction are stated in the Company’s announcement dated 30 August 2021.

Money Lending

For HY2021, the Group’s money lending business reported increases in revenue by 25% to HK\$11,048,000 (30 June 2020: HK\$8,845,000) and operating profit (before reversal or provision of expected credit loss (“ECL”)) by 24% to HK\$10,984,000 (30 June 2020: HK\$8,874,000). Such increases were mainly due to the higher average amount of loans advanced to borrowers during the current period. Before granting loans to potential borrowers, the management performs internal credit assessment process to assess the borrowers’ credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During HY2021, the management continued to adopt a prudent approach in granting new loans in view of the negative impact on the Hong Kong economy owing to the continuation of COVID-19, though the pandemic situation has eased and is under control following the launch of the vaccination program by the Government of Hong Kong.

Management Discussion and Outlook

For the period under review, a provision of ECL of HK\$800,000 (30 June 2020: reversal of ECL of HK\$15,136,000) was recognised. At the period end, the balance of impairment allowance was HK\$49,555,000 (31 December 2020: HK\$49,701,000), which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans.

At 30 June 2021, the loans portfolio held by the Group amounted to HK\$189,146,000 (after impairment allowance of HK\$49,555,000) (31 December 2020: HK\$161,382,000 (after impairment allowance of HK\$49,701,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Interest rate per annum %	Maturity
	Secured %	Unsecured %	Total %		
Corporate	49.40	0.14	49.54	8 - 18	Within one year
Individual	42.80	7.66	50.46	10 - 18	Within one year
	92.20	7.80	100.00		

At 30 June 2021, 92.20% (31 December 2020: 87.79%) of the carrying amount of the loan portfolio (after impairment allowance) was collateral loans with the remaining 7.80% (31 December 2020: 12.21%) being unsecured.

Investment in Securities

The Group generally acquires securities listed on the Hong Kong 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 prospects, 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 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 form of trading gains.

Management Discussion and Outlook

At 30 June 2021, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$44,085,000 (31 December 2020: HK\$25,097,000), 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\$128,737,000 (31 December 2020: HK\$132,198,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$4,908,000 (30 June 2020: HK\$5,347,000) and a profit of HK\$16,050,000 (30 June 2020: loss of HK\$7,342,000).

Financial assets at FVTPL

At 30 June 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$44,085,000 (31 December 2020: HK\$25,097,000) measured at market/fair value. For HY2021, the portfolio generated revenue of HK\$72,000 representing dividends from equity securities (30 June 2020: nil). The Group recognised a net gain on financial assets at FVTPL of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000) for the period, which comprised net unrealised gain and net realised gain of HK\$8,221,000 and HK\$3,672,000 (30 June 2020: net unrealised loss and net realised loss of HK\$7,353,000 and HK\$4,548,000) respectively.

The net realised gain recorded during the period represented the net gain on disposal of securities in open market and the net unrealised gain represented the net increase in market value of those equity securities held by the Group at the period end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio though the market conditions were relatively stable during the period.

At 30 June 2021, 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\$44,085,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio
	%
Conglomerate	48.38
Pharmaceutical	24.56
Property	18.53
Building decoration	8.53
	<hr/>
	100.00

Management Discussion and Outlook

At 30 June 2021, the weightings of the Group's top three and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$44,085,000 (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 2021	% of shareholding interest	*Acquisition costs during the period/ carrying amount at 1 January 2021	Market/fair value at 30 June 2021	Accumulated unrealised gain (loss) recognised up to 30 June 2021	Unrealised gain (loss) recognised during the six months ended 30 June 2021	Dividend income recognised during the six months ended 30 June 2021	# 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			
DTXS Silk Road Investment Holdings Company Limited (HKEX stock code: 620)											
Provision of auction and related services, production and sale of wines, trading of merchandises, properties investment and development	46.07	4.14	0.55	16,354	16,354	20,310	3,956	3,956	-	For the six months ended 30 June 2021, revenue decreased by 47% to HK\$78,547,000 and profit for the period decreased by 75% to HK\$6,810,000 as compared to the same period in 2020.	The investee company has been endeavouring to explore any means of cooperation, focusing on development in the cultural industry by leveraging on the business network, and resources of its parent company, and to develop businesses in Hainan Island and Xi'an around the cultural industries and business relating to financing, including operations and auction of cultural artworks, participation in the international artwork trading platform, investment in cultural industrial parks and the development of experience in cultural tourism.
Austar Lifesciences Limited (HKEX stock code: 6118)											
Provision of integrated engineering solutions to pharmaceutical manufacturers and research institutes, as well as manufacturing and distribution of pharmaceuticals equipment and consumables in the PRC	24.56	2.21	0.15	3,661	4,677	10,829	7,168	6,152	-	For the six months ended 30 June 2021, revenue increased by 65% to RMB855,376,000 and profit for the period increased by 16 times to RMB217,047,000 as compared to the same period in 2020.	The investee company has been developing 12 technology applications in its competence and knowledge model and individual specific technology application teams are being gradually established in order to provide more up-to-date technology solutions to the clients.

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 2021	% of shareholding interest	*Acquisition costs during the period/carrying amount at 1 January 2021	Market/fair value at 30 June 2021	Accumulated unrealised gain (loss) recognised up to 30 June 2021	Unrealised gain (loss) recognised during the six months ended 30 June 2021	Dividend income recognised during the six months ended 30 June 2021	# Investee company's financial performance	# Future prospects of the investee company	
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
				A	B	C	D = C - A	E = C - B			
Emperor International Holdings Limited (HKEX stock code: 163)											
Lease of properties, properties development and hotel and hotel related operations	18.53	1.67	0.20	17,667	7,953	8,170	(9,497)	217	72	For the year ended 31 March 2021, revenue decreased by 44% to HK\$1,317,082,000 while loss for the year decreased by 75% to HK\$870,286,000 as compared to the prior financial year.	For property investment business, the investee company possesses a geographically balanced property portfolio which focuses on commercial buildings and quality street-level retail spaces in prominent locations. For property sales business, it pursues a strategy of providing quality residential properties with convenient access to transportation networks.
Others	10.84	0.97	-	7,221	6,880	4,776	(2,445)	(2,104)	-		
	100.00	8.99		44,903	35,864	44,085	(818)	8,221	72		

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 2021 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.

Debt instruments at FVTOCI

At 30 June 2021, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$128,737,000 (31 December 2020: HK\$132,198,000) was measured at market/fair value. During HY2021, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$4,836,000 (30 June 2020: HK\$5,347,000), representing interest income from debt securities. According to the maturity of the debt instruments, part of the debt instruments at FVTOCI of HK\$61,205,000 (31 December 2020: HK\$2,213,000) was classified as current assets.

At the period end, a fair value loss on debt instruments at FVTOCI amounting to HK\$4,348,000 was recognised as other comprehensive expense (30 June 2020: HK\$1,940,000) and provision of ECL on debt instruments at FVTOCI of HK\$576,000 was recognised in profit or loss (30 June 2020: HK\$680,000). The fair value loss was primarily due to the fall in market price of some of the debt instruments. The provision of ECL was determined by reference to credit rating, probability of default and loss given default of the debt instruments, the macroeconomic factors affecting each issuer, and the forward-looking information that is reasonably and supportably available to the Group.

Management Discussion and Outlook

At 30 June 2021, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instrument at FVTOCI portfolio of HK\$128,737,000 (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 %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021 %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2021 HK\$'000	Market/fair value at 30 June 2021 HK\$'000	Accumulated fair value loss recognised up to 30 June 2021 HK\$'000	Fair value gain (loss) recognised during the six months ended 30 June 2021 HK\$'000
				A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or Singapore</i>								
Aircraft leasing	11.91	3.12	4.93	15,444	14,455	15,332	(112)	877
Property	88.09	23.11 [#]	5.26 - 12.50	120,497	117,743	113,405	(7,092)	(4,338)
	100.00	26.23		135,941	132,198	128,737	(7,204)	(3,461)

* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 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 weighting of individual debt securities to the carrying amount of the Group's total assets at 30 June 2021 does not exceed 5%.

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

Overall Results

For HY2021, the Group achieved a profit attributable to owners of the Company of HK\$18,073,000 (30 June 2020: HK\$2,217,000) which was mainly attributed to the net gain on financial assets at FVTPL of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000); and the decrease in other expenses to HK\$1,887,000 (30 June 2020: HK\$8,146,000), which was mainly due to the absence of professional fees incurred for the evaluation and preparation of documentations for the bidding process of an oilfield concession in Argentina in the prior period. The profit attributable to owners of the Company for the current period was partly offset by the provision of expected credit loss on loan and interest receivables of HK\$800,000 (30 June 2020: reversal of expected credit loss of HK\$15,136,000) and provision of expected credit loss on debt instruments at FVTOCI of HK\$576,000 (30 June 2020: HK\$680,000). The Group recorded a total comprehensive income attributable to owners of the Company of HK\$15,088,000 (30 June 2020: total comprehensive expense of HK\$705,000) which included an exchange gain of HK\$787,000 on translation of financial statements of foreign operations (30 June 2020: loss of HK\$1,662,000).

Management Discussion and Outlook

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2021, 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\$420,224,000 (31 December 2020: HK\$308,845,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$150,805,000 (31 December 2020: HK\$159,724,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$13,336,000 (31 December 2020: HK\$14,196,000), was at a liquid level of about 31.5 (31 December 2020: 21.8). The Group has been actively exploring investment opportunities in natural resources exploration and production and renewable energy business, and is preserving its cash resources for the potential investment opportunities.

At 30 June 2021, the Group's total assets increased to HK\$490,649,000 (31 December 2020: HK\$475,763,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$15,682,000 (31 December 2020: HK\$16,265,000) divided by total assets, was at a low level of about 3% (31 December 2020: 3%). Finance costs represented the imputed interest on lease liabilities of HK\$42,000 for the period (30 June 2020: HK\$106,000).

At 30 June 2021, the equity attributable to owners of the Company amounted to HK\$474,967,000 (31 December 2020: HK\$459,879,000) and was equivalent to an amount of approximately HK9.06 cents (31 December 2020: HK8.78 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$15,088,000 was mainly due to the profit earned during the period. 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.

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 were 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 were based on US\$ and converted into ARS for payments. Any surplus funds in ARS were converted into US\$ and would be remitted back to Hong Kong. As such, the ARS converted from the US\$ denominated sales receipts and expenditures of the Argentinean operation were largely matched and the devaluation of ARS during the current period did not have a significant impact on the foreign currency exposure of the operation. The Group 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 2021, the Group had no significant contingent liability (31 December 2020: nil).

Management Discussion and Outlook

Pledge of Assets

At 30 June 2021, the Group had no pledged assets (31 December 2020: nil).

Capital Commitment

At 30 June 2021, the Group had no significant capital commitment (31 December 2020: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2021, the Group had a total of 24 (30 June 2020: 62) employees including directors of the Company with 21 (30 June 2020: 55) employees in Hong Kong and the PRC and 3 (30 June 2020: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK\$5,124,000 (30 June 2020: HK\$7,859,000) for the current period. The drop in staff costs of HK\$2,735,000 was mainly due to the decrease of the Group's headcounts for its operation in the PRC. 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 (the "MPF Scheme") for employees in Hong Kong and operates other 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.

The Group's contributions to the MPF Scheme and other employees' pension schemes vest fully and immediately with employees, thus there were no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme and other employees' pension schemes.

PROSPECTS

As announced by the Company on 23 July 2021, 27 July 2021 and 30 August 2021, the Group is in the course of conducting its due diligence review on the oilfield project in Canada, cooperating with a specialist solar energy total solutions and services provider to invest in solar power generation projects under the FiT Scheme, and acquiring a portfolio of existing and to-be-completed solar power generation projects which are participating in the FiT Scheme. While continuing with its business in petroleum exploration and production, the Group is expanding and diversifying its business in the energy sector to the next level by investing in renewable energy business, including solar power generation, which could support the Group's viable and sustainable business development in the long-term, and create new value to shareholders.

From a macro perspective, following the launch of vaccination programs in many countries, there are signs that the conditions of major economies, including China, the US and the UK, have stabilised and moving towards full-reactivation. With the growing vaccination coverage on the population, the pandemic situation in Hong Kong has also stabilised and is under control. However, the emergence of the coronavirus variants and the new wave of outbreaks in some countries have added new uncertainties in predicting the evolution and duration of the pandemic and its impact to the world economy. China has achieved positive GDP growth in the first half of 2021 and there are indications that its economy is undergoing a stable and sustainable recovery, from which Hong Kong, being one of the nation's major cities and gateways, is well positioned to be benefited. Looking forward, against the backdrop of the continuation of COVID-19 while there are signs that major economies including China are gaining the momentum to recovery, the management will actively pursue the oilfield and solar energy projects aforementioned, and will manage the businesses of the Group in a prudent and cautious manner, for the interests of the Company and shareholders as a whole.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	17,782	19,861
Sales of petroleum		1,826	5,669
Interest income		15,884	14,192
Others		72	–
Purchases, processing and related expenses		(1,262)	(4,670)
Other income and losses, net	5	1,430	1,012
Net gain (loss) on financial assets at fair value through profit or loss	6	11,893	(11,901)
(Provision) reversal of expected credit loss on loan and interest receivables		(800)	15,136
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(576)	(680)
Wages, salaries and other benefits		(5,124)	(7,859)
Depreciation		(713)	(643)
Other expenses		(1,887)	(8,146)
Finance costs	8	(42)	(106)
Profit before tax		20,701	2,004
Income tax (expense) credit	9	(2,247)	131
Profit for the period	10	18,454	2,135
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on debt instruments at fair value through other comprehensive income		(4,348)	(1,940)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		576	680
Exchange differences arising on translation of financial statements of foreign operations		787	(1,662)
Other comprehensive expense for the period, net of income tax		(2,985)	(2,922)
Total comprehensive income (expense) for the period		15,469	(787)
Profit for the period attributable to:			
Owners of the Company		18,073	2,217
Non-controlling interests		381	(82)
		18,454	2,135
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		15,088	(705)
Non-controlling interests		381	(82)
		15,469	(787)
Earnings per share attributable to owners of the Company			
– Basic	12	HK0.34 cent	HK0.04 cent

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		976	985
Right-of-use assets	13	1,917	2,523
Debt instruments at fair value through other comprehensive income	14	67,532	129,985
Loan and interest receivables	15	–	33,425
Total non-current assets		70,425	166,918
Current assets			
Debt instruments at fair value through other comprehensive income	14	61,205	2,213
Loan and interest receivables	15	189,146	127,957
Trade and other receivables and prepayments	16	17,674	15,793
Other tax recoverables		673	609
Income tax recoverable		721	2,549
Financial assets at fair value through profit or loss	17	44,085	25,097
Bank balances and cash		106,720	134,627
Total current assets		420,224	308,845
Current liabilities			
Trade and other payables	18	6,908	8,744
Income tax payable		5,123	4,170
Lease liabilities		1,305	1,282
Total current liabilities		13,336	14,196
Net current assets		406,888	294,649
Total assets less current liabilities		477,313	461,567
Non-current liabilities			
Lease liabilities		833	1,491
Deferred tax liabilities		1,513	578
Total non-current liabilities		2,346	2,069
Net assets		474,967	459,498
Capital and reserves			
Share capital	19	52,403	52,403
Reserves		422,564	407,476
Equity attributable to owners of the Company		474,967	459,879
Non-controlling interests		–	(381)
Total equity		474,967	459,498

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	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	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	52,403	918,270	201,645	(2,345)	(6,645)	(719,432)	443,896	-	443,896
Profit for the period	-	-	-	-	-	2,217	2,217	(82)	2,135
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(1,940)	-	-	(1,940)	-	(1,940)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	680	-	-	680	-	680
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(1,662)	-	(1,662)	-	(1,662)
Total comprehensive (expense) income for the period	-	-	-	(1,260)	(1,662)	2,217	(705)	(82)	(787)
At 30 June 2020 (unaudited)	52,403	918,270	201,645	(3,605)	(8,307)	(717,215)	443,191	(82)	443,109
At 1 January 2021 (audited)	52,403	918,270	201,645	1,233	(2,759)	(710,913)	459,879	(381)	459,498
Profit for the period	-	-	-	-	-	18,073	18,073	381	18,454
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(4,348)	-	-	(4,348)	-	(4,348)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	576	-	-	576	-	576
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	787	-	787	-	787
Total comprehensive (expense) income for the period	-	-	-	(3,772)	787	18,073	15,088	381	15,469
At 30 June 2021 (unaudited)	52,403	918,270	201,645	(2,539)	(1,972)	(692,840)	474,967	-	474,967

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(41,595)	31,798
Investing activities		
Purchase of debt instruments at fair value through other comprehensive income	–	(7,903)
Net cash inflow on disposal of subsidiaries	14,209	–
Purchase of property, plant and equipment	(97)	(25)
Bank interest received	56	517
Net cash from (used in) investing activities	14,168	(7,411)
Financing activities		
Repayment of lease liabilities	(677)	(2,346)
Interest paid	(42)	(106)
Cash used in financing activities	(719)	(2,452)
Net (decrease) increase in cash and cash equivalents	(28,146)	21,935
Cash and cash equivalents at the beginning of the period	134,627	92,400
Effect of foreign exchange rate changes	239	(785)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	106,720	113,550

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 are presented in HK\$ which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) unless otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of 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 2021 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE

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

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Sales of petroleum	1,826	5,669
Interest income from money lending business*	11,048	8,845
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	4,836	5,347
Dividend and interest income from financial assets at fair value through profit or loss ("FVTPL")	72	–
	17,782	19,861

* Under effective interest method

During the periods ended 30 June 2021 and 2020, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 operating segments under HKFRS 8 "Operating Segments" are as follows:

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

Segment revenue and results

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

For the six months ended 30 June 2021

	Petroleum exploration and production HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Investment in securities HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue				
External sales/sources	1,826	11,048	4,908	17,782
Results				
Segment results before provision of expected credit loss ("ECL")	(893)	10,984	16,626	26,717
Provision of ECL	-	(800)	(576)	(1,376)
Segment results	(893)	10,184	16,050	25,341
Other income and losses, net				322
Corporate expenses				(4,920)
Finance costs				(42)
Profit before tax				20,701
Income tax expense				(2,247)
Profit for the period				18,454

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2020

	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	5,669	8,845	5,347	19,861
Results				
Segment results before reversal (provision) of ECL	(2,252)	8,874	(6,662)	(40)
Reversal (provision) of ECL	–	15,136	(680)	14,456
Segment results	(2,252)	24,010	(7,342)	14,416
Other income and losses, net				669
Corporate expenses				(12,975)
Finance costs				(106)
Profit before tax				2,004
Income tax credit				131
Profit for the period				2,135

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	2,793	3,461
Money lending	193,771	162,716
Investment in securities	184,462	166,396
Total segment assets	381,026	332,573
Unallocated:		
Property, plant and equipment	976	985
Bank balances and cash	101,992	133,585
Right-of-use assets	1,917	2,523
Other assets	4,738	6,097
Consolidated assets	490,649	475,763
Segment liabilities		
Petroleum exploration and production	1,990	2,287
Money lending	1,249	517
Investment in securities	860	578
Total segment liabilities	4,099	3,382
Unallocated:		
Lease liabilities	2,138	2,773
Other liabilities	9,445	10,110
Consolidated liabilities	15,682	16,265

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	56	517
Exchange gain, net	393	496
Sales of scrap materials	708	–
Loss on disposal of subsidiaries (Note 7)	(45)	–
Others	318	(1)
	1,430	1,012

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net unrealised gain (loss) on financial assets at FVTPL	8,221	(7,353)
Net realised gain (loss) on disposal of financial assets at FVTPL	3,672	(4,548)
	11,893	(11,901)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7. LOSS ON DISPOSAL OF SUBSIDIARIES

During the current period, the Group disposed of its entire interests in three subsidiaries incorporated in the British Virgin Islands or the PRC to an independent third party.

	<i>HK\$'000</i>
Consideration received:	
Consideration received in cash	<u>14,300</u>
Assets and liabilities of the disposed subsidiaries at the date of disposal:	
Trade and other receivables and prepayment	16
Loan and interest receivables	14,613
Bank balances and cash	91
Trade and other payables	<u>(375)</u>
Net assets disposed of	<u>14,345</u>
Loss on disposal of subsidiaries:	
Consideration received	14,300
Net assets disposed of	<u>(14,345)</u>
Loss on disposal	<u>(45)</u>
Net cash inflow arising on disposal:	
Cash consideration	14,300
Less: bank balances and cash disposed of	<u>(91)</u>
	<u>14,209</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	42	106

9. INCOME TAX (EXPENSE) CREDIT

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
Hong Kong	(1,004)	–
The PRC	(308)	(69)
	(1,312)	(69)
Overprovision in prior years		
The PRC	–	161
Deferred tax	(935)	39
Income tax (expense) credit recognised in profit or loss	(2,247)	131

The Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. No provision of the Hong Kong profits tax was made for the previous period as there was no assessable profit.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period under review.

The Argentina withholding tax on interest income from an Argentinean subsidiary received by the Group was calculated at 35% on such income. No withholding tax was paid for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	107	120
Depreciation of right-of-use assets	606	523
Total depreciation	713	643
Staff costs		
– directors' emoluments	740	1,388
– other staff costs	3,944	5,726
– other staff retirement benefits schemes contributions (excluding directors)	440	745
Total staff costs	5,124	7,859
Professional and consultancy fees	675	5,178

11. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: nil), nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings: Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share attributable to owners of the Company	18,073	2,217

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

	Six months ended 30 June	
	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share attributable to owners of the Company	5,240,344	5,240,344

During the periods ended 30 June 2021 and 2020, the diluted earnings per share attributable to owners of the Company were not presented since all the outstanding share options were lapsed on 4 May 2020 and there were no dilutive potential ordinary shares in issue in both periods.

13. RIGHT-OF-USE ASSETS

During the current interim period, the Group has not entered into any new lease agreement and has not recognised any right-of-use assets (six months ended 30 June 2020: HK\$3,858,000) and lease liabilities (six months ended 30 June 2020: HK\$3,858,000).

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 4.70% to 11.75% (31 December 2020: 4.70% to 11.75%) per annum and maturity dates ranging from 12 February 2022 to 28 June 2025 (31 December 2020: 12 February 2022 to 28 June 2025)	128,737	132,198
Analysed as:		
Current portion	61,205	2,213
Non-current portion	67,532	129,985
	128,737	132,198

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

At 30 June 2021 and 31 December 2020, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange or Singapore Stock Exchange.

Debt instruments at FVTOCI are listed bonds with credit loss allowance measured on 12-month ECL basis as the credit risks on these financial instruments have not increased significantly since initial recognition. The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration of the historical data from an international rating agency. The Company's management worked closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Group assessed ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by the recognised rating agencies (i.e. Moody's), the macroeconomic factors affecting each issuer, and the probability of default and loss given default of each debt instrument. The Group also took into account forward-looking information that was reasonably and supportably available to the Group without undue cost or effort, including information such as Gross Domestic Product growth rate and unemployment rate.

During the six months ended 30 June 2021, provision of ECL of HK\$576,000 (six months ended 30 June 2020: HK\$680,000) was recognised.

15. LOAN AND INTEREST RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Fixed-rate loan receivables	215,900	190,931
Interest receivables	22,801	20,152
	238,701	211,083
Less: impairment allowance	(49,555)	(49,701)
	189,146	161,382
Analysed as:		
Current portion	189,146	127,957
Non-current portion	–	33,425
	189,146	161,382
Analysed as:		
Secured	174,397	141,669
Unsecured	14,749	19,713
	189,146	161,382

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. LOAN AND INTEREST RECEIVABLES (continued)

At 30 June 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 8% to 18% (31 December 2020: 8% to 18%) per annum and from 3 July 2021 to 27 April 2022 (31 December 2020: 3 July 2021 to 15 March 2022) respectively.

Before granting loans to borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

An analysis of the Group's loan and interest receivables by their contractual maturity dates is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Loan and interest receivables:		
Within one year or on demand	189,146	127,957
In more than one year but not more than two years	–	33,425
	189,146	161,382

During the six months ended 30 June 2021, provision of ECL of HK\$800,000 (six months ended 30 June 2020: reversal of ECL of HK\$15,136,000) on loan and interest receivables was recognised in profit or loss.

At 30 June 2021, of the Group's loan and interest receivables balance with aggregate gross carrying amount of HK\$238,701,000 (31 December 2020: HK\$211,083,000), HK\$152,421,000 (31 December 2020: HK\$135,725,000) were not past due, HK\$1,611,000 (31 December 2020: HK\$1,411,000) had been past due for less than 30 days, HK\$1,317,000 (31 December 2020: HK\$1,830,000) had been past due for more than 30 days but less than 90 days, and HK\$83,352,000 (31 December 2020: HK\$72,117,000) had been past due for 90 days or more. The directors of the Company considered those loan and interest receivables that were past due for more than 90 days as credit-impaired.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables (Note (i))	–	1,027
Deposits and prepayments	3,243	3,465
Deposits held for petroleum exploration and production operation	1,064	1,085
Others (Note (ii))	13,367	10,216
	17,674	15,793

Notes:

- (i) The oil selling price for the Argentina operation was quoted in US\$ and converted into ARS for invoicing. The Group allowed an average credit period of 30 to 60 days. As at 31 December 2020, the trade receivables of HK\$1,027,000 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 the customers are reviewed regularly.

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.

- (ii) The amount included a sum of HK\$11,640,000 (31 December 2020: HK\$9,101,000) placed with securities brokers in relation to securities investment activities in Hong Kong.
- (iii) No ECL was recognised on other receivables as the directors of the Company considered that the amount was immaterial.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	44,085	25,097

At 30 June 2021 and 31 December 2020, listed equity securities were stated at fair values which were determined based on quoted market closing prices available on the Hong Kong Stock Exchange.

18. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade payables	220	526
Other tax payables	1,200	1,249
Accrued professional fees	2,279	3,237
Other payables and accruals	3,209	3,732
	6,908	8,744

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 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
0 - 30 days	220	526

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 2021

19. SHARE CAPITAL

	Number of ordinary Shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>5,240,344</u>	<u>52,403</u>

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 was HK\$0.53 per share and the exercisable period was from 4 May 2017 to 3 May 2020 (both dates inclusive).

On 4 May 2020, all the outstanding share options were lapsed. At 30 June 2021 and 30 June 2020, there were no outstanding share options.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. SHARE OPTION SCHEME (continued)

Details of movements in the number of share options during the six months ended 30 June 2020 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 (ii))	Outstanding at 1 January 2020	Granted/ forfeited/ exercised/ lapsed during the period from 1 January 2020 to 30 June 2020 (Note (iii))	Outstanding at 30 June 2020
Directors:						
Mr. Liu Zhiyi (Note (iv))	4 May 2017	4 May 2017 - 3 May 2020	0.53	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)	-
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 - 3 May 2020	0.53	600,000	(600,000)	-
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 - 3 May 2020	0.53	900,000	(900,000)	-
Mr. Pun Chi Ping	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-
				<u>68,400,000</u>	<u>(68,400,000)</u>	<u>-</u>
Employees:						
In aggregate	4 May 2017	4 May 2017 - 3 May 2020	0.53	<u>368,010,000</u>	<u>(368,010,000)</u>	<u>-</u>
Others	4 May 2017	4 May 2017 - 3 May 2020	0.53	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
				<u>436,710,000</u>	<u>(436,710,000)</u>	<u>-</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. SHARE OPTION SCHEME (continued)

Notes:

- (i) The share options granted were vested upon granted.
- (ii) The exercise price of the share options was subject to adjustments in case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of share capital or other changes in the capital structure of the Company.
- (iii) All the outstanding share options were lapsed on 4 May 2020.
- (iv) Mr. Liu Zhiyi resigned as director of the Company on 30 June 2020.

No share options were granted and no share-based payments expense was recognised during the six months ended 30 June 2021 and 2020.

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 those derived from 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 or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021	31 December 2020		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	128,737	132,198	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL				
Listed equity securities	44,085	25,097	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1, 2 and 3 in the current period and the year ended 31 December 2020.

22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Short-term employee benefits	2,948	3,259
Post-employment benefits	303	313
	3,251	3,572

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 2021 (30 June 2020: nil).

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

As at 30 June 2021, 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 Hong Kong 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.

In the annual general meeting of the Company held on 29 June 2021 (the "2021 AGM"), the shareholders of the Company approved the refreshment of the scheme mandate limit (the "Scheme Mandate Limit Refreshment"). The total number of shares of the Company available for issue under the Share Option Scheme is 524,034,404 shares, representing approximately 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit Refreshment and the date of this interim report.

Details of movement of share options granted under the Share Option Scheme during the six months ended 30 June 2020 are set out in Note 20 to the condensed consolidated financial statements.

Further details of the Share Option Scheme were set out in the Company's 2020 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme as mentioned above, at no time during the six months ended 30 June 2021 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.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2021, the following interests of more than 5% of the issued shares 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 of the Company:

Name of shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued shares (Note (i))
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	862,085,620 (Note (ii))	16.45%
Premier United Group Limited ("Premier United")	Interests of controlled corporation	862,085,620 (Note (ii))	16.45%
Billion Expo International Limited ("Billion Expo")	Beneficial owner	862,085,620 (Note (ii))	16.45%
China Shipbuilding Capital Limited	Beneficial owner	700,170,000	13.36%
China Create Capital Limited	Beneficial owner	357,705,000	6.83%

Notes:

- (i) The approximate percentage of the Company's issued shares was calculated on the basis of 5,240,344,044 shares of the Company in issue as at 30 June 2021.
- (ii) These interests were held by Billion Expo, 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.

The interests of Mr. Suen, Premier United and Billion Expo in 862,085,620 shares of the Company referred to in Note (ii) 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 as at 30 June 2021 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021, 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

The Company had deviated from Code Provision A.2.1 of the CG Code during the six months ended 30 June 2021 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Effective communication

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

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as chairman of the 2021 AGM 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 have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

Other Information

UPDATE ON DIRECTOR'S INFORMATION

The following is updated information of the Director required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's last published annual report up to 30 August 2021, being the date of this interim report:

- Mr. Sue Ka Lok resigned as an executive director of PT International Development Corporation Limited (HKEX stock code: 372) (a company listed on the Main Board of the Hong Kong Stock Exchange) on 6 July 2021.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2021 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 2021, 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

Sue Ka Lok

Executive Director

Hong Kong, 30 August 2021