



EPI (Holdings) Limited
長盈集團(控股)有限公司

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

INTERIM REPORT 2022



MIX
Paper from
responsible sources
FSC® C132597



Contents

- 3 Corporate Information
- 4 Management Discussion and Outlook
- 15 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 16 Condensed Consolidated Statement of Financial Position
- 17 Condensed Consolidated Statement of Changes in Equity
- 18 Condensed Consolidated Statement of Cash Flows
- 19 Notes to the Condensed Consolidated Financial Statements
- 37 Other Information

Abbreviations

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

“Board”	Board of Directors of the Company
“Company”	EPI (Holdings) Limited
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“C\$”	Canadian dollars
“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

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
Bank of Communications (Hong Kong) Limited
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

TRADING OF SHARES

Hong Kong Stock Exchange
(Stock Code: 689)

WEBSITE

<https://www.epiholdings.com>

Management Discussion and Outlook

BUSINESS REVIEW

For the six months ended 30 June 2022 (“HY2022”), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2022, there was a sharp surge in international oil prices largely because of the revival of economic activities worldwide following the easing of the COVID pandemic, and the tightened supply of energy sources following the outbreak of war between Russia and Ukraine. The price of Brent crude oil, one of the benchmarks of international oil prices, jumped from around US\$80 per barrel in December 2021, reached its peak of over US\$130 in March 2022, and downed to around US\$120 per barrel in June 2022. Although international oil prices continue to fluctuate considerably recently, they are hovering at comparatively high levels to their historical trends in the past five years and current market outlook of the industry remains positive. Leveraging on the Group’s business experience of its oil operation in Argentina and with the intent of continuing its petroleum exploration and production business, as announced by the Company on 9 February 2022, the Group entered into a conditional asset purchase and sale agreement (the “APA”) with the vendor for the acquisition of an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets, located in Alberta Province of Canada (the “Canadian Oil Assets”) for an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA was duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the transactions contemplated thereunder were completed on 16 July 2022. Upon closing of the transactions, the financial results of the Canadian Oil Assets have been incorporated in the Group’s consolidated financial statements and will be reflected in the Group’s results for the second half of 2022. The acquisition of the oil assets under the APA represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

In alignment with the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, in July 2021, the Group entered into a cooperation framework agreement (the “Cooperation Agreement”) with a specialist solar energy total solution and services provider to invest in solar energy power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the “FiT Scheme”), which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. In August 2021, for further development of the solar energy business, the Group entered into an acquisition agreement (the “Acquisition Agreement”) to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 30 June 2022, the Group has invested HK\$53,250,000 in solar energy power generation projects under the two aforementioned agreements.

For HY2022, the Group recorded a decline in revenue by 59% to HK\$7,232,000 (30 June 2021: HK\$17,782,000), mainly due to the decrease in revenue from the money lending business, and reported a loss attributable to owners of the Company of HK\$24,252,000 (30 June 2021: profit of HK\$18,073,000), primarily due to (i) the recognition of net loss on financial assets at fair value through profit or loss (“FVTPL”) of HK\$795,000 in contrast to the net gain of HK\$11,893,000 recorded in the prior period; (ii) the provision of expected credit loss (“ECL”) on debt instruments at fair value through other comprehensive income (“FVTOCI”) of HK\$13,976,000 (30 June 2021: HK\$576,000); and (iii) the decrease in profit contribution from the money lending business to HK\$225,000 (30 June 2021: HK\$10,184,000).

Management Discussion and Outlook

Petroleum Exploration and Production

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 HY2022, the Group's petroleum exploration and production business did not generate any revenue (30 June 2021: HK\$1,826,000) due to the cessation of the Group's interest in the CHE Concession and recorded an operating loss of HK\$431,000 (30 June 2021: HK\$893,000). As above mentioned, the acquisition of the Canadian Oil Assets was completed on 16 July 2022, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements since then and will be reflected in the Group's results for the second half of 2022.

The Canadian Oil Assets represent an operating oil field comprising petroleum and natural gas rights, facilities and pipelines, together with other properties and assets, located in Alberta Province of Canada. The oilfield currently has 32 producing wells and it is expected that the contributions from the Canadian Oil Assets to the Group in terms of revenue and EBITDA (i.e. earnings before interest, taxes, depreciation and amortisation) will continue to grow according to the Group's current four-year development plan in respect of these oil assets. Further details of the Canadian Oil Assets are contained in the Company's circular dated 11 March 2022.

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions and it is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy business, including solar energy projects, which could provide the Group with healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into the Cooperation Agreement with a specialist solar energy total solution and services provider to invest in solar energy power generation projects, from which the electricity generated can be sold to the two power companies, and thereby earning the feed-in tariff income under the FiT Scheme. Moreover, for further development of the solar energy business, on 30 August 2021, the Group entered into the Acquisition Agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. Further details of the transactions are stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During the current period, the Group has made further investment of HK\$9,605,000 and bringing the Group's total investment in solar energy power generation projects up to HK\$53,250,000 as of 30 June 2022, with a further capital commitment of approximately HK\$24,787,000. As of the period end, the Group has 40 solar photovoltaic systems in operation, 11 solar photovoltaic systems scheduled to be completed before the end of 2022, and three projects in the preparation stage. For HY2022, the solar energy business contributed a revenue and an operating profit of HK\$2,629,000 (30 June 2021: nil) and HK\$656,000 (30 June 2021: nil) respectively to the Group. The contributions from the solar energy business are expected to grow in the second half of 2022 following the completion of a number of projects now in progress.

Management Discussion and Outlook

Money Lending

For HY2022, the Group's money lending business reported decreases in revenue by 80% to HK\$2,193,000 (30 June 2021: HK\$11,048,000) and operating profit (before provision of ECL) by 80% to HK\$2,189,000 (30 June 2021: HK\$10,984,000), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2022. A provision of ECL of HK\$1,964,000 (30 June 2021: HK\$800,000) on loan and interest receivables was recognised during the period.

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (i.e. the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the assets/properties pledged to the Group as collaterals are performed by independent professional valuers engaged by the Group, where applicable, at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. At the period end, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers (the negative impact of the COVID epidemic on the economy had also been considered).

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value reviews against market information and regular communication with the borrowers of their financial positions, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and taking possession of the collaterals pledged.

For HY2022, a provision of ECL of HK\$1,964,000 (30 June 2021: HK\$800,000) was recognised with the balance of the impairment allowance increased by 6% or HK\$1,964,000 to HK\$36,879,000 (31 December 2021: HK\$34,915,000) at the period end, 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 the collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans. There was no change in the method used in determining the impairment allowance on loan receivables from the prior financial year.

The size of the Group's loan portfolio remained in line with the level at prior year end as the management had been prudent in assessing new loans in light of the prevailing economic conditions in Hong Kong. The Group aims to make loans that could be covered by sufficient collaterals, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collaterals for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents.

Management Discussion and Outlook

At 30 June 2022, the carrying value of the loan portfolio held by the Group amounted to HK\$102,104,000 (after impairment allowance of HK\$36,879,000) (31 December 2021: HK\$115,001,000 (after impairment allowance of HK\$34,915,000)), and details of the portfolio are as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	60.00	10 - 12	Within one year
Individual	40.00	10 - 18	Within one year
	100.00		

At 30 June 2022, 100% (31 December 2021: 100%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals. At the period end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 36% (31 December 2021: 32%) and 100% (31 December 2021: 100%) respectively of the Group's loan portfolio (on a net of impairment allowance basis).

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including (i) due diligence; (ii) credit appraisal; (iii) proper execution of documentations; (iv) continuous monitoring and (v) collection and recovery. Before granting loan to a potential customer, the Group performs credit appraisal process to assess the potential borrower's credit quality and defines the credit limit granted to the borrower. The credit appraisal process encompasses detailed assessment on the credit history and financial background of the borrower, as well as the value and nature of the collateral to be pledged. The credit limit of a loan successfully granted to the borrower will be subject to regular credit review by the management as part of the ongoing loan monitoring process.

Management Discussion and Outlook

The following is a summary of the key internal controls of the Group's money lending operation:

Due diligence	Identity check and financial background check on the loan applicant will be performed. Information provided by the loan applicant including identity, financial statements and income proof of the applicant will be checked and verified by the responsible loan officer, where appropriate, company, legal, credit and bankruptcy search on the loan applicant, and land search and site visit on the property offered as collateral, will be conducted.
Credit appraisal	Detailed assessment on the credit history and financial background of the loan applicant, as well as the value and nature of the collateral to be pledged, will be conducted. There will be credit assessment including analysis on the repayment ability and credit history of the loan applicant, and analysis on the potential recovery from realisation of the collateral. The credit assessment process will be conducted by the responsible loan officer and reviewed by the responsible loan manager.
Proper execution of documentations	For loan application recommended by the responsible loan manager and duly approved by the board of directors of the Group's money lending subsidiary, the responsible loan officer will arrange preparation and proper execution of the loan documentations under the supervision of the responsible loan manager, and usually with the support of professional lawyers.
Continuous monitoring	There will be continuous monitoring on the repayments from borrower, regular communication with the borrower of its updated financial position, and regular review on credit limit of the loan granted and market value of the collateral pledged performed by the responsible loan officer and manager.
Collection and recovery	Formal reminder and legal demand letter will be issued to the borrower if there is an overdue payment. Where appropriate, legal action will be commenced against the borrower for recovery of the amount due and taking possession of the collateral pledged.

All loans will be granted under the approval of the board of directors of the Group's money lending subsidiary.

Management Discussion and Outlook

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 macroeconomic 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 macroeconomic 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.

At 30 June 2022, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$5,929,000 (31 December 2021: HK\$6,724,000), comprising equity securities listed in Hong Kong, and debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK\$34,235,000 (31 December 2021: HK\$78,396,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$2,410,000 (30 June 2021: HK\$4,908,000) and a loss, after provision of ECL, of HK\$12,282,000 (30 June 2021: profit of HK\$16,050,000).

Financial assets at FVTPL

At 30 June 2022, the Group held a financial asset at FVTPL portfolio amounting to HK\$5,929,000 (31 December 2021: HK\$6,724,000) measured at market/fair value. For HY2022, the portfolio did not generate any revenue (30 June 2021: HK\$72,000, representing dividend income from equity securities) and recognised a net unrealised loss on financial assets at FVTPL of HK\$795,000 (30 June 2021: net gain of HK\$11,893,000, comprising net unrealised gain and net realised gain of HK\$8,221,000 and HK\$3,672,000 respectively) for the period.

The net unrealised loss represented the net decrease 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 during the current period and had not acquired any equity securities.

Management Discussion and Outlook

At 30 June 2022, the Group's financial asset at FVTPL portfolio of HK\$5,929,000 comprised one major investment with details as below:

Investee company's name and its principal activities [#]	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2022 %	% of shareholding interest %	Carrying amount at 1 January 2022 HK\$'000 A	Market/fair value at 30 June 2022 HK\$'000 B	Unrealised loss recognised during the six months ended 30 June 2022 HK\$'000 C = B - A	[#] Investee company's financial performance	[#] Future prospects of the investee company
Emperor International Holdings Limited (HKEX stock code: 163) Property investment and development and hospitality businesses	1.45	0.20	6,724	5,929	(795)	For the year ended 31 March 2022, revenue increased by 77% to approximately HK\$2,329 million while loss for the year decreased by 15% to approximately HK\$740 million 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 including luxury composite buildings in popular urban areas, and low-rise detached houses in unique spots.

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

Debt instruments at FVTOCI

At 30 June 2022, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$34,235,000 (31 December 2021: HK\$78,396,000) was measured at market/fair value. During HY2022, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK\$2,410,000 (30 June 2021: HK\$4,836,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK\$29,776,000 (31 December 2021: HK\$47,712,000) was classified as current assets.

During HY2022, the Group had not acquired any debt securities (30 June 2021: nil). At the period end, a net fair value loss on debt instruments at FVTOCI amounting to HK\$12,569,000 (30 June 2021: HK\$4,348,000) was recognised as other comprehensive expense primarily due to the fall in market value of these debt securities and downward adjustment on fair value of certain debt instruments due to their increased credit risks.

Management Discussion and Outlook

The Group had engaged an independent professional valuer to perform an impairment assessment on the debt instruments held under the ECL model. The measurement of ECL is a function of the probability of default and loss given default (i.e. the magnitude of the loss if there is a default), with the assessment of the probability of default and loss given default is based on historical data and forward-looking information. The estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, and also with reference to the time value of money. In determining the ECL on the Group's debt instruments for the period, the management had worked closely with the independent professional valuer and taken into account factors including the downgrading of credit rating of the debt instruments by the credit rating agencies and the defaults of the bond issuers in making payments of interest and principal for their indebtedness, as well as forward-looking information including the future macroeconomic conditions affecting the operations of the bond issuers. There was no change in the method used in determining the ECL on debt instruments at FVTOCI from the prior year.

For HY2022, a provision of ECL on debt instruments at FVTOCI of HK\$13,976,000 (30 June 2021: HK\$576,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of certain debt instruments held by the Group had further increased since initial recognition. During HY2022, the credit ratings of these debt instruments (which were corporate bonds issued by property companies based in the Mainland) were downgraded by the credit rating agencies and/or the expected loss given default of these debt instruments were assessed by the independent professional valuer to have been increased, as the credit risks of these bonds had further increased owing to the bond issuers' actual or potential defaults in making interest and principal payments for their indebtedness. As the Group expected the deterioration of the financial positions of these bond issuers would ultimately affect the collection of contractual cash flows from their bonds, a provision of ECL on debt instruments at FVTOCI of HK\$13,976,000 was recognised.

At 30 June 2022, the Group invested in debt securities issued by six property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$34,235,000 (together with other information) are as below:

Name of issuer	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio at 30 June 2022	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2022	Yield to maturity on acquisition date	Acquisition costs HK\$'000	Carrying amount at 1 January 2022 HK\$'000	Market/fair value at 30 June 2022 HK\$'000	Accumulated fair value loss recognised up to 30 June 2022 HK\$'000	Fair value loss recognised during the six months ended 30 June 2022 HK\$'000
	%	%	%	A	B	C	D = C - A	E = C - B
Lai Fung Holdings Limited	62.03	5.18	5.62	23,435	21,792	21,237	(2,198)	(555)
Others	37.97	3.17	5.26 - 12.50	81,391	28,166	12,998	(68,393)	(15,168)
	100.00	8.35		104,826	49,958	34,235	(70,591)	(15,723)

Management Discussion and Outlook

The yield to maturity on acquisition of the debt securities which were held by the Group at the period end ranged from 5.26% to 12.50% per annum.

Overall Results

For HY2022, the Group's petroleum exploration and production business recorded a loss of HK\$431,000 (30 June 2021: HK\$893,000), the solar energy business recorded a profit of HK\$656,000 (30 June 2021: nil), the money lending business recorded a profit of HK\$225,000 (30 June 2021: HK\$10,184,000), and the Group's investment in securities recorded a loss of HK\$12,282,000 (30 June 2021: profit of HK\$16,050,000).

Overall speaking, the Group's results turned around and reported a loss attributable to owners of the Company of HK\$24,252,000 (30 June 2021: profit of HK\$18,073,000) mainly due to the recognition of net loss on financial assets at FVTPL of HK\$795,000 (30 June 2021: net gain of HK\$11,893,000), the provision of ECL on debt instruments at FVTOCI of HK\$13,976,000 (30 June 2021: HK\$576,000), the decrease in profit contribution from the money lending business to HK\$225,000 (30 June 2021: HK\$10,184,000), and the increase in other expenses to HK\$8,779,000 (30 June 2021: HK\$1,887,000), which was mainly attributed to the professional fees incurred for the acquisition of the Canadian Oil Assets during the current period.

The Group recorded a total comprehensive expense attributable to owners of the Company of HK\$25,277,000 (30 June 2021: total comprehensive income of HK\$15,088,000) which included an exchange loss of HK\$2,348,000 (30 June 2021: gain of HK\$787,000) on translation of financial statements of foreign operations.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2022, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the period end, the Group had current assets of HK\$212,545,000 (31 December 2021: HK\$363,774,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$77,632,000 (31 December 2021: HK\$198,542,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$6,944,000 (31 December 2021: HK\$14,105,000), was at a liquid level of about 30.6 (31 December 2021: 25.8). The decrease in liquid assets was mainly due to the deposit of HK\$137,027,000 paid for the acquisition of the Canadian Oil Assets (included in the line item of prepayments and deposits for acquisition of non-current assets in the condensed consolidated statement of financial position), which was subsequently completed in July 2022.

At 30 June 2022, the Group's total assets amounted to HK\$410,183,000 (31 December 2021: HK\$442,915,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$9,470,000 (31 December 2021: HK\$16,925,000) divided by total assets, was at a low level of about 2% (31 December 2021: 4%). Finance costs represented the imputed interest on lease liabilities of HK\$67,000 (30 June 2021: HK\$42,000) for the period.

At 30 June 2022, the equity attributable to owners of the Company amounted to HK\$400,713,000 (31 December 2021: HK\$425,990,000) and was equivalent to an amount of approximately HK7.65 cents (31 December 2021: HK8.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$25,277,000 was mainly due to the loss incurred 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.

Management Discussion and Outlook

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars, United States dollars, Canadian dollars and Renminbi. The Group has not experienced any significant foreign exchange exposure to United States dollars as the exchange rate of Hong Kong dollars to United States dollars is pegged. The Group does not have significant foreign exchange exposure to Canadian dollars and Renminbi currently, and will consider a formal foreign currency hedging policy for Canadian dollars and Renminbi should the needs arise.

Contingent Liability

At 30 June 2022, the Group had no significant contingent liability (31 December 2021: nil).

Pledge of Assets

At 30 June 2022, the Group had no pledged assets (31 December 2021: nil).

Capital Commitments

At 30 June 2022, the Group had a capital commitment of HK\$24,787,000 (31 December 2021: HK\$34,203,000) and nil (31 December 2021: HK\$187,000) in relation to the acquisition and installation work of solar photovoltaic systems respectively, which were capital expenditures contracted for but not provided in the condensed consolidated financial statements.

Events after the Reporting Period

On 9 February 2022, EP Resources Corporation (“EP Resources”), an indirect wholly-owned subsidiary of the Company, as purchaser and RockEast Energy Corp. (“RockEast”) as vendor entered into a conditional APA, pursuant to which EP Resources conditionally agreed to acquire, and RockEast conditionally agreed to sell the Canadian Oil Assets at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000) (the “Acquisition”).

On 16 July 2022, all the conditions precedent to completion of the Acquisition were fulfilled and the Acquisition took place in accordance with the terms and conditions of the APA. Upon the closing, the financial results of the Canadian Oil Assets have been incorporated in the Group’s consolidated financial statements.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2022, the Group had a total of 21 (30 June 2021: 24) employees including directors of the Company with 18 (30 June 2021: 21) employees in Hong Kong and Mainland China and 3 (30 June 2021: 3) employees in Argentina. Staff costs, including directors’ emoluments, amounted to HK\$3,629,000 (30 June 2021: HK\$5,124,000) for the period. The drop in the Group’s staff costs of HK\$1,495,000 was mainly due to the decreases in headcounts and staff costs for its operations in Argentina and the Mainland. 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 Mainland and Argentina. In addition, the Group provides other employee benefits which include medical insurance, discretionary bonus and participation in the Company’s share option scheme.

Management Discussion and Outlook

The Group's contributions to the MPF Scheme and other employees' pension schemes are calculated as a percentage of the employees' relevant income and 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

It is the Group's business strategy to continue developing its petroleum exploration and production business, while expanding and diversifying its business in the energy sector to the next level by investing in renewable energy business, including solar energy power generation, which would support the healthy and sustainable business development of the Group in the long-term and create new value to shareholders. In pursuance of these strategic initiatives, the Group has acquired the Canadian Oil Assets under the APA, and entered into the Cooperation Agreement and Acquisition Agreement for the development of its solar energy business.

The Canadian Oil Assets are located near Calgary City, Alberta Province in Canada. The Group considers Canada is one of the ideal countries for developing petroleum exploration and production business as it has a stable political environment, a well-established system of oil regulations and industrial policies, a well-developed business infrastructure for the oil industry, and the third largest oil reserves in the world. There are thus enormous business opportunities available in Canada for the Group to develop its petroleum business.

The solar energy power generation projects the Group investing in are projects participating in the FiT Scheme. The FiT Scheme is a policy initiative introduced by the Hong Kong Government to encourage the private sector to participate in producing cleaner fuel and developing renewable energy technologies. Under the FiT Scheme, scheme participants who install solar or wind power generation system at their premises can sell the renewable energy generated to the two power companies in Hong Kong at a rate considerably higher than the normal electricity tariff rate. The FiT Scheme will be offered until the end of 2033, through investing in solar energy power generation projects participating in the FiT Scheme, the Group is able to secure a long-term and stable stream of revenue from the tariff income earning by the projects participating in the FiT Scheme.

Looking forward, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses and will manage its businesses in a cautious and disciplined approach in view of the business uncertainties brought by the prolonged continuation of the COVID pandemic, the heightened political and economic tensions between China and the US, and the war between Russia and Ukraine which brings significant volatilities to international prices of oil and gas.

It is the Group's business strategy to build a diversified and balanced energy business portfolio, comprising petroleum as well as solar energy businesses, which will present the Group with favourable long-term prospects, and is in line with the Group's sustainable corporate strategy to broaden its income stream with the goal of achieving a stable, long-term and attractive return to the shareholders.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	7,232	17,782
Sales of petroleum		–	1,826
Sales of electricity		2,629	–
Interest income		4,603	15,884
Dividend income		–	72
Purchases, processing and related expenses		(802)	(1,262)
Other income and losses, net	5	326	1,430
Net (loss) gain on financial assets at fair value through profit or loss	6	(795)	11,893
Provision of expected credit loss on loan and interest receivables		(1,964)	(800)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(13,976)	(576)
Wages, salaries and other benefits	10	(3,629)	(5,124)
Depreciation	10	(1,882)	(713)
Gain on redemption of debt instruments at fair value through other comprehensive income		84	–
Other expenses		(8,779)	(1,887)
Finance costs	8	(67)	(42)
(Loss) profit before tax		(24,252)	20,701
Income tax expense	9	–	(2,247)
(Loss) profit for the period	10	(24,252)	18,454
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		(12,569)	(4,348)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		13,976	576
Release on redemption of debt instruments at fair value through other comprehensive income		(84)	–
Exchange differences arising on translation of financial statements of foreign operations		(2,348)	787
Other comprehensive expense for the period, net of income tax		(1,025)	(2,985)
Total comprehensive (expense) income for the period		(25,277)	15,469
(Loss) profit for the period attributable to:			
Owners of the Company		(24,252)	18,073
Non-controlling interests		–	381
		(24,252)	18,454
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(25,277)	15,088
Non-controlling interests		–	381
		(25,277)	15,469
(Loss) earnings per share attributable to owners of the Company			
– Basic	12	HK(0.46) cent	HK0.34 cent

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	44,017	34,383
Right-of-use assets	13	3,424	4,200
Debt instruments at fair value through other comprehensive income	14	4,459	30,684
Prepayments and deposits for acquisition of non-current assets	15	145,738	9,874
Total non-current assets		197,638	79,141
Current assets			
Debt instruments at fair value through other comprehensive income	14	29,776	47,712
Loan and interest receivables	16	102,104	115,001
Trade and other receivables and prepayments	15	1,844	1,616
Other tax recoverable		692	732
Income tax recoverable		497	171
Financial assets at fair value through profit or loss	17	5,929	6,724
Bank balances and cash		71,703	191,818
Total current assets		212,545	363,774
Current liabilities			
Trade and other payables	18	5,200	11,852
Income tax payable		657	679
Lease liabilities		1,087	1,574
Total current liabilities		6,944	14,105
Net current assets		205,601	349,669
Total assets less current liabilities		403,239	428,810
Non-current liability			
Lease liabilities		2,526	2,820
Net assets		400,713	425,990
Capital and reserves			
Share capital	19	52,403	52,403
Reserves		348,310	373,587
Total equity		400,713	425,990

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company						Sub-total HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	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			
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
At 1 January 2022 (audited)	52,403	918,270	201,645	(4,234)	(1,429)	(740,665)	425,990	-	425,990
Loss for the period	-	-	-	-	-	(24,252)	(24,252)	-	(24,252)
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(12,569)	-	-	(12,569)	-	(12,569)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	13,976	-	-	13,976	-	13,976
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(84)	-	-	(84)	-	(84)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(2,348)	-	(2,348)	-	(2,348)
Total comprehensive income (expense) for the period	-	-	-	1,323	(2,348)	(24,252)	(25,277)	-	(25,277)
At 30 June 2022 (unaudited)	52,403	918,270	201,645	(2,911)	(3,777)	(764,917)	400,713	-	400,713

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash used in operating activities		(4,133)	(41,595)
Investing activities			
Net cash inflow on disposal of subsidiaries	7	–	14,209
Purchase of property, plant and equipment		(5,230)	(97)
Prepayments and deposits paid for acquisition of non-current assets		(141,214)	–
Proceeds from redemption of debt instruments at fair value through other comprehensive income		31,200	–
Bank interest received	5	96	56
Net cash (used in) from investing activities		(115,148)	14,168
Financing activities			
Repayment of lease liabilities		(755)	(677)
Interest paid	8	(67)	(42)
Cash used in financing activities		(822)	(719)
Net decrease in cash and cash equivalents		(120,103)	(28,146)
Cash and cash equivalents at the beginning of the period		191,818	134,627
Effect of foreign exchange rate changes		(12)	239
Cash and cash equivalents at the end of the period, represented by bank balances and cash		71,703	106,720

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 Hong Kong dollars (HK\$), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except 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 2022 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2021.

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 period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendment to HKFRS 16	Covid-19 – related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020

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 these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE

The Group's revenue is arising from petroleum exploration and production, solar energy, 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Sales of petroleum	–	1,826
Sales of electricity	2,629	–
Interest income from money lending business*	2,193	11,048
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	2,410	4,836
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	–	72
	7,232	17,782

* Under effective interest method

During the six months ended 30 June 2021, revenue from sales of petroleum was recognised at a point in time. Revenue from sales of petroleum was recognised once the control of the crude oil was transferred from the Group to the customer. Revenue was measured based on the oil price agreed with the customer at the point of sales.

During the current interim period, revenue from sales of electricity is recognised over time when the electricity generated (by solar energy power generation systems) and transmitted is simultaneously received and consumed by the power companies under the Renewable Energy Feed-in Tariff Scheme (the "FiT Scheme") jointly launched by the Hong Kong Government and the two power companies in Hong Kong. The Group has elected the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the power companies. The Group has no unsatisfied performance obligations at each reporting date.

Dividend income and interest income fall outside the scope of HKFRS 15.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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) Solar energy
- (iii) Money lending
- (iv) 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 2022

	Petroleum exploration and production HK\$'000 (Unaudited)	Solar energy HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Investment in securities HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
External sales/sources	–	2,629	2,193	2,410	7,232
Results					
Segment results before provision of expected credit loss ("ECL")	(431)	656	2,189	1,694	4,108
Provision of ECL	–	–	(1,964)	(13,976)	(15,940)
Segment results	(431)	656	225	(12,282)	(11,832)
Other income and losses, net					(1,165)
Corporate expenses					(11,235)
Finance costs					(20)
Loss before tax					(24,252)
Income tax expense					–
Loss for the period					(24,252)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2021

	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	1,826	11,048	4,908	17,782
Results				
Segment results before provision of 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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	138,879	1,256
Solar energy	55,102	47,599
Money lending	105,271	127,774
Investment in securities	40,169	85,126
Total segment assets	339,421	261,755
Unallocated:		
Property, plant and equipment	732	854
Bank balances and cash	68,408	177,911
Right-of-use assets	707	1,312
Other assets	915	1,083
Consolidated assets	410,183	442,915
Segment liabilities		
Petroleum exploration and production	1,638	1,800
Solar energy	3,302	2,860
Money lending	–	25
Total segment liabilities	4,940	4,685
Unallocated:		
Lease liabilities	773	1,491
Other liabilities	3,757	10,749
Consolidated liabilities	9,470	16,925

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. OTHER INCOME AND LOSSES, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	96	56
Exchange (loss) gain, net	(959)	393
Sales of scrap materials	–	708
Reversal of write-off of other receivables and deposits (<i>Note</i>)	1,076	–
Loss on disposal of subsidiaries (<i>Note 7</i>)	–	(45)
Others	113	318
	326	1,430

Note: The amount represented the reversal of write-off of other receivables and deposits paid in relation to the Group's petroleum exploration and production operation in Argentina as the counterparty had refunded the monies to the Group during the six months ended 30 June 2022.

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised (loss) gain on financial assets at FVTPL	(795)	8,221
Net realised gain on disposal of financial assets at FVTPL	–	3,672
	(795)	11,893

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. LOSS ON DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2021, the Group disposed of its entire interests in three subsidiaries to an independent third party with details as below. No subsidiary was disposed of during the six months ended 30 June 2022.

	<i>HK\$'000</i>
Consideration received:	
Consideration received in cash	14,300
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	(375)
Net assets disposed of	14,345
Loss on disposal of subsidiaries:	
Consideration received	14,300
Net assets disposed of	(14,345)
Loss on disposal (<i>Note 5</i>)	(45)
Net cash inflow arising on disposal:	
Cash consideration	14,300
Less: bank balances and cash disposed of	(91)
	14,209

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	67	42

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax charge for the period comprises:		
Current tax		
Hong Kong	–	(1,004)
The PRC	–	(308)
	–	(1,312)
Deferred tax	–	(935)
Income tax expense recognised in profit or loss	–	(2,247)

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, 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. There is no assessable profit arising in Hong Kong for the period under review.

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 both periods. There is no assessable profit arising in the PRC for the period under review.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,133	107
Depreciation of right-of-use assets	749	606
Total depreciation	1,882	713
Staff costs		
– directors' emoluments	653	740
– other staff costs	2,635	3,944
– other staff retirement benefits schemes contributions (excluding directors)	341	440
Total staff costs	3,629	5,124
Professional and consultancy fees	7,147	675

11. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2021: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 5.25% to 11.75% (31 December 2021: 4.70% to 11.75%) per annum and maturity dates ranging from 23 March 2022 to 28 June 2025 (31 December 2021: 8 March 2022 to 28 June 2025)	34,235	78,396
Analysed as:		
Current portion	29,776	47,712
Non-current portion	4,459	30,684
	34,235	78,396

At 30 June 2022 and 31 December 2021, the fair values of the debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments as they were in actual or potential defaults in payments of principal and/or interests.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments. The Company's management worked closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model for ECL assessment. In making that evaluation, the Group assessed ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by recognised rating agencies (i.e. Moody's, Fitch etc.), the macroeconomic factors and the changes in regulatory requirements 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.

Provision of ECL of HK\$13,976,000 (six months ended 30 June 2021: HK\$576,000) on debt instruments at FVTOCI was recognised in profit or loss with a corresponding adjustment to other comprehensive income for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. PREPAYMENTS AND DEPOSITS FOR ACQUISITION OF NON-CURRENT ASSETS AND TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Prepayments and deposits for acquisition of non-current assets (Note (i))	145,738	9,874
Trade receivables (Note (ii))	502	194
Deposits and prepayments	1,169	1,316
Others	173	106
	1,844	1,616

Notes:

- (i) At 30 June 2022, the amount included prepayments of HK\$8,711,000 (31 December 2021: HK\$9,874,000) for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business, the amount would be utilised as consideration upon completion of the acquisition. The management expects the acquisition to be completed within one year.

In addition, the amount included deposits of HK\$137,027,000 (31 December 2021: nil) in relation to the acquisition of an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets, located in Alberta Province of Canada.

- (ii) The Group allows an average credit period of 30 to 60 days (31 December 2021: 30 to 60 days). The trade receivables of HK\$502,000 (31 December 2021: HK\$194,000) were aged within 30 days based on the invoice date and were neither past due nor impaired.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Credit limits and credit quality attributed to the customers are reviewed by the management regularly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. LOAN AND INTEREST RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Fixed-rate loan receivables	130,419	140,378
Interest receivables	8,564	9,538
	138,983	149,916
Less: impairment allowance	(36,879)	(34,915)
	102,104	115,001
Analysed as:		
Current portion	102,104	115,001
Analysed as:		
Secured	102,104	115,001

At 30 June 2022, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 10% to 18% (31 December 2021: 10% to 18%) per annum and from 3 July 2022 to 27 April 2023 (31 December 2021: 12 March 2022 to 13 August 2022) respectively.

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Loan and interest receivables: Within one year or on demand	102,104	115,001

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

16. LOAN AND INTEREST RECEIVABLES (continued)

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.

During the six months ended 30 June 2022, provision of ECL of HK\$1,964,000 (six months ended 30 June 2021: HK\$800,000) on loan and interest receivables was recognised in profit or loss.

At 30 June 2022, of the Group's loan and interest receivables with aggregate gross carrying amount of HK\$138,983,000 (31 December 2021: HK\$149,916,000), HK\$38,520,000 (31 December 2021: HK\$57,572,000) were not past due, nil (31 December 2021: HK\$34,134,000) had been past due for less than 30 days, nil (31 December 2021: HK\$537,000) had been past due for more than 30 days but less than 90 days, and HK\$100,463,000 (31 December 2021: HK\$57,673,000) 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.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	5,929	6,724

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. TRADE AND OTHER PAYABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade payables	448	129
Other tax payables	1,205	1,178
Accrued professional fees	1,961	390
Other payables and accruals (<i>Note</i>)	1,586	10,155
	5,200	11,852

Note: At 30 June 2022, the amount included HK\$187,000 (31 December 2021: HK\$7,388,000) being other payable for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business with credit period of 45 days.

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 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
0 - 30 days	448	129

The average credit period of trade payables was 30 days.

All the other payables were unsecured, interest-free and expected to be settled within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. SHARE CAPITAL

	Number of Ordinary Shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>5,240,344</u>	<u>52,403</u>

20. 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 fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) 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 2022

20. 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 2022	31 December 2021		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	–	33,259	Level 1	Quoted bid prices in active markets
	34,235	45,137	Level 2	Quoted market prices with credit risk adjustment
Financial assets at FVTPL				
Listed equity securities	5,929	6,724	Level 1	Quoted bid prices in an active market

There was no transfer between Level 1 and 2 in the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors of the Company and other members of the key management is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term employee benefits	2,004	2,948
Post-employment benefits	216	303
	2,220	3,251

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

22. CAPITAL COMMITMENTS

At 30 June 2022, the Group had a capital commitment of HK\$24,787,000 (31 December 2021: HK\$34,203,000) and nil (31 December 2021: HK\$187,000) in relation to the acquisition and installation work of solar photovoltaic systems respectively, which were capital expenditures contracted for but not provided in the condensed consolidated financial statements.

23. EVENTS AFTER THE REPORTING PERIOD

On 9 February 2022, EP Resources Corporation ("EP Resources"), an indirect wholly-owned subsidiary of the Company, as purchaser and RockEast Energy Corp. ("RockEast") as vendor entered into a conditional asset purchase and sale agreement (the "APA"), pursuant to which EP Resources had conditionally agreed to acquire, and RockEast had conditionally agreed to sell, an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets, located in Alberta Province of Canada (the "Canadian Oil Assets") at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000) (the "Acquisition").

On 16 July 2022, all the conditions precedent to completion of the Acquisition were fulfilled and the Acquisition took place in accordance with the terms and conditions of the APA. Upon the closing, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

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

As at 30 June 2022, 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.

At the annual general meeting of the Company held on 29 June 2021, 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 as refreshed, 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.

Further details of the Share Option Scheme were set out in the Company's 2021 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 2022 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 2022, 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 (Notes (ii) and (iii))	16.45%
Premier United Group Limited ("Premier United")	Interests of controlled corporation	862,085,620 (Notes (ii) and (iii))	16.45%
Billion Expo International Limited ("Billion Expo")	Beneficial owner	862,085,620 (Notes (ii) and (iii))	16.45%
China Shipbuilding Capital Limited	Beneficial owner	700,170,000 (Note (iv))	13.36%
China State Shipbuilding Corporation Limited	Interests of controlled corporation	700,170,000 (Note (iv))	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 2022.
- (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 and Premier United were deemed to be interested in 862,085,620 shares of the Company under the SFO.
- (iii) 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.
- (iv) The interests of China Shipbuilding Capital Limited and China State Shipbuilding Corporation Limited 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 2022 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 2022, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

Code Provision C.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 C.2.1 of the CG Code during the six months ended 30 June 2022 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 Chairman of the Board and 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.

Shareholders meetings

Code Provision F.2.2

Code Provision F.2.2 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 the chairman of the annual general meeting of the Company held on 30 June 2022 in accordance with Bye-law 70 of the Company’s Bye-laws.

Other Information

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 2022.

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 2022, being the date of this interim report:

- Mr. Sue Ka Lok has become a fellow certified practising accountant of the CPA Australia with effect from 8 June 2022.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2022 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 2022, 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 2022