



EPI (Holdings) Limited 長盈集團(控股)有限公司*

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

INTERIM REPORT 2024



*For identification purpose only



MIX
Paper | Supporting
responsible forestry
FSC® C132597



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Abbreviations

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

“Board”	Board of Directors
“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 C3 to the Listing Rules
“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.

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Shui Yuen
Mr. Bai Zhifeng
Mr. Wang Jinglu

Independent Non-executive Directors

Mr. Pun Chi Ping
Mr. Khoo Wun Fat, William
Ms. Jiao Jie

AUDIT COMMITTEE

Mr. Pun Chi Ping (*Chairman*)
Mr. Khoo Wun Fat, William
Ms. Jiao Jie

REMUNERATION COMMITTEE

Ms. Jiao Jie (*Chairlady*)
Mr. Pun Chi Ping
Mr. Khoo Wun Fat, William

NOMINATION COMMITTEE

Mr. Khoo Wun Fat, William (*Chairman*)
Mr. Pun Chi Ping
Ms. Jiao Jie

CORPORATE GOVERNANCE COMMITTEE

Mr. Khoo Wun Fat, William (*Chairman*)
Mr. Chan Shui Yuen
Mr. Wang Jinglu

COMPANY SECRETARY

Mr. Chan Shui Yuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1502-03, 15th 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
Bank of Montreal
Royal Bank of Canada

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Moore 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>

* The above information is updated to 23 September 2024, being the latest practicable date before printing of this interim report.



Management Discussion and Outlook

BUSINESS REVIEW

During the six months ended 30 June 2024 (“HY2024”), the Group continued to principally engage in the businesses of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2024, international oil prices continued to fluctuate considerably. The price of Brent crude oil, one of the benchmarks of international oil prices, was around US\$80 per barrel (“/bbl”) in January 2024, reached its peak of US\$90/bbl in April 2024, and dropped back to around US\$82/bbl in June 2024, compared with the US\$75 to US\$85/bbl price range in the first half of 2023. International oil prices are expected to remain volatile for the remainder of 2024, driven by continuous changes in global supply and demand forces, which are influenced by factors including production levels of oil-producing nations, demands of advanced and developing economies, geopolitical tensions and the ongoing Russia-Ukraine war.

During HY2024, the Group continued with its business development plan of the oil field in Windy Lake region, located near Calgary in Alberta Province of Canada (the “**Canadian Oil Assets**”), which were acquired in July 2022. For HY2024, the Canadian Oil Assets contributed a revenue of HK\$32,605,000 (30 June 2023: HK\$32,804,000), earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of HK\$18,865,000 (30 June 2023: HK\$18,183,000) and an operating profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000) to the Group’s results. The acquisition of the Canadian Oil Assets represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

To pursue the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, the Group entered into two agreements in July and August 2021 to invest in solar energy power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the “**FiT Scheme**”), being 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. As of 30 June 2024, the Group had invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For HY2024, the solar energy business contributed a revenue of HK\$3,759,000 (30 June 2023: HK\$3,790,000), an EBITDA of HK\$3,638,000 (30 June 2023: HK\$3,650,000) and an operating profit of HK\$998,000 (30 June 2023: HK\$1,218,000) to the Group’s results.

Overall speaking, for HY2024, the Group recorded a 5% drop in revenue to HK\$36,841,000 (30 June 2023: HK\$38,618,000) and a decrease in profit attributable to owners of the Company to HK\$1,034,000 (30 June 2023: HK\$16,377,000), which was mainly the combined effect of (i) the decrease in provision of expected credit loss (“**ECL**”) on debt instruments at fair value through other comprehensive income (“**FVTOCI**”) to HK\$350,000 (30 June 2023: HK\$3,824,000); (ii) the provision of ECL on loan and interest receivables of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000); and (iii) the recognition of exchange loss of HK\$3,753,000 as a result of the depreciation of the Canadian dollar against the Hong Kong dollar during HY2024 (30 June 2023: exchange gain of HK\$2,417,000). Earnings per share for the interim period were HK0.02 cent (30 June 2023: HK0.31 cent).

Petroleum Exploration and Production

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 Windy Lake region, near Calgary in Alberta Province of Canada. The Canadian Oil Assets are managed under EP Resources Corporation (“EPR”), a Canadian incorporated wholly-owned subsidiary of the Company, by a team of local management with extensive experience in the oil and gas industry in Calgary, Canada.

For HY2024, the Group’s petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK\$32,605,000 (30 June 2023: HK\$32,804,000), an EBITDA of HK\$18,865,000 (30 June 2023: HK\$18,183,000), and an operating profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000).

For HY2024, the Canadian Oil Assets produced approximately 76,600 barrel (“bbl”) and sold approximately 75,800 bbl of crude oil, and generated a revenue (before royalties payment) of approximately C\$6,520,000 (equivalent to HK\$37,516,000) at an average selling price of C\$86.1/bbl, whilst during the six months ended 30 June 2023 (“HY2023”), the Canadian Oil Assets produced and sold approximately 91,900 bbl and 91,300 bbl of crude oil respectively, and generated a revenue (before royalties payment) of approximately C\$6,632,000 (equivalent to HK\$38,579,000) at an average selling price of C\$72.6/bbl. The average price of oil sold by the Canadian Oil Assets increased by 19% to C\$86.1/bbl compared to C\$72.6/bbl in the prior period, following the trend of international oil prices, whilst production decreased by 17% to approximately 76,600 bbl compared to approximately 91,900 bbl in the previous period, primarily due to the natural decline of production of the oil field. The oil production of the Canadian Oil Assets is expected to increase following the scheduled completion of drilling work of three new wells in early September 2024. The crude oil produced from the Canadian Oil Assets were trucked and sold to the independent oil distributors located in the nearby regions who would largely resell the same to the American importers.

During HY2024, EPR incurred capital expenditure of C\$21,000 (equivalent to HK\$119,000) representing mainly professional fees and related costs for new wells drilling. The drilling work of three new wells under the 2024 drilling plan commenced in August 2024. As of 30 June 2024, there were 41 producing wells in operation with an average remaining reserve life of more than ten years, whilst during HY2024, one well was abandoned (31 December 2023: 42 producing wells). Since completion of the acquisition of the Canadian Oil Assets in July 2022, the Group has completed the drilling work of seven new wells as a result of (i) the completion of drilling work of three new wells under the Group’s 2022 drilling plan, with production of two wells commenced in January 2023 and one in February 2023, and (ii) the completion of drilling work of four new wells under the Group’s 2023 drilling plan, with production of all four new wells commenced in August 2023.



The Group’s central battery in Windy Lake region



Drilling rig for new wells drilling



Management Discussion and Outlook

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 assets, including solar energy projects, which could support the Group's healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into a 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 an acquisition agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. By March 2023, all the solar energy power generation projects had been completed and the Group currently has 50 solar photovoltaic systems in operation. Further details of the transactions were stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

As of 30 June 2024, the Group had 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt, total investment in these solar energy power generation projects amounted to HK\$58,265,000. For HY2024, though with the additional revenue generated by the 10 solar photovoltaic systems completed since March 2023, owing to the decrease in bright sunshine duration (as published by the Hong Kong Observatory) by 16% to about 700 hours in HY2024 as compared with about 830 hours in HY2023, the operation could only manage to report a revenue of HK\$3,759,000 (30 June 2023: HK\$3,790,000) and an EBITDA of HK\$3,638,000 (30 June 2023: HK\$3,650,000), in line with the prior period results. The operation recorded a 18% decrease in operating profit to HK\$998,000 (30 June 2023: HK\$1,218,000), which was mainly a result of the decrease in the average revenue and hence electricity generated by the solar photovoltaic systems due to the decrease in bright sunshine duration as mentioned above, whilst operating costs for such systems remained largely unchanged during HY2024.

Money Lending

For HY2024, the Group's money lending business reported decreases in revenue by 69% to HK\$477,000 (30 June 2023: HK\$1,526,000) and operating profit (before provision of ECL) by 77% to HK\$381,000 (30 June 2023: HK\$1,632,000, before reversal of ECL), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2024 as compared with HY2023. A provision of ECL of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000) was recognised which mainly represented the decrease in market value of a property pledged by the borrower to the Group and the ECL of a new loan granted during the period.

Management Discussion and Outlook

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 the value of the collateral if there is a default). The assessments of the probability of default and loss given default are based on historical data and forward-looking information, whilst the valuations of the assets/properties pledged to the Group as collateral 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 collateral pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers.

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value review 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 collateral pledged.

The impairment allowance recognised on loan and interest receivables at the period end represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and factors including the credit history of the borrowers, the realisation value of the collateral pledged to the Group, and the prevailing economic conditions had been considered. There had been no change in the method used in determining the impairment allowance on loan and interest receivables from the prior financial year. The Group has taken various actions for recovery of the credit-impaired loans including commencing legal actions against the borrowers.

The size of the Group's loan portfolio increased by 31% to HK\$21,741,000 (31 December 2023: HK\$16,598,000) (on a net of impairment allowance basis) was mainly the result of a new loan granted during HY2024. The Group aims to make loans that could be covered by sufficient collateral, 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 collateral for their borrowings. The Group has a stable source of loan deals from its own business network and sales agents.

Management Discussion and Outlook

At 30 June 2024, the carrying amount of the Group's loan portfolio amounted to HK\$21,741,000 (after impairment allowance of HK\$12,305,000) and was constituted by term loans made to three borrowers with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	42.7	10.0 - 12.0	Within one year
Individual	57.3	11.0 - 18.0	Within one year
	<u>100.0</u>		

At 30 June 2024, 75% of the carrying amount of the loan portfolio (after impairment allowance) was secured by collateral. At the period end, the loans made to all borrowers were term loans which due within one year. The loan made to the largest borrower and the three largest borrowers represented 57% and 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 documentation; (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 documentation	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 documentation 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, and 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 2024, the Group's securities investments comprised a financial asset at fair value through profit or loss ("**FVTPL**") portfolio valued at HK\$2,603,000 (31 December 2023: HK\$2,784,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio valued at HK\$3,312,000 (31 December 2023: HK\$3,662,000), comprising debt securities listed in Singapore. As a whole, the Group's securities investments did not generate any revenue during HY2024 (30 June 2023: HK\$498,000) and a loss, after provision of ECL, of HK\$532,000 (30 June 2023: HK\$4,452,000) was recorded.

Financial assets at FVTPL

At 30 June 2024, the Group held a financial asset at FVTPL portfolio amounting to HK\$2,603,000 (31 December 2023: HK\$2,784,000) measured at market/fair value. For HY2024, the portfolio did not generate any revenue (30 June 2023: nil). The Group recognised a loss on financial assets at FVTPL of HK\$181,000 (30 June 2023: HK\$1,085,000) for the period, representing the unrealised loss arising from the decrease in market value of the listed 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 and had not made any new investment during the period.

At 30 June 2024, the Group's financial asset at FVTPL portfolio of HK\$2,603,000 comprised the equity securities of a property company listed on the Hong Kong Stock Exchange.

Management Discussion and Outlook

Debt instruments at FVTOCI

At 30 June 2024, the Group's debt instrument at FVTOCI portfolio of HK\$3,312,000 (31 December 2023: HK\$3,662,000) was measured at market/fair value. During HY2024, the Group's debt instrument at FVTOCI portfolio did not generate any revenue (30 June 2023: HK\$498,000 representing interest income from debt securities). According to the contractual maturity profile of the debt instruments, all the debt instruments at FVTOCI of HK\$3,312,000 (after impairment allowance) were classified as current assets. During HY2024, the Group had not acquired any debt securities, and no debt securities were redeemed. For HY2024, a fair value loss on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000) was recognised as other comprehensive expense primarily due to the fall in market value of the debt securities and downward adjustment on fair values of certain debt instruments due to their increased credit risks.

The Group performs impairment assessment on debt instruments 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 assessments of the probability of default and loss given default are based on historical data and forward-looking information. In determining the ECL on the Group's debt instruments for the period, the management had taken into account factors including the withdrawal or downgrading of credit ratings of the debt instruments by the credit rating agencies, the defaults of the bond issuers in making payments of interest and principal for their indebtednesses, and forward-looking information including the future macroeconomic conditions affecting the operations of the bond issuers. There had been no change in the method used in determining the ECL on debt instruments at FVTOCI from the prior financial year.

For HY2024, a provision of ECL on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of the debt instruments held by the Group had further increased since initial recognition. During HY2024, the expected loss given default of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, had increased due to the continued defaults of the bond issuers in making payments of interest and principal for their indebtednesses. As the Group expected the financial uncertainties of these bond issuers would ultimately affect the collection of contractual cash flows of these bonds, a provision of ECL on debt instruments at FVTOCI of HK\$350,000 was recognised.

At 30 June 2024, the Group's debt instrument at FVTOCI portfolio of HK\$3,312,000 comprised the debt securities of five Mainland based property companies. The yield to maturity upon initial acquisition of these debt securities ranged from 6.01% to 12.50% per annum.



Management Discussion and Outlook

Overall Results

For HY2024, the Group's petroleum exploration and production business contributed a profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000), the solar energy business recorded a profit of HK\$998,000 (30 June 2023: HK\$1,218,000), while the money lending business recorded a small loss of HK\$14,000 (30 June 2023: profit of HK\$11,351,000), and the Group's investment in securities recorded a loss of HK\$532,000 (30 June 2023: HK\$4,452,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK\$1,034,000 (30 June 2023: HK\$16,377,000), and a total comprehensive expense attributable to owners of the Company of HK\$1,389,000 (30 June 2023: total comprehensive income of HK\$18,109,000) which included a fair value loss on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000), and exchange loss arising on translation of financial statements of foreign operations of HK\$2,423,000 (30 June 2023: exchange gain of HK\$1,696,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2024, the Group financed its operation mainly by cash generated from operations and shareholders' funds. At the period end, the Group had current assets of HK\$215,799,000 (31 December 2023: HK\$199,209,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK\$179,244,000 (31 December 2023: HK\$171,071,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$5,939,000 (31 December 2023: HK\$10,237,000), was at a very liquid level of about 36.3 (31 December 2023: 19.5).

At 30 June 2024, the Group's total assets amounted to HK\$436,969,000 (31 December 2023: HK\$445,095,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$34,905,000 (31 December 2023: HK\$41,642,000) divided by total assets, was at a low level of about 8% (31 December 2023: 9%). For HY2024, finance costs represented mainly the accretion expense on decommissioning obligation of HK\$967,000 (30 June 2023: HK\$941,000).

The Group's bank and other interest income increased by 69% to HK\$3,610,000 (30 June 2023: HK\$2,136,000), mainly resulted from additional surplus funds on hand and the general rise in bank deposit rates.

At 30 June 2024, the equity attributable to owners of the Company amounted to HK\$402,064,000 (31 December 2023: HK\$403,453,000) and was equivalent to an amount of approximately HK7.67 cents (31 December 2023: HK7.70 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$1,389,000 was mainly the combined effect of the profit earned by the Group of HK\$1,034,000 and the recognition of other comprehensive expense representing the exchange loss arising on translation of financial statements of foreign operations of HK\$2,423,000 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 Canadian dollars, Hong Kong dollars and United States dollars. The Group has not experienced any significant foreign exchange exposure to United States dollars as the exchange rate of the Hong Kong dollar to the United States dollar is pegged. The Group's foreign exchange exposure to Canadian dollars could be significant depending on the volatility of exchange rate between the Hong Kong dollar and the Canadian dollar. The Group does not currently have a formal foreign currency hedging policy for Canadian dollars and will adopt one in due course should significant exposure arise.

Contingent Liability

At 30 June 2024, the Group had no significant contingent liability (31 December 2023: nil).

Pledge of Assets

At 30 June 2024, the Group had not pledged any assets (31 December 2023: nil).

Capital Commitment

At 30 June 2024, the Group had no significant capital commitment (31 December 2023: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2024, the Group had a total of 24 (30 June 2023: 22) employees including directors of the Company with 17 (30 June 2023: 14) employees stationed in Hong Kong and 7 (30 June 2023: 8) employees in Canada. Staff costs, including directors' emoluments, amounted to HK\$6,393,000 (30 June 2023: HK\$5,610,000) for the current period. The increase in staff costs of HK\$783,000 was mainly due to the increase in number of employees during HY2024. 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 its employees in Hong Kong and a pension scheme for its employees in Canada. In addition, the Group provides other employee benefits including medical insurance, discretionary bonus and participation in the Company's share option scheme. The Group's contributions to the MPF Scheme and the other employees' pension scheme are calculated as a percentage of the employees' relevant income and vest fully and immediately with the employees, thus there are no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme and the other employees' pension scheme.



Management Discussion and Outlook

PROSPECTS

It is the Group's business strategy to continue developing its petroleum exploration and production business, along with expanding and diversifying its businesses in the energy sector to the next level by investing in renewable energy assets, including solar energy projects, which would support the healthy and sustainable business development of the Group in the long run and create new value to shareholders. In pursuance of these strategic initiatives, the Group has successfully acquired the Canadian Oil Assets, and entered into a cooperation agreement and an acquisition agreement for the development of its solar energy business.

The Canadian Oil Assets are located near Calgary City in Alberta Province of 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 systems 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 ahead, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses, and will manage its businesses in a disciplined approach in view of the market uncertainties brought by the volatilities of international oil prices, the ongoing geopolitical tensions, the war between Russia and Ukraine, and the conflict between Israel and Hamas.

The Group's business strategy is to build a diversified and balanced energy business portfolio, comprising petroleum and solar energy assets, which will present the Group with favourable long-term prospects. This aligns with the Group's sustainable corporate strategy of broadening its income stream to achieve a stable, long-term and attractive return to shareholders.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	36,841	38,618
Sales of petroleum, net of royalties		32,605	32,804
Sales of electricity		3,759	3,790
Interest income		477	2,024
Purchases, processing and related expenses		(9,279)	(10,151)
Other income and losses, net	5	24	7,214
Loss on financial assets at fair value through profit or loss	6	(181)	(1,085)
(Provision) reversal of expected credit loss on loan and interest receivables		(395)	9,719
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(350)	(3,824)
Wages, salaries and other benefits	9	(6,393)	(5,610)
Depreciation	9	(13,989)	(12,611)
Loss on redemption of debt instruments at fair value through other comprehensive income		–	(36)
Other expenses		(3,793)	(4,403)
Finance costs	7	(1,039)	(1,039)
Profit before tax		1,446	16,792
Income tax expense	8	(412)	(415)
Profit for the period	9	1,034	16,377
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		(350)	(3,824)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		350	3,824
Release on redemption of debt instruments at fair value through other comprehensive income		–	36
Exchange differences arising on translation of financial statements of foreign operations		(2,423)	1,696
Other comprehensive (expense) income for the period, net of income tax		(2,423)	1,732
Total comprehensive (expense) income for the period attributable to owners of the Company		(1,389)	18,109
Earnings per share attributable to owners of the Company			
– Basic	11	HK0.02 cent	HK0.31 cent

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	209,375	229,212
Right-of-use assets	12	2,974	3,770
Deposit paid for decommissioning obligation	13	8,821	8,897
Loan and interest receivables	14	–	4,007
Total non-current assets		221,170	245,886
Current assets			
Debt instruments at fair value through other comprehensive income	15	3,312	3,662
Inventories		209	149
Loan and interest receivables	14	21,741	12,591
Trade and other receivables and prepayments	13	11,293	11,736
Financial assets at fair value through profit or loss	16	2,603	2,784
Cash and cash equivalents		176,641	168,287
Total current assets		215,799	199,209
Current liabilities			
Other payables	17	4,117	6,485
Income tax payable		522	1,457
Other tax payable		220	674
Lease liabilities		1,080	1,621
Total current liabilities		5,939	10,237
Net current assets		209,860	188,972
Total assets less current liabilities		431,030	434,858
Non-current liabilities			
Lease liabilities		2,048	2,298
Decommissioning obligation	18	26,918	29,107
Total non-current liabilities		28,966	31,405
Net assets		402,064	403,453
Capital and reserves			
Share capital	19	52,403	52,403
Reserves		349,661	351,050
Total equity		402,064	403,453

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000 (Note (i))	Investment revaluation reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000 (Note (iii))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	52,403	918,270	201,645	(3,938)	(4,656)	(787,411)	376,313
Profit for the period	-	-	-	-	-	16,377	16,377
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(3,824)	-	-	(3,824)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	3,824	-	-	3,824
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	36	-	-	36
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1,696	-	1,696
Total comprehensive income for the period	-	-	-	36	1,696	16,377	18,109
At 30 June 2023 (unaudited)	52,403	918,270	201,645	(3,902)	(2,960)	(771,034)	394,422
At 1 January 2024 (audited)	52,403	918,270	201,645	-	(2,954)	(765,911)	403,453
Profit for the period	-	-	-	-	-	1,034	1,034
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(350)	-	-	(350)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	350	-	-	350
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(2,423)	-	(2,423)
Total comprehensive (expense) income for the period	-	-	-	-	(2,423)	1,034	(1,389)
At 30 June 2024 (unaudited)	52,403	918,270	201,645	-	(5,377)	(764,877)	402,064



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

Notes:

- (i) The share options reserve represents the cumulative expense on the share options granted recognised over the vesting period. All the expenses in relation to the shares options forfeited after the vesting date or were not exercise at the expiry date would continue to be held in this reserve. All the outstanding share options were lapsed and there were no outstanding share options as at 30 June 2024 and 31 December 2023.
- (ii) The investment revaluation reserve represents cumulative gains and losses arising from revaluation of debt instruments at fair value through other comprehensive income that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those debt instruments at fair value through other comprehensive income are disposed of or are determined to be impaired.
- (iii) The translation reserve represents exchange differences arising from the translation of financial statements of the Group's foreign operations into the presentation currency of the Group.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash from operating activities		5,702	31,155
Investing activities			
Proceeds from redemption of debt instruments at fair value through other comprehensive income		–	23,946
Bank and other interest received	5	3,610	2,136
Purchase of property, plant and equipment		(119)	(15,968)
Net cash from investing activities		3,491	10,114
Financing activities			
Repayment of principal amount of lease liabilities		(794)	(777)
Interest paid	7	(72)	(98)
Net cash used in financing activities		(866)	(875)
Net increase in cash and cash equivalents		8,327	40,394
Cash and cash equivalents at the beginning of the period		168,287	85,796
Effect of foreign exchange rate changes		27	78
Cash and cash equivalents at the end of the period, represented by cash and cash equivalents		176,641	126,268

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 D2 to the Listing Rules.

The condensed consolidated financial statements are presented in Hong Kong dollar (“**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 2024 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 2024

3. REVENUE

Revenue from major products and services

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	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Sales of petroleum	37,516	38,579
Less: Royalties	(4,911)	(5,775)
Sales of petroleum, net of royalties	32,605	32,804
Sales of electricity	3,759	3,790
Interest income from money lending business*	477	1,526
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	–	498
	36,841	38,618

* Under effective interest method

During the six months ended 30 June 2024 and 2023, 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 customers at the point of sales.

During the six months ended 30 June 2024 and 2023, revenue from sales of electricity was recognised at a point in time when the electricity generated (by solar energy power generation systems) and transmitted was 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 no unsatisfied performance obligations at each reporting date.

Interest income falls outside the scope of HKFRS 15 "Revenue from Contracts with Customers".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 2024

	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	32,605	3,759	477	-	36,841
Results					
Segment results before provision of expected credit loss ("ECL")	7,182	998	381	(182)	8,379
Provision of ECL	-	-	(395)	(350)	(745)
Segment results	7,182	998	(14)	(532)	7,634
Other income and losses, net					(376)
Corporate expenses					(5,782)
Finance costs					(30)
Profit before tax					1,446
Income tax expense					(412)
Profit for the period					1,034

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2023

	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	32,804	3,790	1,526	498	38,618
Results					
Segment results before reversal (provision) of ECL	7,701	1,218	1,632	(628)	9,923
Reversal (provision) of ECL	-	-	9,719	(3,824)	5,895
Segment results	7,701	1,218	11,351	(4,452)	15,818
Other income and losses, net					6,871
Corporate expenses					(5,843)
Finance costs					(54)
Profit before tax					16,792
Income tax expense					(415)
Profit for the period					16,377

Segment results represent the profit earned/loss incurred 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 2024

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 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	193,299	208,918
Solar energy	52,702	59,255
Money lending	22,164	17,666
Investment in securities	5,952	6,483
Total segment assets	274,117	292,322
Unallocated:		
Property, plant and equipment	145	166
Cash and cash equivalents	160,197	149,158
Right-of-use assets	764	1,419
Other assets	1,746	2,030
Consolidated assets	436,969	445,095
Segment liabilities		
Petroleum exploration and production	30,730	35,671
Solar energy	2,289	2,388
Money lending	12	–
Total segment liabilities	33,031	38,059
Unallocated:		
Lease liabilities	784	1,447
Other liabilities	1,090	2,136
Consolidated liabilities	34,905	41,642

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain cash and cash equivalents, 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 2024

5. OTHER INCOME AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank and other interest income	3,610	2,136
Exchange (loss) gain, net	(3,753)	2,417
Refund of deposit written-off in prior year (<i>Note</i>)	–	3,081
Write-off of property, plant and equipment	–	(609)
Others	167	189
	24	7,214

Note: The amount represented the reversal of write-off of deposit paid for the share subscription of a company in the prior year as the entire amount had been refunded to the Group during the six months ended 30 June 2023.

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Unrealised loss on financial assets at fair value through profit or loss (“FVTPL”)	181	1,085

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Accretion expense on decommissioning obligation (Note 18)	967	941
Interest on lease liabilities	72	98
	1,039	1,039

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Canada withholding tax	412	415

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 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 assessment profits above HK\$2 million. There is no assessable profit arising in Hong Kong for both periods.

The Corporate Tax rate of the Canadian subsidiary is 23% that composed of federal tax rate at 15% and provincial tax rate at 8%. There is no assessable profit arising in Canada for both periods.

Withholding tax rate on the interest income from a Canadian subsidiary is 10%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
– directors' emoluments	822	654
– other staff costs	5,361	4,781
– other staff retirement benefits schemes contributions (excluding directors)	210	175
Total staff costs	6,393	5,610
Depreciation of property, plant and equipment	13,192	11,846
Depreciation of right-of-use assets	797	765
Total depreciation	13,989	12,611
Professional and consultancy fees	1,934	2,696

10. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 June 2024 (30 June 2023: nil), nor has any dividend been proposed since the end of the reporting period (30 June 2023: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

11. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>1,034</u>	<u>16,377</u>
	Six months ended 30 June	
	2024	2023
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>5,240,344</u>	<u>5,240,344</u>

For the six months ended 30 June 2024 and 2023, the diluted earnings per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group had additions of construction in progress related to oil and gas properties amounted to HK\$119,000 (30 June 2023: additions of construction in progress related to oil and gas properties amounted to HK\$9,040,000 and additions of solar photovoltaic systems and leasehold improvements amounted to HK\$13,727,000 and HK\$179,000 respectively), and nil (30 June 2023: HK\$17,487,000) was transferred from construction in progress to oil and gas properties.

During the six months ended 30 June 2023, certain leasehold improvements with an aggregate carrying amount of HK\$609,000 were written off resulting in a loss of HK\$609,000.

During the six months ended 30 June 2024, the Group had not entered into any new lease agreement.

During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms for 2 years. On the date of lease commencement, the Group recognised right-of-use assets of HK\$2,742,000 and lease liabilities of HK\$2,742,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

13. DEPOSITS AND PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Deposit paid for decommissioning obligation (<i>Note (i)</i>)	8,821	8,897
Trade receivables (<i>Note (ii)</i>)	8,159	7,001
Deposits and prepayments	2,296	3,987
Others	838	748
	11,293	11,736

Notes:

- (i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's petroleum exploration and production business in Canada.
- (ii) The Group allows an average credit period of 30 to 60 days (31 December 2023: 30 to 60 days). The trade receivables of HK\$8,159,000 (31 December 2023: HK\$7,001,000) were aged within 60 days from the customers' statement 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 limit and credit quality attributed to customers are reviewed by the management regularly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. LOAN AND INTEREST RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Fixed-rate loan receivables	34,000	28,500
Interest receivables	46	8
	34,046	28,508
Less: Impairment allowance	(12,305)	(11,910)
	21,741	16,598
Analysed as:		
Current portion	21,741	12,591
Non-current portion	–	4,007
	21,741	16,598
Analysed as:		
Secured	16,306	16,598
Unsecured	5,435	–
	21,741	16,598

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. LOAN AND INTEREST RECEIVABLES (continued)

The range of interest rates and maturity dates attributed to the Group's performing loan receivables at 30 June 2024 were 10% to 12% (31 December 2023: 12%) per annum and from 4 March 2025 to 26 April 2025 (31 December 2023: 26 April 2025) respectively.

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Loan and interest receivables:		
Within one year or on demand	21,741	12,591
In more than one year but not more than two years	–	4,007
	21,741	16,598

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.

Impairment assessment

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument at the reporting date with the risk perceived at the date of initial recognition. In making this assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and historical settlement records, including past due dates and probability of default, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration the estimates of expected cash shortfalls which are driven by the estimates of probability of default and expected loss given default, including taking into account the amount and timing of cash flows that are expected from foreclosure on the collateral (if any) less the costs of selling the collateral. At every reporting date, the financial background, financial condition and historical settlement records of each borrower are reassessed and changes in the forward-looking information are considered.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

At 30 June 2024, the aggregate gross carrying amount of the Group's loan and interest receivables amounted to HK\$34,046,000 (31 December 2023: HK\$28,508,000), of which (i) HK\$23,500,000 (31 December 2023: HK\$23,500,000) was secured by the borrower's pledged properties, the market value of such properties less the estimated costs to sell amounted to HK\$12,453,000 (31 December 2023: HK\$12,592,000), the market value of the pledged properties was determined using direct comparison method and was categorised into Level 2 of the fair value hierarchy, the related cumulative ECL was HK\$11,047,000 (31 December 2023: HK\$10,908,000) and was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collateral; (ii) HK\$5,007,000 (31 December 2023: HK\$5,008,000) was secured by the borrower's own unlisted debt instrument, the related cumulative ECL was HK\$1,154,000 (31 December 2023: HK\$1,002,000) and was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collateral; and (iii) HK\$5,539,000 (31 December 2023: nil) was not secured by any collateral or credit enhancement, and the related cumulative ECL was HK\$104,000 (31 December 2023: nil). At 30 June 2024, loans were granted to a Hong Kong resident and companies incorporated in Hong Kong and the British Virgin Islands.

The Group considers various actions for recovery of the credit-impaired loan including regular collateral review and communication with the borrower in order to keep updated with the latest credit risk profile of the borrower. In the event of occurrence of default, the Group would take possession of the assets held as collateral through court proceedings or accept voluntary delivery of possession of the assets by the borrower. The credit quality review process enables the Group to assess the potential loss in view of the credit risk it is exposed to and to take appropriate corrective actions promptly.

At 30 June 2024, of the Group's loan and interest receivables with aggregate gross carrying amount of HK\$34,046,000 (31 December 2023: HK\$28,508,000), (i) HK\$10,546,000 (31 December 2023: HK\$5,008,000) were not past due; (ii) nil (31 December 2023: nil) had been past due for more than 30 days but less than 90 days; and (iii) HK\$23,500,000 (31 December 2023: HK\$23,500,000) had been past due for 90 days or more. The directors of the Company considered those secured loan and interest receivables that were past due for more than 90 days and unsecured loan and interest receivables that were past due for more than 30 days as credit-impaired, details of the cumulative ECL provided are set out above.

For the current interim period, provision of ECL of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000) on loan and interest receivables was recognised in profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

The Group is not permitted to sell or repledged the collateral in the absence of default by the borrowers. There had not been any significant changes in the quality of the collateral held for the loan and interest receivables outstanding as at 30 June 2024.

The movement of impairment allowance on loan and interest receivables for the period is as follows:

	12-month ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	1,365	–	22,435	23,800
Changes due to loan and interest receivables recognised at 1 January 2023:				
– Transferred to lifetime ECL (not credit-impaired)	(1,365)	1,365	–	–
– Impairment allowance recognised	–	–	1,435	1,435
– Impairment allowance reversed	–	(1,761)	(12,372)	(14,133)
– Write-off of impairment allowance	–	–	(590)	(590)
New loan granted during the year	–	1,398	–	1,398
At 31 December 2023 and 1 January 2024 (audited)	–	1,002	10,908	11,910
Changes due to loan and interest receivables recognised at 1 January 2024:				
– Impairment allowance recognised	–	152	139	291
New loan granted during the period	–	104	–	104
At 30 June 2024 (unaudited)	–	1,258	11,047	12,305

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

15. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in Singapore (31 December 2023: Singapore) with fixed interests ranging from 5.25% to 11.75% (31 December 2023: 5.25% to 11.75%) per annum and contractual maturity dates ranging from 23 March 2022 to 28 June 2025 (31 December 2023: 23 March 2022 to 28 June 2025)	3,312	3,662

At 30 June 2024 and 31 December 2023, the fair values of the debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

The Group assessed the ECL for debt instruments at FVTOCI by reference to credit ratings of the debt instruments published by recognised rating agencies (i.e., Moody's, Fitch), 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 production growth rate and unemployment rate.

For the current interim period, provision of ECL of HK\$350,000 (30 June 2023: HK\$3,824,000) on debt instruments at FVTOCI was recognised in profit or loss with corresponding adjustment to other comprehensive income.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	2,603	2,784

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 2024

17. OTHER PAYABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Accrued professional fees	262	273
Payables for additions of property, plant and equipment	79	–
Other payables and accruals (Note)	3,776	6,212
	4,117	6,485

Note: At 30 June 2024, the amount included other payables of HK\$2,295,000 (31 December 2023: HK\$2,982,000) for operating expenses, workover costs and abandonment costs in relation to the Group's petroleum exploration and production business in Canada.

18. DECOMMISSIONING OBLIGATION

The movement of decommissioning obligation is as follows:

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
At the beginning of the period/year	29,107	33,228
Settlement of costs	(1,500)	(767)
Change in estimate	(668)	(5,036)
Accretion expense (Note 7)	967	908
Exchange realignment	(988)	774
At the end of the period/year	26,918	29,107

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2023, 30 June 2023, 31 December 2023, 1 January 2024 and 30 June 2024	100,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2023, 30 June 2023, 31 December 2023, 1 January 2024 and 30 June 2024	5,240,344	52,403

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 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).

	Fair values at		Fair value hierarchy	Valuation technique(s) and key inputs
	30 June 2024	31 December 2023		
	HK\$'000 (Unaudited)	HK\$'000 (Audited)		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	3,312	3,662	Level 2	Quoted bid prices with credit risk adjustments
Financial assets at FVTPL				
Listed equity securities	2,603	2,784	Level 1	Quoted bid prices in an active market

There were no transfers among Level 1, 2 and 3 of fair value hierarchy in the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

21. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balance with the related parties:

Relationship	Notes	Nature of transaction/balance	Six months ended 30 June	
			2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
A related company	(i)	Loan interest income	-	365
		Loan and interest receivables	-	5,017
A related company	(ii)	Rental income	189	158
An individual shareholder	(iii)	Consultancy fee	60	60

Notes:

- (i) The related company is a public limited liability company whose shares are listed on the Main Board of the Hong Kong Stock Exchange. The related company and the Company were both indirectly owned by an individual shareholder who was interested in more than 10%, but less than 30%, of the issued shares of both companies. The board of directors of the related company and the Company had four common directors.
- (ii) The related company is an indirect wholly-owned subsidiary of a public limited liability company whose shares are primarily listed on the Main Board of the Hong Kong Stock Exchange and secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited. The related company and the Company were both indirectly owned by an individual shareholder who was interested in more than 10%, but less than 30%, of the issued shares of both companies. The board of directors of the related company and the Company had one common director.
- (iii) The individual shareholder of the Company was interested in more than 10%, but less than 30%, of the Company's issued shares.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

21. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term employee benefits	1,238	1,144
Retirement benefits schemes contributions	34	32
	1,272	1,176

The remuneration of directors and key management is determined by the Remuneration Committee and the Board 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 2024 (30 June 2023: nil).

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

As at 30 June 2024, 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 the 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 as at the date of this interim report.

As at 30 June 2024 and 30 June 2023, there were no outstanding share options.

Further details of the Share Option Scheme were set out in the Company's 2023 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 2024 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 2024, 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 2024.
- (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 2024 as required to be recorded pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules for the six months ended 30 June 2024, 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 2024 due to the positions of Chairman of the Board and Chief Executive Officer had 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.

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 had been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as chairman of the annual general meeting of the Company held on 25 June 2024 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 directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2024.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2024 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 2024, 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

Chan Shui Yuen

Executive Director

Hong Kong, 29 August 2024