

EPI (Holdings) Limited 長盈集團(控股)有限公司

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



ANNUAL REPORT 2021





MIX
Paper from
responsible sources
FSC® C132597

Contents

3	Corporate Information
4	Statement from the Board
6	Management Discussion and Analysis
17	Biographical Details of Directors and Senior Management
20	Report of the Directors
27	Corporate Governance Report
39	Environmental, Social and Governance Report
63	Independent Auditor's Report
70	Consolidated Statement of Profit or Loss and Other Comprehensive Income
72	Consolidated Statement of Financial Position
74	Consolidated Statement of Changes in Equity
75	Consolidated Statement of Cash Flows
77	Notes to the Consolidated Financial Statements
160	Five-Year Financial Summary

Abbreviations

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

“ARS”	Argentina Peso
“Board”	Board of Directors of the Company
“C\$”	Canadian dollars
“Company”	EPI (Holdings) Limited
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s)
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	People’s Republic of China
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars
“%”	per cent.

The Chinese version of this annual 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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

TRADING OF SHARES

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

WEBSITE

<http://www.epiholdings.com>

Statement from the Board

On behalf of the Board, I hereby present to the shareholders the results of the Group for the year ended 31 December 2021 (“FY2021”).

RESULTS

For FY2021, the Group was principally engaged in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

Following the launch of vaccination programs to combat COVID-19 in many countries, there are signs that the conditions of major economies including China, the US and the UK have stabilised and moving towards full-reactivation, with the result that the market conditions for the petroleum industry have improved considerably during the year, amidst the emergence of the coronavirus variants and the new waves of outbreak in some countries. With the backdrop of a global economic recovery, the price of Brent crude oil, one of the benchmarks of international oil price, increased from around US\$50 per barrel in December 2020 to around US\$80 per barrel in December 2021, showing a positive outlook of the industry. 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, the Group has been actively pursuing the acquisition of an oilfield project in Canada. As announced by the Company on 9 February 2022, the proposed acquisition is eventually materialised and the Group has successfully entered into a conditional asset purchase and sale agreement (the “APA”) with the vendor for the target oil assets in Canada for an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group’s management is in the process of completing the transactions contemplated thereunder. 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, on 23 July 2021, the Group has 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 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. On 30 August 2021, for further development of the solar energy business, the Group has 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 the year end, the Group has invested over HK\$43.6 million in solar energy power generation projects under the two aforementioned agreements and is committed to invest over HK\$34.3 million in 2022.

For FY2021, the Group’s petroleum exploration and production business recorded a loss of HK\$4,112,000 (2020: HK\$2,647,000), the newly established solar energy business recorded a profit of HK\$89,000 (2020: nil), the money lending business recorded a profit of HK\$17,440,000 (2020: HK\$29,518,000), and the Group’s investment in securities recorded a loss of HK\$32,533,000 (2020: HK\$3,383,000).

Overall speaking, the Group recorded a decline in revenue by 42% to HK\$24,820,000 (2020: HK\$42,449,000), largely due to the cessation of the Group’s interest in an oil concession in Argentina in March 2021, and reported a loss attributable to owners of the Company of HK\$29,371,000 (2020: profit of HK\$8,519,000), mainly due to the provision of expected credit loss of HK\$49,247,000 (2020: HK\$4,574,000) on debt instruments held by the Group at the year end. Basic loss per share was HK0.56 cent (2020: basic earnings per share were HK0.16 cent).

Statement from the Board

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 pursuit of these strategic initiatives, the Group has entered into the APA for the development of its petroleum business, as well as the Cooperation Agreement and Acquisition Agreement for the development of its solar energy business.

The oil assets under the APA 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.

China has achieved strong positive GDP growth in 2021 and there are indications that its economy is undergoing a solid and sustainable growth, from which Hong Kong, being one of the nation's major cities and gateways, is well positioned to be benefited.

Looking forward, the Group will continue to actively pursue its interest 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 recent Omicron outbreak in Hong Kong, the heightened political and economic tension between China and the US, and the conflict between Russia and Ukraine which brings significant volatilities to international prices of oil and gas.

It is the Group's business strategy of building 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 stable, long-term and attractive returns for the shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to all shareholders, bankers, business associates and customers for their continuing support to the Group, the board members for their valuable services, and all staff members for their dedications and hard work during the past year.

Sue Ka Lok
Executive Director

Hong Kong, 31 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 December 2021 (“FY2021”), the Group was principally engaged in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

Following the launch of vaccination programs to combat COVID-19 in many countries, there are signs that the conditions of major economies including China, the US and the UK have stabilised and moving towards full-reactivation, with the result that the market conditions for the petroleum industry have improved considerably during the year, amidst the emergence of the coronavirus variants and the new waves of outbreak in some countries. With the backdrop of a global economic recovery, the price of Brent crude oil, one of the benchmarks of international oil price, increased from around US\$50 per barrel in December 2020 to around US\$80 per barrel in December 2021, showing a positive outlook of the industry. 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, the Group has been actively pursuing the acquisition of an oilfield project in Canada. As announced by the Company on 9 February 2022, the proposed acquisition is eventually materialised and the Group has successfully entered into a conditional asset purchase and sale agreement (the “APA”) with the vendor for the target oil assets in Canada for an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group’s management is in the process of completing the transactions contemplated thereunder. 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, on 23 July 2021, the Group has 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 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. On 30 August 2021, for further development of the solar energy business, the Group has 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.

For FY2021, the Group recorded a decline in revenue by 42% to HK\$24,820,000 (2020: HK\$42,449,000), largely due to the cessation of the Group’s interest in an oil concession in Argentina in March 2021, and reported a loss attributable to owners of the Company of HK\$29,371,000 (2020: profit of HK\$8,519,000), mainly due to the provision of expected credit loss (“ECL”) of HK\$49,247,000 (2020: HK\$4,574,000) on debt instruments held by the Group at the year end.

Management Discussion and Analysis

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 FY2021, the Group's petroleum exploration and production business had recorded an 87% decline in revenue to HK\$1,847,000 (2020: HK\$14,097,000), due to the cessation of the Group's interest in the CHE Concession, and reported an operating loss of HK\$4,112,000 (2020: HK\$2,647,000).

Since May 2020, the Group has been actively exploring other investment opportunities in natural resources exploration and production, including an oilfield investment in Canada. This proposed investment in Canada is eventually materialised, as announced by the Company on 9 February 2022, EP Resources Corporation, an indirect wholly-owned subsidiary of the Company ("EP Resources"), as purchaser and RockEast Energy Corp. ("RockEast") as vendor has entered into the APA, pursuant to which EP Resources has conditionally agreed to acquire, and RockEast has 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 "Target Assets") at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000) (the "Acquisition"). The Acquisition, upon completion, will be a valuable and attractive opportunity for the Group to continue developing its petroleum business as the Group will immediately be entitled to the oil production and cash flow generated from the 32 producing wells of the Target Assets. Moreover, it is expected that the contributions from the Target 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 the Target Assets. Further details of the Acquisition are contained in the Company's circular dated 11 March 2022. The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group's management is in the process of completing the transactions contemplated thereunder. The Company will publish announcement(s) to inform shareholders of the progress of this transaction as and when appropriate.

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions. On 23 July 2021, in order to capture the business opportunities in decarbonization, the Group has 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 in Hong Kong, thereby earning the feed-in tariff income under the FiT Scheme. Further details of the transaction are stated in the Company's announcement dated 23 July 2021. For further development of the solar energy business, on 30 August 2021, the Group has entered into the Acquisition Agreement with a vendor to acquire a portfolio of existing and to-be-completed solar energy power generation projects participating in the FiT Scheme for a consideration of not exceeding HK\$75,000,000. Further details of the transaction are stated in the Company's announcements dated 30 August 2021 and 16 September 2021.

Management Discussion and Analysis

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. As of the year end, the Group has invested HK\$43,645,000 in solar energy power generation projects under the two aforementioned agreements and is committed to invest HK\$34,390,000 in 2022. For FY2021, the solar energy business contributed a revenue and an operating profit of HK\$652,000 and HK\$89,000 respectively to the Group since the commencement of the business in the latter part of the year. The contributions from the solar energy business are expected to grow in 2022 following completion of a series of projects now in progress and incorporation of the full year results of the business.

Money Lending

For FY2021, the Group's money lending business reported decreases in revenue by 26% to HK\$13,182,000 (2020: HK\$17,870,000) and operating profit (before reversal of ECL) by 24% to HK\$13,084,000 (2020: HK\$17,286,000), which were mainly due to the lower average amount of loans advanced to borrowers during FY2021. During the year, a reversal of ECL amounting to HK\$4,356,000 (2020: HK\$12,232,000) was recognised which primarily represented the settlement of certain loans which had been previously considered as credit-impaired.

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 year 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 macro-economic conditions affecting the borrowers (the negative impact of the COVID-19 pandemic 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 reviews against market information and regular communication with the borrowers of their financial position, 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.

Management Discussion and Analysis

For FY2021, a reversal of ECL of HK\$4,356,000 (2020: HK\$12,232,000) was recognised with the balance of the impairment allowance reduced by 30% or HK\$14,786,000 to HK\$34,915,000 (2020: HK\$49,701,000) at the year end, of which a sum of HK\$14,872,000 was impairment allowance for the year, a sum of HK\$20,074,000 was reversal of allowance owing to settlement of loans, and a sum of HK\$10,430,000 was related to the disposal of subsidiaries with loan and interest receivables of gross carrying amount HK\$41,334,000. Further details of the credit risk and impairment assessment on the loan receivables are contained in Notes 23 and 37 to the consolidated financial statements.

The size of the Group's loan portfolio was reduced during FY2021 as the management has been prudent in granting 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.

At 31 December 2021, the carrying value of the loan portfolio held by the Group amounted to HK\$115,001,000 (after impairment allowance of HK\$34,915,000) (2020: HK\$161,382,000 (after impairment allowance of HK\$49,701,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	55.00	10 – 12	Within one year
Individual	45.00	10 – 18	Within one year
	<u>100.00</u>		

At 31 December 2021, 100% (2020: 87.79%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals with nil (2020: 12.21%) being unsecured. At the year 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 32% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

Management Discussion and Analysis

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 the loan successfully granted to the borrower will be subject to regular credit review by the management as part of the ongoing loan monitoring process.

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.

Management Discussion and Analysis

Investment in Securities

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

At 31 December 2021, the Group's securities investments comprised a financial asset at fair value through profit or loss ("FVTPL") portfolio valued at HK\$6,724,000 (2020: HK\$25,097,000), comprising equity securities listed in Hong Kong, and a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions) valued at HK\$78,396,000 (2020: HK\$132,198,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$9,139,000 (2020: HK\$10,482,000) and a loss of HK\$32,533,000 (2020: HK\$3,383,000).

Financial assets at FVTPL

At 31 December 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$6,724,000 (2020: HK\$25,097,000) measured at market/fair value. For FY2021, the portfolio generated a revenue of HK\$268,000 (2020: HK\$340,000), representing dividends from equity securities. The Group recognised a net gain on financial assets at FVTPL of HK\$7,870,000 (2020: loss of HK\$9,183,000) for FY2021, which comprised net realised gain and net unrealised loss of HK\$9,099,000 and HK\$1,229,000 (2020: net realised loss and net unrealised loss of HK\$7,432,000 and HK\$1,751,000) respectively.

The net realised gain recorded during the year represented the gain on disposal of equity securities in open market and the unrealised loss represented the decrease in market value of those equity securities held by the Group at the year end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market volatilities during FY2021.

Management Discussion and Analysis

During FY2021, the Group disposed of most of its investments in equity securities, at 31 December 2021, the Group's financial asset at FVTPL portfolio of HK\$6,724,000 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	% of shareholding interest	Carrying amount at	Market/fair value at	Unrealised loss recognised during the year ended	Dividend income recognised during the year ended	*Investee company's financial performance	*Future prospects of the investee company
	31 December 2021		1 January 2021	31 December 2021	31 December 2021	31 December 2021		
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
			A	B	C = B - A			
Emperor International Holdings Limited (HKEX stock code: 163) Property investment and development and hospitality businesses	1.52	0.20	7,953	6,724	(1,229)	268	For the six months ended 30 September 2021, revenue increased by 118% to HK\$1,392,682,000 and its results experienced a turnaround and recorded a profit for the period of HK\$188,894,000 as compared to the loss of HK\$1,067,484,000 incurred in the same period in 2020.	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 31 December 2021, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$78,396,000 (2020: HK\$132,198,000) was measured at market/fair value. During FY2021, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK\$8,871,000 (2020: HK\$10,142,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK\$47,712,000 (2020: HK\$2,213,000) was classified as current assets.

During FY2021, the Group had not acquired any debt securities (2020: HK\$7,903,000). At the year end, a net fair value loss on debt instruments at FVTOCI amounting to HK\$54,714,000 (2020: HK\$885,000) 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. For FY2021, a provision of ECL on debt instruments at FVTOCI of HK\$49,247,000 (2020: HK\$4,574,000) 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 increased significantly since initial recognition. During FY2021, the credit ratings of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, were downgraded by the rating agencies as the credit risks of these bonds had increased significantly due to the bond issuers' defaults in making interest and principal payments for their indebtedness. 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\$49,247,000 was recognised.

Management Discussion and Analysis

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 year, the management had work closely with the independent professional valuer and taking into accounts factors including the downgrading of credit rating of the debt instruments by the 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 macro-economic conditions at places where the bond issuers are operating. There was no change in the method used in determining the ECL on debt instruments at FVTOCI from last year. Further details of the credit risk and impairment assessment on the debt instruments at FVTOCI are contained in Note 37 to the consolidated financial statements.

At 31 December 2021, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$78,396,000 (together with other information) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio at 31 December 2021 %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2021 %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	*Acquisition costs during the year/carrying amount at 1 January 2021 HK\$'000	Market/ fair value at 31 December 2021 HK\$'000	Accumulated fair value gain (loss) recognised up to 31 December 2021 HK\$'000	Fair value gain (loss) recognised during the year ended 31 December 2021 HK\$'000
				A	B	C	D = C - A	E = C - B
Aircraft leasing	19.99	3.54	4.93	15,444	14,455	15,675	231	1,220
Property [#]	80.01	14.16	5.26 - 12.50	120,497	117,743	62,721	(57,776)	(55,022)
	100.00	17.70		135,941	132,198	78,396	(57,545)	(53,802)

* The amount represented the costs of the securities acquired during the year ended 31 December 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current year.

The weighting of individual debt securities to the carrying amount of the Group's total assets at 31 December 2021 did not exceed 5%.

Management Discussion and Analysis

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

Overall Results

For FY2021, the Group's petroleum exploration and production business recorded a loss of HK\$4,112,000 (2020: HK\$2,647,000), the newly established solar energy business recorded a profit of HK\$89,000 (2020: nil), the money lending business recorded a profit of HK\$17,440,000 (2020: HK\$29,518,000), and the Group's investment in securities recorded a loss of HK\$32,533,000 (2020: HK\$3,383,000).

Overall speaking, the Group reported a loss attributable to owners of the Company of HK\$29,371,000 (2020: profit of HK\$8,519,000) mainly due to the provision of ECL on debt instruments at FVTOCI of HK\$49,247,000 (2020: HK\$4,574,000) (with a corresponding adjustment to other comprehensive income), and a total comprehensive expense attributable to owners of the Company of HK\$33,508,000 (2020: total comprehensive income of HK\$15,983,000) which included a fair value loss on debt instruments at FVTOCI of HK\$54,714,000 (2020: HK\$885,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During FY2021, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the year end, the Group had current assets of HK\$363,774,000 (2020: HK\$308,845,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$198,542,000 (2020: HK\$159,724,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$14,105,000 (2020: HK\$14,196,000), was at a liquid level of about 25.8 (2020: 21.8). It is intended that a part of the Group's cash holding will be applied for completion of the acquisition of the Target Assets under the APA.

At 31 December 2021, the Group's total assets amounted to HK\$442,915,000 (2020: HK\$475,763,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$16,925,000 (2020: HK\$16,265,000) divided by total assets, was at a low level of about 4% (2020: 3%). Finance costs represented the imputed interest on lease liabilities of HK\$101,000 (2020: HK\$166,000) for the year.

At 31 December 2021, the equity attributable to owners of the Company amounted to HK\$425,990,000 (2020: HK\$459,879,000) and was equivalent to an amount of approximately HK8.13 cents (2020: HK8.78 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$33,889,000 was mainly due to loss incurred during the year.

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 Analysis

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 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 Renminbi, and will consider a formal foreign currency hedging policy for Renminbi should the needs arise.

Contingent Liability

At 31 December 2021, the Group had no significant contingent liability (31 December 2020: nil).

Pledge of Assets

At 31 December 2021, the Group had not pledged any assets (31 December 2020: nil).

Capital Commitment

At 31 December 2021, the Group had a total capital commitment of HK\$34,390,000 in relation to the acquisition of a portfolio of solar photovoltaic systems which was a capital expenditure contracted for but not provided (31 December 2020: nil).

Events after the Reporting Period

On 9 February 2022, EP Resources and RockEast entered into the APA, pursuant to which EP Resources has conditionally agreed to acquire, and RockEast has conditionally agreed to sell, the Target Assets at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group's management is in the process of completing the transactions contemplated thereunder. Further details of the transaction are contained in the Company's circular dated 11 March 2022.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2021, the Group had a total of 21 (2020: 30) employees including directors of the Company with 18 (2020: 23) employees in Hong Kong and the PRC and 3 (2020: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK\$9,799,000 (2020: HK\$14,214,000) for the year. The drop in staff costs of HK\$4,415,000 was mainly due to the decrease of the Group's headcounts for its operation in the PRC and Argentina. 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 employees' pension schemes for employees in the PRC 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.

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 are no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme and other employees' pension schemes.

Management Discussion and Analysis

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of petroleum exploration and production, solar energy, money lending and investment in securities. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risk and uncertainty factors:

Business Risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of the US, Mainland China and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's businesses and to diversify its investments (where possible) within the same business, as in the case of the Group's securities investments.

Market Risk

The Group's money lending business is operating in a very competitive environment that put pressure on the revenue and profitability of this business. The management policy to mitigate this risk is to continue to put effort in enlarging the market share and enhancing the market competitiveness of this business by various means.

Environmental Risk

The Group's solar energy business is constantly exposed to inherent risks such as mechanical breakdown of equipment, adverse weather conditions, flood, fire or other calamities. Any of these factors may cause disruptions to the Group's operations. The Group may also be liable to pay compensations resulting from the above events which may adversely affect its financial performance.

Financial Risk

The Group is exposed to financial risks relating to interest rate, foreign currency, securities price, credit and liquidity risk in its ordinary course of business. Further details of such risks and relevant management policies are set out in Note 37 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During FY2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationships with its employees, customers and suppliers to meet its immediate and long-term business goals. During FY2021, there were no significant disputes between the Group and its employees, customers and suppliers.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set out below:

EXECUTIVE DIRECTORS

Mr. Sue Ka Lok (“Mr. Sue”)

Aged 56, joined the Company as Executive Director and the Chief Executive Officer in October 2016 and stepped down from his position as Chief Executive Officer in January 2018. Mr. Sue is a member of the Corporate Governance Committee and a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director, the company secretary and the chief executive officer of China Strategic Holdings Limited (HKEX stock code: 235), an executive director and the chairman of Courage Investment Group Limited (“Courage Investment”) (HKEX stock code: 1145), and a non-executive director of Birmingham Sports Holdings Limited (“Birmingham Sports”) (HKEX stock code: 2309). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange and with Courage Investment is also secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited.

Mr. Yiu Chun Kong (“Mr. Yiu”)

Aged 37, joined the Company as Executive Director in October 2016. Mr. Yiu is also a director of certain subsidiaries of the Company. He holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University. Mr. Yiu is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He has rich experience in auditing, accounting and finance. Mr. Yiu is an executive director of Birmingham Sports, a Company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Chan Shui Yuen (“Mr. Chan”)

Aged 41, joined the Company as Executive Director in October 2016 and was appointed the Company Secretary in November 2017. Mr. Chan is a member of the Corporate Governance Committee and a director of certain subsidiaries of the Company. Mr. Chan holds a Bachelor of Business Administration (Honours) in Accountancy degree from the City University of Hong Kong and a Master of Financial Analysis degree from The University of New South Wales in Australia. Mr. Chan is a CFA charterholder, a fellow of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the CPA Australia. He has rich experience in auditing, accounting, finance and compliance.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Chi Ping (“Mr. Pun”)

Aged 55, joined the Company as Independent Non-executive Director in October 2016. Mr. Pun is the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He holds a Master of Science in Finance degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Pun is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in corporate finance, accounting and auditing. Mr. Pun is an independent non-executive director of Birmingham Sports and China Huajun Group Limited (HKEX stock code: 377) and the financial controller of Poly Property Group Co., Limited (HKEX stock code: 119). All the aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

Ms. Leung Pik Har, Christine (“Ms. Leung”)

Aged 52, joined the Company as Independent Non-executive Director in October 2016. Ms. Leung is the Chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Ms. Leung has extensive experience in banking and financial services industries and had worked at several international financial institutions including Citibank, N.A. Hong Kong, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited. She is an independent non-executive director of Birmingham Sports, a company listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Kwong Tin Lap (“Mr. Kwong”)

Aged 57, joined the Company as Independent Non-executive Director in December 2018. Mr. Kwong is the Chairman of the Corporate Governance Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and a Master of Science in Information Systems degree from The Hong Kong Polytechnic University. Mr. Kwong is a Certified Public Accountants (Practising) in Hong Kong, an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has extensive experience in accounting, finance, auditing and corporate management. Mr. Kwong had been a director of certain Hong Kong listed companies and is currently a director of CCTH CPA Limited.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Pak Ka Kei (“Mr. Pak”), *Financial Controller*

Aged 51, joined the Company as Financial Controller in November 2009. Mr. Pak is a director of certain subsidiaries of the Company. Mr. Pak graduated from the City University of Hong Kong with a Bachelor of Arts in Accounting degree. Mr. Pak has extensive experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, he had worked for Ernst & Young, an international accounting firm, and TCL Multimedia Technology Holdings Limited (now known as TCL Electronics Holdings Limited) in its finance department in Hong Kong, emerging markets and Europe as deputy internal control director and deputy financial controller.

Mr. Quiroga Daniel Federico (“Mr. Quiroga”), *General Manager, Argentina*

Aged 57, joined the Company as Operation Manager of the Group’s Argentina operation in December 2010 and was appointed as General Manager of the Argentina operation in late 2012. Mr. Quiroga oversees the Company’s oil projects in Argentina. He has extensive experience in operations, exploration and production management of oil field projects in Argentina and Mexico. Mr. Quiroga had been employed by Tecpetrol S.A. since 1991 and his last position in 2000 was the head of secondary recovery division. During his work in Tecpetrol S.A., Mr. Quiroga was appointed as operation engineer, production manager, field operation manager and had gained experiences in operations, production management for various oil fields in Argentina. During 2002 to 2006, Mr. Quiroga was the operation superintendent and field manager who was in charge of field operations in oil fields located in Neuquina Basin and S.J. Gulf Basin, Argentina for Pioneer NRA S.A. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol. Before joining the Company, Mr. Quiroga had worked for Weatherford Regional Mexico as the operation coordinator and was in charge of field operations for oil field in Mexico. Mr. Quiroga graduated from the National University of Cuyo in Mendoza Province, Argentina majoring in Petroleum Engineer in 1991. Mr. Quiroga was a postgraduate in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 38 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the review of the Group's businesses, the principal risks and uncertainties the Group facing, particulars of important events affecting the Group that have occurred since the end of the financial year, an indication of likely future developments in the Group's businesses, key relationships with employees, customers and suppliers and compliance with laws and regulations, can be found in the "Statement from the Board" and "Management Discussion and Analysis" sections set out on pages 4 to 16 of this annual report, and the "Corporate Governance Report" set out on pages 27 to 38 of this annual report. In addition, discussions on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 39 to 62 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 70 to 71.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 160. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 30 and 31 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company had no reserve available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of approximately HK\$918,270,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers/sources accounted for approximately 43% of the total revenue for the year and revenue from the largest customer accounted for approximately 13%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier accounted for 91%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Sue Ka Lok

Mr. Yiu Chun Kong

Mr. Chan Shui Yuen

Mr. Liang Weijie (*appointed on 8 April 2021 and resigned on 18 October 2021*)

Independent Non-executive Directors:

Mr. Pun Chi Ping

Ms. Leung Pik Har, Christine

Mr. Kwong Tin Lap

In accordance with bye-law 100(A) of the Company's Bye-laws, Mr. Sue Ka Lok and Mr. Kwong Tin Lap will retire by rotation at the forthcoming annual general meeting of the Company (the "2022 AGM") and, being eligible, will offer themselves for re-election at the 2022 AGM.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statutes, the directors for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts or otherwise in relation thereto except through their own wilful neglect or default, fraud and dishonesty. The Company has arranged appropriate directors' and officers' liability coverage for the directors and other officers of the Company during the year.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2022 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in Note 13 to the consolidated financial statements.

UPDATE ON DIRECTOR'S INFORMATION

The following is updated information of a director of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Sue Ka Lok was appointed as the company secretary of China Strategic Holdings Limited (HKEX stock code: 235), a company listed on the Main Board of the Hong Kong Stock Exchange, with effect from 12 November 2021.
- Mr. Sue Ka Lok was appointed as executive director and the chairman of the board of Courage Investment Group Limited (HKEX stock code: 1145), a company 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, with effect from 30 November 2021 and 1 January 2022, respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party transactions as disclosed in Note 35 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2021, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the "Share Option Scheme" disclosure in Note 31 to the consolidated financial statements, at no time during the year 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 year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in Note 31 to the consolidated financial statements.

Report of the Directors

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2021, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued shares (Note (i))
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	862,085,620 (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 31 December 2021.
- (ii) These interests were held by Billion Expo, which was a wholly-owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.
- (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.

Report of the Directors

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 31 December 2021 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 35 to the consolidated financial statements fall under the scope of “Connected Transactions” or “Continuing Connected Transactions” under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders’ approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, share option scheme as well as discretionary bonus.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 31 to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

Report of the Directors

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by Moore Stephens CPA Limited.

Moore Stephens CPA Limited has been appointed as the auditor of the Company with effect from 4 January 2021 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 4 January 2021.

A resolution will be proposed at the 2022 AGM to re-appoint Moore Stephens CPA Limited as the auditor of the Company.

Save for the above, there was no change of the auditor of the Company in the preceding three years.

On behalf of the Board

Sue Ka Lok

Executive Director

Hong Kong, 31 March 2022

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the year ended 31 December 2021, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision A.2.1 (renumbered as Code Provision C.2.1 since 1 January 2022)

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

Deviation

The Company had deviated from the Code Provision A.2.1 during the year ended 31 December 2021 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision E.1.2 (renumbered as Code Provision F.2.2 since 1 January 2022)

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

Deviation

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as the chairman of the annual general meeting of the Company held on 29 June 2021 (the “2021 AGM”) in accordance with bye-law 70 of the Company’s Bye-laws.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

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 have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

As at 31 March 2022, the date of this annual report, the Board comprises six directors, three are Executive Directors, namely Mr. Sue Ka Lok ("Mr. Sue"), Mr. Yiu Chun Kong ("Mr. Yiu") and Mr. Chan Shui Yuen, and three are Independent Non-executive Directors, namely Mr. Pun Chi Ping ("Mr. Pun"), Ms. Leung Pik Har, Christine ("Ms. Leung") and Mr. Kwong Tin Lap. The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Group. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 of this annual report.

Mr. Sue is a non-executive director, Mr. Yiu is an executive director, and Mr. Pun and Ms. Leung are independent non-executive directors of Birmingham Sports Holdings Limited (HKEX stock code: 2309). Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship among members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have an appropriate understanding of the businesses and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are continually updated on developments in the statutory and regulatory regime and the Group's business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news releases published by the Hong Kong Stock Exchange, to the directors. In-house briefings and professional development for directors are arranged where necessary.

The directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2021, all the directors including Mr. Sue Ka Lok, Mr. Yiu Chun Kong, Mr. Chan Shui Yuen, Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap have complied with Code Provision A.6.5 of the CG Code (renumbered as Code Provision C.1.4 since 1 January 2022) and have provided the Company with their respective training records pursuant to the CG Code.

During the year ended 31 December 2021, four regular Board meetings and 2021 AGM were held and the attendance of each director is set out below:

	Number of attendance	
	Board Meetings	2021 AGM
Executive Directors		
Mr. Sue Ka Lok	4/4	1/1
Mr. Yiu Chun Kong	4/4	1/1
Mr. Chan Shui Yuen	4/4	1/1
Mr. Liang Weijie <i>(appointed on 8 April 2021 and resigned on 18 October 2021)</i>	1/1	0/1
Independent Non-executive Directors		
Mr. Pun Chi Ping	4/4	1/1
Ms. Leung Pik Har, Christine	4/4	0/1
Mr. Kwong Tin Lap	4/4	0/1

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code (renumbered as Code Provision C.2.1 since 1 January 2022) requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company had deviated from the requirement during the year ended 31 December 2021 as the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. Currently, all the Independent Non-executive Directors are appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap. Mr. Pun Chi Ping is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

Corporate Governance Report

REMUNERATION COMMITTEE (continued)

The Remuneration Committee met twice during the year ended 31 December 2021 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out below:

Members	Number of attendance
Mr. Pun Chi Ping	2/2
Ms. Leung Pik Har, Christine	2/2
Mr. Kwong Tin Lap	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap. Ms. Leung Pik Har, Christine is the Chairlady of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Nomination Committee met twice during the year ended 31 December 2021 to review the board diversity policy (the "Board Diversity Policy") of the Company, the independence of independent non-executive directors, the structure, size and composition of the Board; and review and make recommendations to the Board on the appointment of director and the re-election of directors. The attendance of each member is set out below:

Members	Number of attendance
Ms. Leung Pik Har, Christine	2/2
Mr. Pun Chi Ping	2/2
Mr. Kwong Tin Lap	2/2

Corporate Governance Report

BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and has adopted the Board Diversity Policy of the Company. The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard to the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is a vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

NOMINATION POLICY

The Board has adopted a nomination policy (the "Nomination Policy") setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to (i) the Board for appointment; and (ii) the shareholders for election as a director of the Company. According to the Nomination Policy, in assessing the suitability of a proposed candidate, the Board shall take into account, among other things, the following factors: (i) qualifications, professional experience, skills and knowledge relevant to the businesses of the Group; (ii) commitment in respect of available time and relevant interest; (iii) diversity perspectives set out in the Board Diversity Policy; (iv) in case of independent non-executive directors, regulatory requirement for appointment of independent non-executive directors and the independence criteria set out in the Listing Rules; and (v) any other factors that the Board considers appropriate.

For filling a casual vacancy or as an addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. On making recommendation, the Nomination Committee may submit to the Board for consideration a proposal comprising, inter alia, the personal profile of the proposed candidate, which contains at least the candidate's information required to be disclosed under Rule 13.51 of the Listing Rules. The Board shall be vested with power to make the final decision on all matters relating to the recommendation of candidates (i) for appointment; and (ii) for standing for election at a general meeting as a director of the Company.

The Nomination Committee will review the Board Diversity Policy and the Nomination Policy from time to time to ensure that the policies will be implemented effectively.

Corporate Governance Report

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the "Independent Auditor's Report" on pages 63 to 69 of this annual report.

For the year ended 31 December 2021, the remuneration payable to the Company's auditor, Moore Stephens CPA Limited, for the provision of audit services amounted to HK\$1,198,000. During the year, a sum of HK\$148,000 was paid as remuneration to Moore Stephens CPA Limited for the provision of non-audit related services.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. At the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Mr. Pun Chi Ping is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing the financial statements of the Company, reviewing the risk management and internal control systems of the Group and meeting with the auditor of the Company for audit matters. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Audit Committee met three times during the year ended 31 December 2021 and the attendance of each member is set out below:

Members	Number of attendance
Mr. Pun Chi Ping	3/3
Ms. Leung Pik Har, Christine	3/3
Mr. Kwong Tin Lap	3/3

Corporate Governance Report

AUDIT COMMITTEE (continued)

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2020 and recommended the same to the Board for approval;
2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2021 and recommended the same to the Board for approval;
3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may have significant impact on the consolidated financial statements of the Company and the scope of the audit;
4. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 December 2020;
5. reviewed the effectiveness of the risk management and internal control systems of the Group; and
6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

CORPORATE GOVERNANCE COMMITTEE

The Board has delegated the corporate governance duties to the Corporate Governance Committee. The Corporate Governance Committee has specific written terms of reference that includes the corporate governance functions set out in the CG Code. At the date of this annual report, the Corporate Governance Committee comprises three members, including two Executive Directors, namely Mr. Sue Ka Lok and Mr. Chan Shui Yuen, and one Independent Non-executive Director, namely Mr. Kwong Tin Lap. Mr. Kwong Tin Lap is the Chairman of the Corporate Governance Committee.

The main responsibilities of the Corporate Governance Committee are (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors of the Group; and (v) to review the Group's compliance with the CG Code and its disclosure requirements in the Corporate Governance Report. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

Corporate Governance Report

CORPORATE GOVERNANCE COMMITTEE (continued)

The Corporate Governance Committee met once during the year ended 31 December 2021 to review the training and continuous professional development of directors; and the Group's compliance with the CG Code. The attendance of each member is set out below:

Members	Number of attendance
Mr. Kwong Tin Lap	1/1
Mr. Sue Ka Lok	1/1
Mr. Chan Shui Yuen	1/1

DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2021, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended, and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets at least annually. The systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operations of the Group. The goal of the risk management and internal control mechanism is to provide reasonable assurance regarding the fulfilment of corporate development strategies and not absolute assurance against material misstatement or loss.

Effective risk management is essential in the long-term growth and sustainability of the Group's businesses. The Board monitors the risk management and internal control systems on an ongoing basis, evaluates and determines the nature and extent of the risks it is willing to take in achieving the strategic objectives. An annual review of effectiveness of the Group's risk management and internal control systems has been conducted. The annual review covers financial, operational and compliance controls of key operations of the Group and ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The process used to identify, evaluate and manage the significant risks (including, environmental, social and governance (“ESG”) risks) of the Group is embedded in the Group’s normal business operations. Organisational structure is well established with clearly defined authorities and responsibilities, and the Group has developed various risk management and internal control policies and procedures for each business unit to follow. Business units are responsible for identifying, assessing and monitoring risks (including ESG risks) associated with their respective units regularly. The results of the assessment are reported to the management which subsequently assesses the likelihood of risk occurrence, provides remedial plan and monitors the progress of rectification with the assistance of the head of the business units. The results of the assessment and effectiveness of the Group’s risk management and internal control systems have been reported to the Audit Committee.

In connection with the controls on compliance aspect, guidelines are provided to the directors, officers, management and relevant staff in handling and disseminating sensitive and confidential inside information with due care. Only personnel at appropriate level can get reach of the sensitive and confidential inside information.

The Group does not have an internal audit function due to the size of the Group and consideration for cost effectiveness. Instead, the Company had engaged an external consultant to conduct a review on the Group’s risk management and internal control systems to identify and evaluate significant risks (including ESG risks) of the business operations for the year ended 31 December 2021. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of evaluation process. The external consultant had conducted an annual review to identify risks (including ESG risks) that could potentially impact the businesses of the Group, review key operational and financial processes as well as regulatory compliance and information security, and assess the adequacy and effectiveness of the Group’s risk management and internal control systems. The review covered all material controls, including financial, operational and compliance controls. After the review, a Risk Management and Internal Control Report (the “RM and IC Report”) with findings and recommendations for improvement in relation to the systems had been provided to the Audit Committee and the management. The RM and IC Report has been endorsed by the Audit Committee and the management is required to establish remedial plans and take actions to rectify those internal control deficiencies identified (which are all at low risk level) according to the respective risk level and priorities. Subsequent review will be performed by the external consultant to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

After reviewing the RM and IC Report, the Board is not aware of any significant risk management and internal control weaknesses or inconsistencies with the Group’s risk management and internal control policies, and considers the existing risk management and internal control systems are effective and adequate. The Board is also of the opinion that the Group has adequate financial and human resources for its accounting and financial reporting function as well as those relating to the Group’s ESG performance. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

COMPANY SECRETARY

Mr. Chan Shui Yuen (“Mr. Chan”), Executive Director of the Company, was appointed the Company Secretary on 10 November 2017. The biographical details of Mr. Chan are set out under the section headed “Biographical Details of Directors and Senior Management” on pages 17 to 19 of this annual report. Mr. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2021.

SHAREHOLDER RIGHTS

The annual general meeting (“AGM”) of the Company provides a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board committees are invited to attend the AGM. The chairman of the Board and the chairmen of all the Board committees, or in their absence, other members of the respective committees, are available to answer questions at the AGM. The auditor of the Company is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and the auditor’s independence.

Procedures for shareholders to convene a special general meeting

In accordance with bye-law 64 of the Company’s Bye-laws, the Board may, whenever it thinks fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the “Companies Act”) and in default, may be convened by the requisitionists. Pursuant to the Companies Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date in accordance with the provisions of Section 74(3) of the Companies Act.

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

- (a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Corporate Governance Report

SHAREHOLDER RIGHTS (continued)

Procedures for shareholders to propose a person for election as a director of the Company

According to bye-law 104 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting of the Company unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting and end no later than seven days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary at the Company's principal place of business in Hong Kong at Room 2107, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meetings, the annual and interim reports, notices, announcements and circulars and the Company's website at www.epiholdings.com.

A printed copy of the Bye-laws has been published on the websites of the Company and the Hong Kong Stock Exchange. There had been no changes in the Company's constitutional documents during the year ended 31 December 2021.

DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans of the Group; (iv) liquidity position of the Group; and (v) any other factors that the Board deems appropriate. The declaration and payment of dividends by the Company shall be determined at the sole and absolute discretion of the Board and is also subject to compliance with all applicable laws and regulations including the Companies Act and the Company's Bye-laws.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued shares is held by the public as at 22 April 2022, being the latest practicable date before printing of this annual report.

Environmental, Social and Governance Report

OVERVIEW

The Board is pleased to present this Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) of the Company and its subsidiaries (the “Group” or “we” or “our”) for the year ended 31 December 2021 (the “Reporting Period”). The ESG Report summarises the policies, sustainability strategies, management approach and initiatives implemented by the Group as well as performance of the Group in environmental and social aspects of its businesses.

REPORTING SCOPE

The ESG Report covers the Group’s businesses of petroleum exploration and production, solar energy, money lending and investment in securities in Argentina, the PRC and Hong Kong, which are the Group’s core businesses and in aggregate generating 100% of the Group’s revenue. Except for the newly established solar energy business, there were no significant changes to the scope of reporting for the Reporting Period.

REPORTING BASIS

The ESG Report discloses the required information under the “comply or explain” provisions of the ESG Reporting Guide set out in Appendix 27 to the Listing Rules. Information relating to the Group’s corporate governance practices is set out in the “Corporate Governance Report” of this annual report.

REPORTING PRINCIPLES

The Group adheres to the following reporting principles as the basis for the preparation of the ESG Report.

Materiality: The content of this report is determined by stakeholder participation and materiality assessment process, which includes identifying material environmental and social related issues, collecting and reviewing the views and suggestions of the management and stakeholders, assessing the relevance and significance of different issues, and compiling and validating the reported content.

Quantitative: The key performance indicators (“KPIs”) relating to the environmental and social aspects are disclosed in this report to give stakeholders of the Group a comprehensive picture of the Group’s ESG performance. The information is accompanied by a narrative description, explaining its purposes and impacts.

Balance: Every effort has been made in this report to reflect the performance of the Group’s ESG activities impartially and has avoided selection, omission or presentation of format that might inappropriately influence the decision or judgment of the readers of this report.

Consistency: As far as is reasonably practicable, the Group has used consistent methodologies in preparing this report to allow for meaningful comparisons of ESG data over time.

Environmental, Social and Governance Report

A. ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

Report from the Board

The Group is committed to corporate social responsibility and balancing environmental, social and economic benefits. The Group also hopes to balance its business development with the interests of its key stakeholders and operates its businesses in a sustainable manner. To achieve this vision, the Group has set a sustainability framework that focuses on environmental protection, resource management, employee and community well-being and guides its sustainability efforts to ensure that sustainability elements are integrated into all operation and all business decisions.

Global warming is a growing concern. As a socially responsible corporate, the Group is committed to mitigating its environmental impact and integrating responsible environmental practices into its businesses. Moreover, the Group is endeavoured to foster a sense of environmental stewardship within the Company, with an aim to make joint efforts with the employees to build an environmental-friendly and resource-saving enterprise. During the Reporting Period, the Group entered into the solar energy business segment, with a view to contribute its efforts in promoting the use of clean and renewable energy, and building a greener environment.

In the midst COVID-19, the employees of the Group have shown strong team spirit and the Group has provided multi-pronged support to the employees to avoid infection and helped to prevent the spread of COVID-19 in the community. The Group has provided various supportive measures to employees which include providing epidemic prevention materials and rapid antigen test kit to employees, and facilitating “work from home” arrangement. Despite the severity of the pandemic, the Group remains concerned about employees’ remuneration and benefits, career development opportunities, provision of safe working environment, and fulfilling corporate social responsibility. There might still be a long way to fight against the pandemic, nevertheless, the Group hopes that all of the employees and the community will continue to put unremitting efforts in going through the adversities and challenges, and make continuous progress towards sustainable development.

To achieve this vision, the Board has set a number of environmental and social KPIs and has taken a top-down approach to disintegrate the KPIs into the functional departments. The Board not only aimed to improve the well-being of the employees, but also encourages the employees to participate in making changes in different areas, which include reducing greenhouse gas (“GHG”) emissions and making good use of resources. During the Reporting Period, the Board has actively supported the implementation of the Group's sustainable development strategies and action plans by the management team and all employees. The relevant scope, progress and achievements relating to the environmental and social KPIs are disclosed in this report.

The Group hopes that its professional management team can continue to commit to stable operation and prudent financial management policy, meet the challenges ahead with success, implement sustainable development strategies, improve business performance and create more meaningful long-term value for the enterprise and its stakeholders.

Environmental, Social and Governance Report

Governance Structure

The Board believes that sound ESG strategies can create investment value for the Group and deliver long-term returns to its stakeholders. The establishment of an appropriate governance framework is critical to the successful implementation of the Group's ESG sustainability strategies and an ESG governance structure with clear duties and responsibilities has been set up by the Group. The Board has established the long-term policies and strategies for all sustainability matters, and will review the implementation status and progress of the ESG matters annually and report on its performance. The Board has also identified, reviewed and evaluated the corporate responsibility, sustainability and the Group's response to climate change through internal meetings. The management team reports to the Board on a regular basis to assist the Board in assessing and determining whether the Company has established an appropriate and effective internal control system to contain the ESG risks. At the operational level, functional units are responsible for ensuring the integration of sustainability strategies and practices into the Group's business operations as well as exploring new action plans/initiatives.



The Board has appointed an independent consultant to provide advice on the ESG matters and assist in collecting data and information for conducting various analyses, and providing improvement recommendations on the Group's ESG performance. The Group has also collected the views of key stakeholders on ESG matters during daily operations and conducted a materiality assessment to identify important ESG issues for the Group, details of which are disclosed in the sections headed "Stakeholders' Engagement" and "Materiality Assessment" below. To effectively lead the ESG process of the Group, the Board monitors the work of all departments to ensure that they work closely together to achieve the sustainable development goals of operational compliance and social responsibility.

Environmental, Social and Governance Report

Stakeholders' Engagement

The Group is committed to maintaining the sustainable development of its business and providing support to environmental protection and the community in which it operates. The Group maintains a close tie with its stakeholders, including government/regulatory organisations, shareholders/investors, employees, customers, suppliers, community, etc. and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Group assesses and determines its environmental, social and governance risks, and ensures that the relevant risk management and internal control systems are operating properly and effectively.

The following table contains the expectations and concerns of the key stakeholders, as identified by the Group, and the corresponding management response:

Stakeholders	Expectations and Concerns	Management Response
Government/ regulatory organisations	<ul style="list-style-type: none"> ➤ Compliance with laws and regulations ➤ Fulfill tax obligation ➤ Joint efforts in combating COVID-19 	<ul style="list-style-type: none"> ➤ Uphold integrity and compliance in operations ➤ Pay tax on time, which in return contributing to the society ➤ Establish comprehensive and effective internal control system ➤ Follow the government's COVID-19 prevention measures and guidelines to prevent the spread of COVID-19
Shareholders/ investors	<ul style="list-style-type: none"> ➤ Return on investment ➤ Information transparency ➤ Corporate governance system 	<ul style="list-style-type: none"> ➤ Management possesses experience and professional knowledge in business sustainability ➤ Regular information dissemination via publications on the websites of the Hong Kong Stock Exchange and the Company ➤ Dedicated to improvement of internal control system and focus on risk management

Environmental, Social and Governance Report

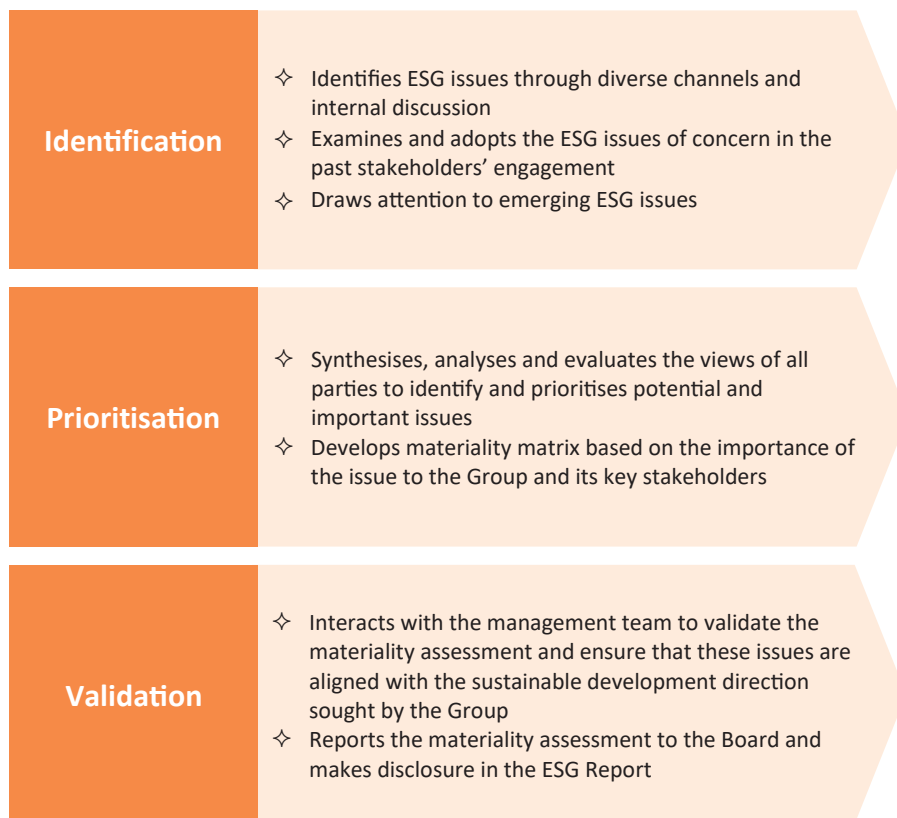
Stakeholders' Engagement (continued)

Stakeholders	Expectations and Concerns	Management Response
Employees	<ul style="list-style-type: none"> ➤ Labour rights ➤ Career development ➤ Compensation and welfare ➤ Health and workplace safety ➤ Joint efforts in combating COVID-19 	<ul style="list-style-type: none"> ➤ Set up contractual obligations to protect labour rights ➤ Encourage employees to participate in continuous education and professional trainings to enhance competency ➤ Establish fair, reasonable and competitive remuneration scheme ➤ Pay attention to occupational health and workplace safety ➤ Provide epidemic prevention materials
Customers	<ul style="list-style-type: none"> ➤ High quality products and customer services 	<ul style="list-style-type: none"> ➤ Provide high quality products and services continuously in order to maintain customer satisfaction ➤ Ensure proper contractual obligations are in place
Suppliers	<ul style="list-style-type: none"> ➤ Integrity ➤ Corporate reputation 	<ul style="list-style-type: none"> ➤ Ensure the performance of contractual obligations ➤ Establish policy and procedures regarding supply chain management ➤ Stringent selection of suppliers
Community	<ul style="list-style-type: none"> ➤ Environmental protection ➤ Reduce GHG emissions ➤ Effective resources utilisation ➤ Community contribution ➤ Economic development ➤ Joint efforts in combating COVID-19 	<ul style="list-style-type: none"> ➤ Pay attention to climate change ➤ Strengthen management in energy saving and emission reduction ➤ Encourage employees to actively participate in charitable activities and voluntary services ➤ Ensure good and stable financial performance and business growth ➤ Follow the government's COVID-19 prevention measures and guidelines to prevent the spread of COVID-19

Environmental, Social and Governance Report

Materiality Assessment

During the Reporting Period, the Board held discussions with the management team and conducted materiality assessment through various channels to identify ESG issues in which both the Group and its key stakeholders are interested and assessed the level of concern as viewed by them so as to select the material ESG-related issues. For the materiality assessment, the Group has adopted the following three processes:



Environmental, Social and Governance Report

Materiality Assessment (continued)

Materiality assessment helps the Group to ensure its business objectives and development direction are in line with the expectations and requirements of its stakeholders. The matters of concern of the Group and its stakeholders are presented in the following materiality matrix:

		Materiality Matrix		
		Low	Medium	High
Importance to Stakeholders	High	<ul style="list-style-type: none"> ◆ Anti-discrimination measures ◆ Labour rights protection 	<ul style="list-style-type: none"> ◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare 	<ul style="list-style-type: none"> ➤ Customer's satisfaction ➤ Product and customer service quality ➤ Suppliers management ◆ Occupational health and workplace safety
	Medium	<ul style="list-style-type: none"> ➤ Community contribution 	<ul style="list-style-type: none"> ➤ Anti-corruption measures ◇ Air and GHG emission ◇ Energy conservation measures 	<ul style="list-style-type: none"> ➤ Operational compliance ➤ Client's privacy measures and protection
	Low	<ul style="list-style-type: none"> ➤ Product safety ◆ Preventive measures for child and forced labour ◇ Water resources utilisation ◇ Generation of non-hazardous wastes 		
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation

Environmental, Social and Governance Report

B. ENVIRONMENTAL PROTECTION

Petroleum Exploration and Production Business

The Group has commenced its petroleum exploration and production business since the end of 2009. As referred to in the "Management Discussion and Analysis" on pages 6 to 16 of this annual report, the Group's interest in the CHE Concession ceased in March 2021. As such, the Group was engaged in petroleum exploration and production activities in the CHE Concession situated at the Cuyana Basin, Mendoza Province of Argentina until March 2021.

Chañares Energia S.A. ("Chañares") was the concessionaire and operator of the CHE Concession, and was responsible to comply with the rules and regulations of the hydrocarbon and oil industry in Argentina relating to environmental protection and labour practice.

During the Reporting Period (until the Group's cessation of interest in the CHE Concession), crude oil after processing was delivered to the collection point and sold to the customer, YPF S.A. (a state-owned petroleum company). Chañares had been handling the above sales process for the Group and charging the Group handling fees for services provided.

The Group daily works in the oil field mainly included monitoring and controlling the production process performed by Chañares, and recording the quantity and quality of crude oil produced and sold.

During the Reporting Period (until the Group's cessation of interest in the CHE Concession), the daily production and sales processes of the Group's petroleum exploration and production operation were handled by Chañares, whilst the Group had not drilled any new well and performed any workover on existing wells during the period. Accordingly, the Group did not directly produce any air emissions and hazardous wastes, and had not directly caused any significant impact on the environment where the oil field was situated.

Solar Energy Business

During the Reporting Period, the Group has commenced to engage in the solar energy business through its indirect wholly-owned subsidiary, EPI Energy Investments Limited, which invests in various solar energy power generation projects located in Hong Kong and selling the electricity generated by the systems to the two power companies in Hong Kong, thereby earning the feed-in tariff income under the Renewable Energy Feed-in Tariff Scheme launched by the Hong Kong Government and the two power companies in Hong Kong. During the Reporting Period, the Group was entitled to a share of electricity generated by the solar energy power generation systems of approximately 163,000 kilowatt hours ("kWh").

Environmental, Social and Governance Report

Environmental protection issues relating to the Group's other operations are analysed below:

Emissions and Energy Consumption

The Group has always been committed to assessing and reporting its carbon footprint to the public. As the Group's operations (other than the petroleum exploration and production and solar energy power generation activities) are mainly operated in an office setting, their impact to the environment are GHG and air emissions generated by consumption of electricity and natural gas, and fuel consumption of the office vehicles. The Group's operating initiatives are to reduce the emission of carbon dioxide generated in its business activities. Therefore, the Group focuses on carrying out various energy saving measures to minimise the impact on the environment resulted from the emissions. During the Reporting Period, the Group produced 17.64 Carbon Dioxide Equivalent ("CO_{2e}") tonnes of GHG emission, including 4.62 CO_{2e} tonnes of Scope 1 GHG emissions and 13.02 CO_{2e} tonnes of Scope 2 GHG emissions.

The GHG emission from the operation has been calculated and measured as follows:

	2021		2020	
	Consumption	Carbon Dioxide Equivalent Emission (in tonne)	Consumption	Carbon Dioxide Equivalent Emission (in tonne)
Scope 1 – Direct Emission				
Gasoline and diesel	1,678 Liters	4.62	5,010 Liters	13.60
Intensity (per employee):	80 Liters	0.22	167 Liters	0.45

Environmental, Social and Governance Report

Emissions and Energy Consumption (continued)

Scope 2 – Indirect Emission	2021		2020	
	Consumption	Carbon Dioxide Equivalent Emission (in tonne)	Consumption	Carbon Dioxide Equivalent Emission (in tonne)
Electricity	13,879 kWh	8.45	29,224 kWh	20.76
Natural gas	2,129,782 Liters	4.57	2,689,776 Liters	5.78
		<u>13.02</u>		<u>26.54</u>
Intensity (per employee):				
Electricity	661 kWh	0.40	974 kWh	0.69
Natural gas	101,418 Liters	0.22	89,659 Liters	0.19
		<u>0.62</u>		<u>0.88</u>

Fuel Consumption

The Group has established policies relating to fuel-saving of business vehicles such as minimising their use, eliminating excessive fuel consumption, and carrying out regular vehicle inspection and maintenance. Owing to the Group's cessation of interest in the CHE Concession, the Group's fuel consumption dropped by 3,332 liters or 66.50% when compared to the consumption in 2020, with a corresponding decrease in CO_{2e} emissions. During the Reporting Period, the Nitrogen Oxide ("NO_x"), Sulphur Oxide ("SO_x") and Particulate Matters ("PM") emitted by vehicles used by the Group's operation in Argentina had increased to 11.74 kilograms, 0.03 kilograms, 1.08 kilograms respectively, compared to 8.83 kilograms, 0.07 kilograms, 0.76 kilograms in 2020, which was mainly a result of the switch in use of fuel by the vehicles from gasoline to diesel due to costs concern.

At the beginning of the Reporting Period, the Group set target to reduce fuel consumption and the corresponding GHG emission by 10% when compared with the previous year. The target is considered as achieved this year. Relevant data are set out in the section headed "Summary of Environmental Data and Performance" below.

Environmental, Social and Governance Report

Emissions and Energy Consumption (continued)

Natural Gas Consumption

The office of the Group's operation in Argentina mainly uses natural gas for heating. To minimise gas consumption, the Group advises its employees to turn off the heater after work, and conducts regular inspection and carries out corrective repairs and maintenance to the equipment and pipelines to enhance thermal efficiency of natural gas. In 2021, the natural gas consumption was 2,129,782 liters. The Group's operation in Argentina has moved to a new office in October 2021 where there is no supply of natural gas, as a result, the natural gas consumption of the Group's office in Argentina decreased by 20.82% when compared to 2020, with a corresponding decrease in CO_{2e} emission.

At the beginning of the Reporting Period, the Group set target to reduce the gas consumption and the corresponding GHG emission by 10% when compared with the previous year. The target is considered as achieved this year. Relevant data are set out in the section headed "Summary of Environmental Data and Performance" below.

Electricity Consumption

The Group encourages its employees to change their habit of using electrical appliance, and has introduced control measures including switch off lightings, air-conditioners, computers, personal electronic devices and office equipment after work and/or when they are idle, and turn on the power saving mode. The Group also aims to keep all electronic appliances well-maintained so as to extend the life of the equipment. The Group encourages its employees to avoid wastage of resources, and promoting their awareness of environmental protection in work and life through various means including posting eye-catching stickers of energy efficiency in visible place in office. The Group's operation in Hong Kong has moved to a smaller office and the Group's operation in the PRC has scaled down since mid-2020, which mainly led to the Group's electricity consumption to drop during the Reporting Period. The Group's electricity consumption was 13,879 kWh during the Reporting Period, decreased by 15,345 kWh or 52.51% when compared to 2020.

At the beginning of the Reporting Period, the Group set target to reduce electricity consumption and the corresponding GHG emission by 10% when compared with the previous year. The target is considered as achieved this year. Relevant data are set out in the section headed "Summary of Environmental Data and Performance" below.

Environmental, Social and Governance Report

Water Consumption

The Group does not have any water supply problem as water is adequately supplied by the government authorities to the office buildings where the Group's offices are located. For drinking water, the Group regularly orders drinking water from external suppliers to fulfill the needs of the employees. Although the Group does not have full controls over water supply, it recognises the scarcity of resources the environment could offer and always encourages its staff members to cherish water usage, such as putting up "save water" sign in prominent places in the pantry and toilets as a reminder. For the Reporting Period, the Group consumed 35 tonnes of water, reduced by 64 tonnes or 64.65% when compared to 2020.

At the beginning of the Reporting Period, the Group set target to reduce water consumption by 10% when compared with the previous year. The target is considered as achieved this year. Relevant data are set out in the section headed "Summary of Environmental Data and Performance" below.

Waste Reduction

The Group does not generate any hazardous waste. Waste management mainly involves recycling waste papers and collection of domestic wastes. During the Reporting Period, the Group's operations consumed 0.47 tonne of paper, showing a decrease of 26.56% from the consumption of 0.64 tonne in 2020. The scale down of the Group's office in the PRC since mid-2020 and the cessation of the Group's interest in the CHE Concession during the Reporting Period led to the reduced consumption of papers during the Reporting Period. In addition to the energy conservation practices aforementioned, the Group has introduced measures to reduce wastes production. The Group encourages its employees to read documents in electronic format, to consider the environment before printing, to despatch memos and announcements via emails, to preview document layout on computer screen, to print documents on both sides of the papers, to use recycled papers for financial reports printing and promoting "green office" concepts in the office. Clearly labelled recycling bins are provided for collection of waste papers, plastic bottles, ink cartridges, etc. The Group also encourages its employees to reduce the use of non-recyclable materials to minimise the adverse impact on the environment.

At the beginning of the Reporting Period, the Group set target to reduce the waste by 10% when compared with the previous year. The target is considered as achieved this year.

Environmental, Social and Governance Report

The Environment and Natural Resources

Other than the Group's petroleum exploration and production operation in Argentina and the solar energy business (which commenced in the second half of 2021), the Group's other operations do not have significant impact on the environment and natural resources. The Group has always been actively bringing environmental responsibility into its daily operations, and encourages staff to adopt environmentally responsible behaviour and raise awareness of environmental protection. As mentioned in the above sections, the Company has implemented various measures to reduce energy consumption, save water resources and reduce waste.

The process in generating solar electricity does not produce air pollution and GHG. Solar energy could have a positive impact on the environment when solar energy reduces the use of other energy sources that have negative effects on the environment. The Group promote the use of energy which is clean and renewable, with a view to contribute its efforts in building a greener environment.

Climate Change

Climate change is expected to increase the frequency and severity of extreme weather events and cause catastrophic damage. Climate change is also changing seasonal and annual patterns of temperature, precipitation and other weather phenomena. The unprecedented crisis from the global spread of COVID-19 has created significant challenges worldwide while the risks of climate change are imminent. Understanding of these trends and the relationships with our businesses can help the Group to prepare and analyse possible risks and opportunities, seize the opportunities of potential benefits and establish the response capacity of the Group in the long run. The Group believes that a robust response to climate change requires concerted efforts of all stakeholders. Therefore, it will continuously identify and address stakeholders' expectations to optimise its environmental measures in order to achieve sustainable development and create long-term values for the stakeholders and society as a whole.

In response to climate change and cessation of the Group's interest in the CHE Concession, the Group has been actively seeking alternative investment opportunities in the energy-related business. The Group recognises that the sun is an incredible and renewable resource that has the power to fuel life on earth and provide clean and sustainable energy to all people. Therefore, during the Reporting Period, the Group has invested in solar photovoltaic systems which convert solar energy to electricity, and selling the electricity generated to the two power companies in Hong Kong. The Group aims to promote the use of clean and renewable energy with a view to contribute its effort in building a greener environment.

Compliance

During the Reporting Period, the Group had not involved in any non-compliance incidents relating to environmental protection. In addition, the Group had not involved in any non-compliance in relation to air and GHG emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.

Environmental, Social and Governance Report

C. SOCIAL

Connecting with the right people, building social capital and relationships, showing appreciation to staff members, vendors and customers who keep the business running are the cornerstones of business success.

Employment and Labour Practices

Employment

Our employees are critical for our operations. We always view employees as the core asset of the Group for establishing the foundation of success and long-term development. When we formulate human resources strategies, we devote to create an equitable, non-discriminatory and safe working environment. We strive to build a harmonious working environment for our employees based on mutual respect, trust, impartiality, transparency and truthfulness, dynamism and teamwork to encourage creativity, flexibility and commitment to accomplish our corporate mission. We provide equal opportunities to employees to capture, promote and retain talents and promote personal and professional growth by offering them attractive and commensurate remuneration packages as well as providing various career development training. Ongoing education and training for employees in relation to ethical conduct, roles and responsibilities, specific skills and technological and market development are very important to nurturing talents, as are performance feedback and appraisals from direct manager to uncover potentials of employees and offer competitive compensation packages to retain competent staff. In addition, we strictly comply with the relevant laws and regulations in hiring employees.

The Group has observed the applicable laws and regulations of each business location relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, and always follows the principles of fairness, equality, competitiveness and non-discrimination to hire outstanding talents. We devote to protect human right and privacy of employees. We select the best qualified candidates by considering various criteria such as education background, relevant working experiences, demonstrated knowledge, competencies and skills, desirable personal traits, physical fitness and development potential.

The Group gives equal opportunity for employment to all individuals, regardless of their race, religion, colour, nationality, age, marital status, gender, sexual orientation or disability. This fair treatment policy applies to all phases of the employment relationships, including but not limited to hiring, promotion, dismissal, personal development opportunities and determining wages and benefits. Diversity is the strength of the Group. Every employee must respect the people and cultures with whom or in which they work. As an organisation, we seek diversity at all levels and expect a work environment in which all employees can develop and contribute to their full potential. We hope to achieve a win-win situation through joint development of employees and the Group.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Workforce

As at 31 December 2021, the number and distribution of the Group's directors and employees are as follows:

	2021	2020
Employment Type		
Full-time	21	30
Part-time	–	2
Gender¹		
Male	15	16
Female	6	14
Age¹		
20-30	–	3
31-40	6	10
41-50	3	5
>50	12	12
Geographical Region¹		
Hong Kong	15	19
Mainland China	3	4
Argentina	3	7

Note:

- ¹ The analysis for workforce by gender, age group and geographical region was based on the number of directors and full-time employees.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Workforce (continued)

During the Reporting Period, the Group's director and employee turnover rate is as follows:

	2021	2020
Gender		
Male	18.80%	29.60%
Female	42.90%	50.00%
Age		
20-30	100.00%	87.50%
31-40	40.00%	30.80%
41-50	20.00%	35.70%
>50	8.30%	21.40%
Geographical Region		
Hong Kong	21.10%	29.60%
Mainland China	25.00%	73.30%
Argentina	57.10%	–

The significant difference between the two years in respect of the employee composition analysis by gender, age group and geographical region was mainly due to the scale-down of the PRC operation during 2020 and the cessation of the Group's interest in the CHE Concession during 2021.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Working Hours, Promotion, Termination, Compensation and Other Benefits

To retain quality staff, we offer competitive remuneration scheme and regularly evaluate their salary levels to make sure that their remuneration packages are competitive. Though the remuneration scheme varies in different nations where we operate, we strive to build a fair, reasonable and competitive remuneration scheme. Staff salaries are determined based on their knowledge, skills, experience and education background relevant to the job requirements. Basic remuneration of staff includes fixed salary, bonuses, paid holidays, etc.

Additional allowances that are also available to the employees include meal allowance, overseas travelling allowance, education subsidy and gymnastics allowance. Education subsidy includes courses/modules/seminars that are directly relevant to the job and organised by reputable institutions, other allowances include reimbursement of membership fee to professional institutions which are relevant to the job, and birthday celebration for our employees.

In order to enhance the quality of work and competency of employees, the Group conducts periodic performance appraisal and fairly assesses the level of awards, salary adjustment and/or promotion recommendations based on a number of criteria, including working experience, seniority, knowledge and skills, performance, contributions, etc.

In compliance with local labour laws, social security laws and regulations, the Group operates retirement plans (pension schemes for employees in the PRC and Argentina, and the Mandatory Provident Fund Scheme for employees in Hong Kong) for its employees. The Group handles the dismissal of employees and compensates them in accordance with local laws and regulations.

The Group attaches importance to employees' health and work-life balance. All staff are expected to discharge their job responsibilities within reasonable work hours. In general, we implement five-day work system with 40 working hours per week. All employees are entitled to rest days and holidays in accordance with applicable labour laws and regulations. In addition to national mandatory holidays, employees are entitled to annual leave, compensation leave and other compassionate leave. Those employees who have demonstrable experience in the oil industry are entitled to additional holidays under the laws in Argentina.

In order to improve employee job satisfaction, to enhance the cohesion between employees and help them to build up sense of belongings, the Group continues to optimise the annual performance appraisal, remuneration, recognition and reward process to improve the work environment and organise various recreational activities.

The Group did not lay off any employees because of the COVID-19 pandemic in 2021 (except for the voluntary resignation of employees of the Group's operation in the PRC) and with the compensation and welfare of the employees remain unchanged during the Reporting Period. In order to reduce the risk of infection, the Group has adopted various preventive measures for the health and safety of its employees as detailed in the section headed "Health and Safety" below.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Health and Safety

The Group always puts health and safety of its employees as its first priority, and injury prevention is especially important as part of our management practices. The Group will not compromise health or safety in the workplace for production or profit. It is the goal of each location to have and maintain a safe workplace. Health and safety policies and procedures are published for all our plants, offices and work sites. All employees must perform their duties following the published health and safety rules, and must promptly report any concerns, safety violations or incidents. Work performance within the operation fields are checked to verify that it is executed safely so as to minimise incidents and potential risks.

The Group established strict risk assessment and management policies and procedures to identify and minimise potential hazard that might lead to injury, illness or human loss by providing staff training and planning in advance for the coordinated action in case of emergency. The policies and procedures provide clear and identified guidelines for staff to identify and assess risks, delineate procedures for handling situations involving security and safety of workers and facilities, carefully plan for business operations (including tools required for eliminating or controlling risks) and promote good working atmosphere. The Group aims to maintain and practice the highest standards in terms of preventing incidents and potential accidents by developing specific procedures, as well as identify, assess and minimise risks by scheduling operations performed in the work field.

We provide on-the-job technical training regularly, arrange safety assessment and organise team-building activities to promote job safety. This is to ensure that our employees are equipped with the required knowledge and skills to fulfill their job duties and able to meet the safety standards.

The Group also has insurance policies in place that are in compliance with the Employment Ordinance and the common law in Hong Kong, Regulation on Work-related Injury Insurance and Social Insurance Law in the PRC and Risks at Work Law in Argentina for injuries at work for every employee. We care about the occupational health and safety programmes as they strengthen safety awareness and self-protecting tendencies of employees and maintain a safe production environment.

The Group believes that good working relationship among staff can minimise hazards within the operation site. We set up comprehensive contingency plan detailing the handling procedures for different types of contingencies (fires, electrical failure, flood and water damage, earthquakes, typhoons, heavy rains, etc.) When a contingency occurs, the procedure starts by notifying through any available media, according to the employees' emergency roles. The primary purpose of the business contingency plan is to safeguard assets of the Group such as the physical safety and mental well-being of human life, to establish and resume critical functions as quickly as possible by providing an alternate-processing site and to re-establish critical functions of the Group. A responsible personnel is designated for coordinating and supervising the work necessary during and after the incident.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Health and Safety (continued)

We also establish and optimise our occupational health management system to protect our workers and their rights. We provide all site workers with safety protective equipment such as protective gloves, shock-proof glasses, hearing protectors, fire resistant jacket, helmet, boots with toes and ankles protection, working clothes, etc. in sufficient quantity and quality and the use of the safety protective equipment is mandatory, in accordance with the instructions issued by the Group. All personnel involved in the operation and within the scope of the location are responsible for the use of the safety protective equipment which must be suitable to perform the work. In addition, prior to the start-up of any operational task within or outside the location, a meeting with the involved staff present on location is conducted to give knowledge of the involved maneuvers, identified risks and scope or needs that are required to complete such an operation.

We attach great importance to hazard prevention and control in order to effectively improve the intrinsic safety. Operation department is responsible for monitoring the daily conditions of our wells, well fluid collection tanks and pipelines, and the works performed by the operator on our wells. In case of problem detected, the responsible personnel reports to the operator immediately. Records of works performed on our wells are properly documented and filed.

During the Reporting Period, the Group has adopted various preventive measures to reduce the risk of infection and the spread of the COVID-19. These precautions include provision of surgical masks and alcohol-based hand sanitizers to the employees, reminding employees to follow good respiratory and hand hygiene, ensuring the workplace is clean and hygienic, measuring body temperature of employees and visitors at the reception. Also, the Group only allows employees and visitors who do not have symptoms of infection of COVID-19 to access to the offices and requires them to wear masks and maintain social distance.

There was no work-related fatality occurred in each of the past three years including the Reporting Period. There was also no lost day due to work injury during the Reporting Period.

Development and Training

An excellent corporate team is critical to the Group's sustainable and long-term business development. Therefore, the Group encourages its employees to continue studying and lifelong learning. Ongoing training can enhance the employees' professional knowledge and work skills, and also provides a reasonable assurance that the employees have the necessary technical knowledge, professional skills and business ethics to discharge their duties efficiently and with integrity. The Group organises internal and external trainings in explaining the operational procedures by business, risk assessment and management policies and contingency plan, and subsidises employees to attend training courses whenever necessary. New hires are required to participate in induction orientation which introduces the Group's corporate culture, industry knowledge, organisational structure, operational safety, etc. The latest industry information and related legislation updates in connection with the operations of the Group are also despatched to staff from time to time.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Development and Training (continued)

During the Reporting Period, the percentage of the Group's trained employees is as follows:

	2021	2020
Gender		
Male	33%	–
Female	–	14%
Employee Category		
Directors	100%	–
Senior Management	20%	20%
Lower Level Management	33%	–
Ordinary Staff	–	11%

During the Reporting Period, the average training hours attained per employee of the Group is as follows:

	2021	2020
Gender		
Male	0.33	–
Female	–	14.29
Employee Category		
Directors	1.00	–
Senior Management	0.20	20.00
Lower Level Management	0.33	–
Ordinary Staff	–	11.11

Note:

The average training hours refer to the number of training hours arranged by the Group for its directors and employees within the Reporting Period divided by the Group's total number of directors and employees at the end of the Reporting Period.

During the Reporting Period, directors also participated in various continuing professional development training activities themselves to ensure that their contributions to the Board remain updated and relevant while their respective number of training hours are not included in the above table.

Environmental, Social and Governance Report

Employment and Labour Practices (continued)

Labour Standards

The Group observes the requirements under the Labour Law of the People's Republic of China, Employment Ordinance of Hong Kong, Labour Law of the Republic of Argentina and other applicable laws and regulations. The Group cherishes human rights and prohibits any unethical hiring practices, including child and forced labour. Employees are expected to be open, honest, and courteous with each other. We honour and respect all who choose to work for the Group and the freedom of individual employee. We support human rights consistent with the Universal Declaration of Human Rights.

The Group reviews the identification documents during its hiring process to prevent child labour. The Group has also implemented various measures to strictly prevent any forms of forced labour. For example, detention of employee's identity card or other identification documents is strictly prohibited, labour contract is signed by the employee on a fair and voluntary basis, any form of mental harassment or physical abuse, assault, body search or insult, or forcing an employee to work by means of violence, threat or unlawful restriction of personal freedom are all forbidden. Employees' consent for work overtime is required to avoid involuntary overtime work. Also, the employees are compensated as appropriate in accordance with the applicable labour laws and regulations. During the Reporting Period, the Group did not violate the laws and regulations related to child and forced labour.

Compliance

During the Reporting Period, the Group had not involved in any non-compliance incidents relating to employment, health and safety, and labour standards relating to child and forced labour that have significant impact on the Group.

Operating Practices

Supply Chain Management

Strengthening our relationships with suppliers depend on our determination for conducting all aspects of our businesses in a way that is mutually beneficial as well as open. The Group aims to develop relationships with its suppliers based on honesty, fairness and mutual trust. Suppliers are selected according to the quality of their product and service, their reliability and their competence of price. Each of the qualified suppliers is given a fair chance to supply quality products and provide services to the Group. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations of laws or regulations when people are performing their duties for the Group. During the Reporting Period, the Group had no significant issues relating to violations in this respect.

The Group has the right to engage experts to drill new well and perform workover on existing wells. We are responsible to select and appoint experts and monitor the works performed by these experts. The experts must have the necessary qualification and be familiar with the basin where the oil field located. We have also established strict policy in selecting suppliers and service providers. Periodic supplier and service provider performance evaluation is conducted to better control and assure good quality.

Environmental, Social and Governance Report

Operating Practices (continued)

Supply Chain Management (continued)

The Group also serves to maintain long-term, stable and strategic cooperative relationships with suppliers with good credit history, high product or service quality, proven track records of environmental compliance and sound commitment to social responsibility based on equality to achieve a win-win situation. Such bases are used to establish an efficient and green supply chain system in selecting suppliers and service providers, and to conduct regular performance reviews with an aim to effectively control their product and service quality. The Group does not have major suppliers due to its business nature.

Supplier/Service Provider Responsibility

American Petroleum Institute (“API”) gravity is a measure to determine the grade of crude oil. Crude oil extracted underground is treated through oil/water separation process before selling to the customer. Our customers check the API gravity before oil is delivered and thus no after-sale quality problem exists. During the Reporting Period, there was no product sold or shipped subjected to recalls for safety and health reasons.

For the money lending business, we handle confidential information of our clients with integrity and in accordance with applicable laws and regulations. Employees respect the confidentiality of information acquired as a result of business relationship and would not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to do so. Confidential information that may be subject to disclosure requirements according to applicable laws and regulations shall be exchanged internally and exclusively on a “need-to-know” basis. Such information will strictly not be used for personal advantage by any employee of the Group.

The Group respects intellectual property rights. Employees are not allowed to possess or use copyrighted material without the permission of the copyright owners.

During the Reporting Period, there was neither concluded legal cases regarding our products and services brought against us nor complaints received concerning breaches of customer privacy, loss of data and intellectual property rights.

Anti-corruption

The Group always attach importance to creating a harmonious and honest work environment and we commit to achieving and maintaining high integrity and accountability standards with great emphasis on corporate governance, moral culture and staff quality. All employees should act in upright, impartial and honest manner, and strictly follow the applicable laws and regulations. If employees violate them, they will face disciplinary action or even termination of the employment contracts. Employees must observe our required ethical standards and make their own judgements as to the appropriateness of their conduct in business operation. During the Reporting Period, the Group provided anti-corruption training for directors and senior management, and on-the-job training on anti-corruption to other employees.

Environmental, Social and Governance Report

Operating Practices (continued)

Anti-corruption (continued)

When employees suspect of violations occurred, they may, in the case of absolute confidentiality, report through different channels to those charged with governance. The Group has designed a whistleblowing policy to encourage employees to raise serious concerns internally that are suspected to be malpractices or impropriety, in a responsible and effective manner rather than overlooking a problem or blowing the whistle outside. Employees who hide traces, evidences or avoid investigation of suspicious transactions may be considered as illegal.

In addition, in order to minimise the fraud risk, the Group has a pre-employment screening process under which all applicants would be asked whether he/she has ever committed any criminal offences in the past. We continue to optimise the reporting mechanism and resolutely fight against corruption for building a clean social environment.

During the Reporting Period, the Group and its employees had not involved in any litigation of corruption.

Community Investment

The Group views sustainable development and community contribution as our goals. We believe in people-oriented management principle, carry out a variety of activities in fulfilling our social responsibilities, actively pursue social contribution initiatives and strive to create a sustainable and harmonious society. Our performance over the long term depends on sensitivity to local customs and conventions governing business relationships, and our commitment to make a positive contribution to the sustainable development of the communities in which we work. The Group considers ways of supporting communities in which it operates through charitable and educational activities and contributions (made within policies set by the Board).

The Group has devoted to pay attention to protecting the nature and care about the environment. Everyone should take part in it and hope to create a livable environment together. The Group strives to minimise any harmful effects of our operations on the natural environment and finite resources, and constantly enhance our employees' awareness in environmental protection and resource conservation. The Group hopes that every employee can convey the message of protecting the environment to their families, friends and business partners, to build more powerful cohesion, and in alleviating climate change together. In doing so, we set out environmental quality standards which are desirable and attainable and comply fully with all relevant environmental legislation.

We are a responsible tax payer and employer. We offer job opportunities to ease the local employment pressure. We establish good practices in running our business, and actively promote energy saving and environmental friendly concepts with a hope to be the role model within the industry. To some extent, we have contributed to social stability and building a harmonious community.

Environmental, Social and Governance Report

D. SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2021	2020
GHG emissions:			
Scope 1:			
Total	Tonne	4.62	13.60
Intensity	Tonne (per employee)	0.22	0.45
Scope 2:			
Total	Tonne	13.02	26.54
Intensity	Tonne (per employee)	0.62	0.88
Air emissions:			
Nitrogen Oxide	Kilogram	11.74	8.83
Sulphur Oxide	Kilogram	0.03	0.07
Particulate Matters	Kilogram	1.08	0.76
Energy and water consumption:			
Electricity:			
Total	kWh	13,879	29,224
Intensity	kWh (per employee)	661	974
Diesel:			
Total	Liter	1,127	559
Intensity	Liter (per employee)	54	19
Gasoline:			
Total	Liter	551	4,451
Intensity	Liter (per employee)	26	148
Natural gas:			
Total	Liter	2,129,782	2,689,776
Intensity	Liter (per employee)	101,418	89,659
Water:			
Total	Tonne	35	99
Intensity	Tonne (per employee)	2	3

Independent Auditor's Report



Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

www.moore.hk

大
華
馬
施
會
計
師
事
務
所
有
限
公
司
雲

Independent Auditor's Report to the Members of EPI (Holdings) Limited

長盈集團(控股)有限公司

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 159, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loan and interest receivables

We identified the impairment assessment of loan and interest receivables as a key audit matter due to the significance of balances to the Group's consolidated financial position and the involvement of significant management judgment in evaluating the expected credit loss ("ECL") of loan and interest receivables at the end of the reporting period.

As detailed in Note 4 to the consolidated financial statements, in making the assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition, collaterals and the historical settlement records, including the past due dates and default rates, 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 of the estimates of expected cash shortfalls. At every reporting date, the financial background, financial condition, collaterals and historical settlement records are reassessed and changes in the forward-looking information are considered.

Our procedures in relation to management's impairment assessment of loan receivables included:

- Understanding and evaluating the entity's key controls on the related credit control and loan monitoring process and how the management estimates the credit loss allowance for loan receivables and performs loan monitoring process;
- Evaluating the reasonableness and appropriateness of the management's assessment of the internal credit rating of the loan receivables by reference to past due status, past collection history, financial background and financial condition of the borrowers;

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loan and interest receivables (continued)

The management further assesses the amount of exposure of default through assessing the potential loss as a result of the risk on credit-impaired loan and interest receivables to which the Group is exposed and recovery actions the Group has taken. In assessing the amount of exposure of default, the Group takes into account the timing of cash flows that are expected from foreclosure on the collaterals less the costs of selling the collaterals.

The gross carrying amount of the loan and interest receivables is HK\$149,916,000 in aggregate and the impairment allowance on loan and interest receivables is HK\$34,915,000 in aggregate as at 31 December 2021 as set out in Note 23 to the consolidated financial statements.

- Evaluating the reasonableness and appropriateness on the management's basis and judgment in determining credit loss allowance on loan receivables at 31 December 2021, including the identification of credit-impaired loan receivables, the estimated loss rates applied to each borrower, and the estimated cash flow from the realisation of collaterals pledged to the Group, with the assistance of our internal valuation specialists; and
- Evaluating the disclosures regarding the impairment assessment of loan receivables in Notes 23 and 37 to the consolidated financial statements.

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Provision for ECL for debt instruments at fair value through other comprehensive income ("FVTOCI")

We identified provision for ECL for debt instruments at FVTOCI as a key audit matter because the determination of loss allowance for debt instruments at FVTOCI using the ECL model involves significant estimates and judgments, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward looking information.

As disclosed in Note 22 to the consolidated financial statements, the fair value of debt instruments at FVTOCI is HK\$78,396,000 at 31 December 2021 and the impairment allowance of HK\$49,247,000 is recognised in profit or loss with corresponding adjustment to other comprehensive income for the current year. The determination of loss allowances is dependent on the external macro environment and the credit rating of each debt security. The management also takes into consideration of historical data from the international rating agency. The Group had engaged an independent professional valuer to perform ECL assessment.

Our procedures in relation to ECL for debt instruments at FVTOCI on the consolidated financial instruments included:

- Understanding and assessing the design and implementation of key internal controls of the credit grading process and measurement of loss allowances;
- Evaluating methodology and assumptions used by management in determining ECL;
- Engaging our internal specialists to review the significant management judgments and assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability of default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios; and
- Evaluating the disclosures regarding the impairment assessment of debt instruments at FVTOCI in Notes 22 and 37 to the consolidated financial statements.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

Lau Ngai Kee, Ricky

Practising Certificate Number: P04005

Hong Kong

31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	5	24,820	42,449
Sales of petroleum		1,847	14,097
Sales of electricity		652	–
Interest income		22,053	28,012
Dividend income		268	340
Purchases, processing and related expenses		(1,391)	(11,758)
Other income and losses, net	7	1,122	10,160
Net gain (loss) on financial assets at fair value through profit or loss	8	7,870	(9,183)
Reversal of expected credit loss on loan and interest receivables		4,356	12,232
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(49,247)	(4,574)
Wages, salaries and other benefits	12	(9,799)	(14,214)
Depreciation	12	(1,666)	(1,417)
Gain on redemption of debt instruments at fair value through other comprehensive income		–	111
Other expenses		(7,193)	(14,547)
Loss on disposal of subsidiaries	9	(397)	(515)
Finance costs	10	(101)	(166)
(Loss) profit before tax		(31,626)	8,578
Income tax credit (expense)	11	2,255	(440)
(Loss) profit for the year	12	(29,371)	8,138
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		(54,714)	(885)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		49,247	4,574
Release on redemption of debt instruments at fair value through other comprehensive income		–	(111)
Exchange differences arising on translation of financial statements of foreign operations		990	3,886
Reclassification of cumulative translation reserve upon disposal of foreign operations	9	340	–
Other comprehensive (expense) income for the year, net of income tax		(4,137)	7,464
Total comprehensive (expense) income for the year		(33,508)	15,602

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
(Loss) profit for the year attributable to:			
Owners of the Company		(29,371)	8,519
Non-controlling interests		–	(381)
		(29,371)	8,138
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(33,508)	15,983
Non-controlling interests		–	(381)
		(33,508)	15,602
(Loss) earnings per share attributable to owners of the Company			
– Basic	16	HK(0.56) cent	HK0.16 cent

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Exploration and evaluation assets	17	–	–
Property, plant and equipment	18	34,383	985
Right-of-use assets	19	4,200	2,523
Intangible asset	20	–	–
Prepayment for acquisition of non-current assets	21	9,874	–
Debt instruments at fair value through other comprehensive income	22	30,684	129,985
Loan and interest receivables	23	–	33,425
Total non-current assets		79,141	166,918
Current assets			
Debt instruments at fair value through other comprehensive income	22	47,712	2,213
Loan and interest receivables	23	115,001	127,957
Trade and other receivables and prepayments	21	1,616	15,793
Other tax recoverables	24	732	609
Income tax recoverable		171	2,549
Financial assets at fair value through profit or loss	25	6,724	25,097
Bank balances and cash	26	191,818	134,627
Total current assets		363,774	308,845
Current liabilities			
Trade and other payables	27	11,852	8,744
Income tax payable		679	4,170
Lease liabilities	28	1,574	1,282
Total current liabilities		14,105	14,196
Net current assets		349,669	294,649
Total assets less current liabilities		428,810	461,567

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current liabilities			
Lease liabilities	28	2,820	1,491
Deferred tax liabilities	29	–	578
Total non-current liabilities		2,820	2,069
Net assets			
Capital and reserves			
Share capital	30	52,403	52,403
Reserves		373,587	407,476
Equity attributable to owners of the Company		425,990	459,879
Non-controlling interests		–	(381)
Total equity		425,990	459,498

The consolidated financial statements on pages 70 to 159 together with the Company's statement of financial position set out in Note 41 to the consolidated financial statements have been approved and authorised for issue by the Board on 31 March 2022 and are signed on its behalf by:

Sue Ka Lok
Director

Chan Shui Yuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company							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	Sub-total HK\$'000		
At 1 January 2020	52,403	918,270	201,645	(2,345)	(6,645)	(719,432)	443,896	-	443,896
Profit (loss) for the year	-	-	-	-	-	8,519	8,519	(381)	8,138
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(885)	-	-	(885)	-	(885)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	4,574	-	-	4,574	-	4,574
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(111)	-	-	(111)	-	(111)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	3,886	-	3,886	-	3,886
Total comprehensive income (expense) for the year	-	-	-	3,578	3,886	8,519	15,983	(381)	15,602
At 31 December 2020	52,403	918,270	201,645	1,233	(2,759)	(710,913)	459,879	(381)	459,498
Loss for the year	-	-	-	-	-	(29,371)	(29,371)	-	(29,371)
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(54,714)	-	-	(54,714)	-	(54,714)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	49,247	-	-	49,247	-	49,247
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	990	-	990	-	990
Reclassification of cumulative translation reserve upon disposal of foreign operations	-	-	-	-	340	-	340	-	340
Total comprehensive (expense) income for the year	-	-	-	(5,467)	1,330	(29,371)	(33,508)	-	(33,508)
Deregistration of a subsidiary	-	-	-	-	-	(381)	(381)	381	-
At 31 December 2021	52,403	918,270	201,645	(4,234)	(1,429)	(740,665)	425,990	-	425,990

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Operating Activities			
(Loss) profit before tax		(31,626)	8,578
Adjustments for:			
Depreciation of property, plant and equipment		382	221
Depreciation of right-of-use assets		1,284	1,196
Gain on redemption of debt instruments at fair value through other comprehensive income		-	(111)
Reversal of expected credit loss on loan and interest receivables		(4,356)	(12,232)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		49,247	4,574
Write off of other receivables and deposit		1,680	-
Net (gain) loss on financial assets at fair value through profit or loss	8	(7,870)	9,183
Bank interest income	7	(83)	(741)
Interest expense	10	101	166
Dividend income		(268)	(340)
Interest income from money lending business		(13,182)	(17,870)
Interest income from debt instruments at fair value through other comprehensive income		(8,871)	(10,142)
Loss on disposal of property, plant and equipment		-	35
Loss on disposal of subsidiaries	9	397	515
Operating cash flows before movements in working capital		(13,165)	(16,968)
Decrease (increase) in trade and other receivables and prepayments		12,483	(6,304)
Decrease in loan and interest receivables		15,955	29,165
(Increase) decrease in other tax recoverables		(123)	272
Decrease in financial assets at fair value through profit or loss		26,243	2,779
Decrease in trade and other payables		(2,576)	(8,198)
Cash generated from operations		38,817	746
Dividend received		268	340
Income tax refunded (paid)		915	(1,876)
Interest received from money lending business		17,948	8,800
Interest received from debt instruments at fair value through other comprehensive income		7,959	11,188
Net cash from operating activities		65,907	19,198

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Investing Activities			
Purchase of property, plant and equipment		(26,493)	(1,041)
Prepayment paid on acquisition of non-current assets		(9,874)	–
Purchase of debt instruments at fair value through other comprehensive income		–	(7,903)
Proceeds from redemption of debt instruments at fair value through other comprehensive income		–	15,600
Bank interest received	7	83	741
Net cash inflow on disposal of subsidiaries	9	28,933	19,841
Net cash (used in) from investing activities		(7,351)	27,238
Financing Activities			
Repayment of lease liabilities		(1,340)	(4,595)
Interest paid	10	(101)	(166)
Net cash used in financing activities	19	(1,441)	(4,761)
Net increase in cash and cash equivalents		57,115	41,675
Cash and cash equivalents at beginning of the year		134,627	92,400
Effect of foreign exchange rate changes		76	552
Cash and cash equivalents at end of the year, represented by bank balances and cash		191,818	134,627

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of the Hong Kong Stock Exchange. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 2107, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 38.

The 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance contracts and the related amendments ³
Amendments to HKFRS 3	Reference to the conceptual framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies ³
Amendments to HKAS 8	Definition of accounting estimates ³
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use ²
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Interests in subsidiaries

Interests in subsidiaries are stated at cost less any accumulated impairment loss.

Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investment in joint operations (continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i. e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the customers.

Dividend income is recognised when the Group's right to receive the dividend is established.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible asset

Intangible asset acquired separately

Intangible asset, including vehicle license, with indefinite useful lives that is acquired separately is carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within construction in progress under property, plant and equipment. When development is completed on a specific field, it is transferred to oil and gas properties. No depreciation is charged during the development phase.

Oil and gas production properties are aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves.

Oil and gas properties are depreciated and depleted using the unit-of-production method. Unit-of- production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered to be part of production once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Property, plant and equipment, including oil and gas properties, are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment other than oil and gas properties

Property, plant and equipment other than oil and gas properties are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Constructions in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Exploration and evaluation assets

Oil and gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised within exploration and evaluation assets until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to profit or loss.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to construction in progress under property, plant and equipment. No depreciation is charged during the exploration and evaluation phase.

Exploration and evaluation assets are tested for impairment when reclassified to construction in progress, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. Recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Exploration and evaluation assets (continued)

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 "Impairment of Assets" and whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash generating unit for impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset of the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “net loss on financial assets at fair value through profit or loss” line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, loan and interest receivables, bank balances and debt instruments at FVTOCI) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL is assessed individually for trade receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e. g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions or the counterparty can meet the financial commitment.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the business of the issuer being unstable.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables are assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

For trade receivables and loan receivables, the ECL of the Group is recognised through a loss allowance account. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision of the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Current and deferred tax for the year (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Employee benefits

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees and directors

Equity-settled share-based payments to employees and directors providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income and losses, net".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgment on whether there has been significant increase in credit risk in respect of the Group's financial assets

The management assesses whether there has been a significant increase in credit risk for exposures since initial recognition in respect of the Group's loan and interest receivables and debt instruments at FVTOCI. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative factors and results of quantitative modelling supported by reasonable and supportable forward-looking information available without undue cost or effort, with significant judgments involved. The Group determines individually whether the loan and interest receivables and debt instruments at FVTOCI have been credit impaired when one or more events having detrimental impacts on the estimated future cash flows occurred. The information about the ECL and the Group's loan and interest receivables and debt instruments at FVTOCI are disclosed in Notes 37, 23 and 22 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL on loan and interest receivables

Management regularly reviews the impairment assessment and evaluates the ECL of the loan and interest receivables. Appropriate impairment allowance is recognised in profit or loss.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one as 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 the historical settlement records, including past due dates and default rates, of each borrower and reasonable and supportable forward-looking information (such as macroeconomic factors including Gross Domestic Product ("GDP") growth and unemployment rate with adjustment on different scenarios of economic environment prospect) 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 of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records are reassessed and changes in the forward-looking information are considered.

The management further assesses the amount of exposure of default through assessing the potential loss as a result of the risk on credit-impaired loan and interest receivables to which the Group is exposed and recovery actions the Group has taken. In assessing the amount of exposure of default, the Group takes into account the timing of expected cash flows from foreclosure on the collaterals less the costs of selling the collaterals.

The provision of ECL is sensitive to changes in estimates. Owing to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 37 and 23 respectively.

Debt instrument at FVTOCI

The Group's debts instruments at FVTOCI are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL on debt instruments at FVTOCI

The Group performed impairment assessment for debt instruments at FVTOCI under ECL model individually. The determination of the loss allowances is dependent on the external macro environment and the credit rating of each debt securities. The management takes into consideration historical data from the international rating agency.

The Group determines individually whether the issuers of the debt instruments have been credit impaired when one or more events that having detrimental impacts on the estimated future cash flows occurred. Evidence that the debt instruments at FVTOCI are credit-impaired includes observable data including significant financial difficulty of the issuer and the business of issuer being unstable.

The provision of ECL involves significant estimates and judgments, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward looking information. The information about the ECL and the Group's debt instruments at FVTOCI are disclosed in Notes 37 and 22 respectively.

At 31 December 2021, the carrying amounts of debt instruments at FVTOCI was HK\$78,396,000 (2020: HK\$132,198,000) with provision of ECL of HK\$49,247,000 (2020: HK\$4,574,000) recognised during the year.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing whether an event has occurred or any indicators that may affect the recoverable amount of the assets. In estimating the value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset and key assumptions applied, including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

At 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were HK\$34,383,000 and HK\$4,200,000 (2020: HK\$985,000 and HK\$2,523,000) respectively, no impairment loss in respect of property, plant and equipment and right-of-use assets were provided for the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. 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 year is as follows:

	2021 HK\$'000	2020 HK\$'000
Sales of petroleum	1,847	14,097
Sales of electricity	652	–
Interest income from money lending business*	13,182	17,870
Interest income from debt instruments at FVTOCI*	8,871	10,142
Dividend income from financial assets at FVTPL	268	340
	24,820	42,449

* Under effective interest method

During the year, revenue from sales of petroleum is recognised at a point in time. Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales.

During the year, 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 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 Consolidated Financial Statements

For the year ended 31 December 2021

6. 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

During the year ended 31 December 2021, the Group has commenced its solar energy business which is engaged in the sales of electricity to the power companies in Hong Kong to earn feed-in tariff income from the two power companies under the FiT Scheme. The chief operating decision maker considered the solar energy business a new operating and reportable segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2021

	Petroleum exploration and production HK\$'000	Solar energy HK\$'000	Money lending HK\$'000	Investment in securities HK\$'000	Total HK\$'000
Segment revenue					
External sales/sources	1,847	652	13,182	9,139	24,820
Results					
Segment results before reversal (provision) of ECL	(4,112)	89	13,084	16,714	25,775
Reversal (provision) of ECL	-	-	4,356	(49,247)	(44,891)
Segment results	(4,112)	89	17,440	(32,533)	(19,116)
Other income and losses, net					987
Corporate expenses					(13,025)
Loss on disposal of subsidiaries					(397)
Finance costs					(75)
Loss before tax					(31,626)
Income tax credit					2,255
Loss for the year					(29,371)
Other information					
Depreciation of property, plant and equipment	(34)	(243)	-	-	(277)
Depreciation of right-of-use assets	(9)	(64)	-	-	(73)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2020

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
External sales/sources	14,097	17,870	10,482	42,449
Results				
Segment results before reversal (provision) of ECL	(2,647)	17,286	1,191	15,830
Reversal (provision) of ECL	–	12,232	(4,574)	7,658
Segment results	(2,647)	29,518	(3,383)	23,488
Other income and losses, net				9,563
Corporate expenses				(23,792)
Loss on disposal of subsidiaries				(515)
Finance costs				(166)
Profit before tax				8,578
Income tax expense				(440)
Profit for the year				8,138
Other information				
Depreciation of property, plant and equipment	(88)	–	–	(88)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss incurred/profit earned by each segment without allocation of certain other income and losses, net, corporate expenses, loss on disposal of subsidiaries, certain finance costs and income tax credit (expense).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2021 HK\$'000	2020 HK\$'000
Segment assets		
Petroleum exploration and production	1,256	3,461
Solar energy	47,599	–
Money lending	127,774	162,716
Investment in securities	85,126	166,396
Total segment assets	261,755	332,573
Unallocated:		
Property, plant and equipment	854	985
Bank balances and cash	177,911	133,585
Right-of-use assets	1,312	2,523
Other assets	1,083	6,097
Consolidated assets	442,915	475,763
Segment liabilities		
Petroleum exploration and production	1,800	2,287
Solar energy	2,860	–
Money lending	25	517
Investment in securities	–	578
Total segment liabilities	4,685	3,382
Unallocated:		
Lease liabilities	1,491	2,773
Other liabilities	10,749	10,110
Consolidated liabilities	16,925	16,265

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 Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Argentina, Hong Kong and the PRC.

Information about the Group's revenue from external customers/sources is presented based on the location of customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets (Note)	
	Year ended 31 December		At 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Argentina	1,847	14,097	172	–
Hong Kong	21,008	25,537	48,285	3,508
The PRC	1,965	2,815	–	–
	24,820	42,449	48,457	3,508

Note: Non-current assets excluded debt instruments at FVTOCI and loan and interest receivables.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue is as follows:

	2021	2020
	HK\$'000	HK\$'000
Customer A ¹	N/A ³	13,740
Customer B ²	3,300	N/A ³

Notes:

¹ Revenue from petroleum exploration and production business

² Revenue from money lending business

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant year

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7. OTHER INCOME AND LOSSES, NET

	2021 HK\$'000	2020 HK\$'000
Bank interest income	83	741
Government grant (Note (i))	–	867
Overprovision of accrued expenses (Note (ii))	1,920	6,088
Exchange gain, net	453	2,506
Loss on disposal of property, plant and equipment	–	(35)
Write off of other receivables and deposit (Note (iii))	(1,680)	–
Others	346	(7)
	1,122	10,160

Notes:

- (i) During the year ended 31 December 2020, the Group recognised government grants in respect of COVID-19-related subsidies which was related to Employment Support Scheme provided by the Hong Kong Government.
- (ii) The amount represented the overprovision of legal and professional expenses in relation to a possible acquisition in 2012 which the management had subsequently decided not to proceed with. The management considered the possibility of settling such liabilities as remote and the provision was reversed accordingly.
- (iii) The amount represented the write off of other receivables and deposit paid in relation to the petroleum exploration and production business in Argentina as the counterparty is in financial difficulties and under the process of insolvency proceedings.

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

	2021 HK\$'000	2020 HK\$'000
Net unrealised loss on financial assets at FVTPL (Note (i))	(1,229)	(1,751)
Net realised gain (loss) on disposal of financial assets at FVTPL (Note (ii))	9,099	(7,432)
	7,870	(9,183)

Notes:

- (i) The amount represented the change in the fair value of the securities acquired during the year and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the year as compared to the fair value of the financial assets at FVTPL held by the Group at 31 December 2021 and 2020, respectively.
- (ii) The amount represented the change in the fair value of the securities acquired during the year and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition of the securities (if any) during the year as compared to the fair value of the financial assets at FVTPL disposed of upon disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9. LOSS ON DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2021 and 2020, the Group disposed of its entire equity interests in five (2020: four) subsidiaries to independent third parties.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Consideration received:		
Consideration received in cash	29,100	20,000
Assets and liabilities of the disposed subsidiaries at the date of disposal:		
Property, plant and equipment	107	420
Intangible assets	–	420
Loan and interest receivables	30,904	19,697
Other receivables	60	–
Bank balances and cash	167	159
Trade and other payables	(1,714)	(181)
Income tax payable	(367)	–
Net assets disposed of	29,157	20,515
Loss on disposal of subsidiaries:		
Consideration received	29,100	20,000
Net assets disposed of	(29,157)	(20,515)
Reclassification of cumulative translation reserve upon disposal of foreign operations to profit or loss	(340)	–
Loss on disposal	(397)	(515)
Net cash inflow arising on disposal:		
Cash consideration	29,100	20,000
Less: bank balances and cash disposed of	(167)	(159)
	28,933	19,841

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities (Note 33)	101	166

11. INCOME TAX CREDIT (EXPENSE)

	2021 HK\$'000	2020 HK\$'000
Tax charge for the year comprises:		
Current tax		
Hong Kong	(944)	(502)
The PRC	(207)	(125)
	(1,151)	(627)
Overprovision (underprovision) in prior years		
Hong Kong	2,929	–
The PRC	(101)	718
	2,828	718
Deferred tax (Note 29)	578	(531)
Income tax credit (expense) recognised in profit or loss	2,255	(440)

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 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.

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 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. INCOME TAX CREDIT (EXPENSE) (continued)

The tax credit (expense) for the year can be reconciled to the loss (profit) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss (profit) before tax	31,626	(8,578)
Tax at the applicable rates of 16.5% (2020: 16.5%)	5,218	(1,415)
Tax effect of income not taxable for tax purpose	435	10,325
Tax effect of expenses not deductible for tax purpose	(448)	(4,439)
Tax effect of temporary difference not recognised	(5,686)	215
Overprovision in prior years	2,828	718
Tax effect of tax losses not recognised	(187)	(6,114)
Income tax at concessionary rate	165	165
Effect of different tax rates of subsidiaries operating in other jurisdictions	(70)	105
Income tax credit (expense) for the year	2,255	(440)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

12. (LOSS) PROFIT FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation of property, plant and equipment	382	221
Depreciation of right-of-use assets	1,284	1,196
Total depreciation	1,666	1,417
Staff costs		
– directors' emoluments (<i>Note 13</i>)	1,612	2,117
– other staff costs	7,386	10,808
– other staff's retirement benefits schemes contributions (excluding directors)	801	1,289
Total staff costs	9,799	14,214
Auditor's remuneration	1,198	850
Professional and consultancy fees (<i>Note</i>)	2,761	8,780

Note:

For the year ended 31 December 2020, the amount mainly represented the legal and professional fees incurred in connection with a proposed acquisition of hydrocarbons exploitation concession rights in Argentina, details of which were set out in the Company's circular dated 8 October 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2020: eight) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

Name	Note	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
2021					
Executive Directors					
Mr. Sue Ka Lok		-	390	20	410
Mr. Yiu Chun Kong		-	130	7	137
Mr. Chan Shui Yuen		-	490	25	515
Mr. Liang Weijie	(i)	-	190	-	190
Independent Non-executive Directors					
Mr. Pun Chi Ping		120	-	-	120
Ms. Leung Pik Har, Christine		120	-	-	120
Mr. Kwong Tin Lap		120	-	-	120
Total		360	1,200	52	1,612

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Name	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
2020					
Executive Directors					
Mr. Liu Zhiyi	(ii)	-	600	9	609
Mr. Sue Ka Lok		-	390	20	410
Mr. Yiu Chun Kong		-	130	7	137
Mr. Chan Shui Yuen		-	455	23	478
Non-executive Director					
Mr. Suen Cho Hung, Paul	(iii)	117	-	6	123
Independent Non-executive Directors					
Mr. Pun Chi Ping		120	-	-	120
Ms. Leung Pik Har, Christine		120	-	-	120
Mr. Kwong Tin Lap		120	-	-	120
Total		477	1,575	65	2,117

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive director and independent non-executive directors shown above were for their services as directors of the Company.

Notes:

- (i) Appointed on 8 April 2021 and resigned on 18 October 2021
- (ii) Resigned on 30 June 2020
- (iii) Retired on 26 June 2020

During the year, no emoluments were paid by the Group to any directors as an inducement to join, or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, no one (2020: one) is director whose emoluments is included in the disclosure in Note 13. The emoluments of the remaining five (2020: four) individuals were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and other benefits	4,634	4,463
Retirement benefits schemes contributions	591	672
	5,225	5,135

Their emoluments were within the following bands:

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	1

15. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share is calculated by dividing the (loss) profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss) profit:		
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	(29,371)	8,519
	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	5,240,344	5,240,344

For the year ended 31 December 2021, the diluted loss per share attributable to owners of the Company is not presented as there were no dilutive potential ordinary shares in issue.

For the year ended 31 December 2020, the diluted earnings per share attributable to owners of the Company is not presented as all the outstanding share options were lapsed on 4 May 2020 and there were no dilutive potential ordinary shares in issue since then.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. EXPLORATION AND EVALUATION ASSETS

	Exploration and evaluation assets HK\$'000
Cost	
At 1 January 2020, 31 December 2020 and 1 January 2021	3,778,574
Written-off	<u>(3,778,574)</u>
At 31 December 2021	<u>–</u>
Impairment	
At 1 January 2020, 31 December 2020 and 1 January 2021	3,778,574
Written-off	<u>(3,778,574)</u>
At 31 December 2021	<u>–</u>
Carrying values	
At 31 December 2020 and 31 December 2021	<u>–</u>

Exploration and evaluation assets were related to the oil exploration rights in the Chañares Herrados area ("CHE Area") and Puesto Pozo Cercado area ("PPC Area") (together the "Concessions") in the Cuyana Basin, Mendoza Province of Argentina, covering a total surface area of approximately 40.0 and 169.4 square kilometres, respectively.

The Concessions were awarded to Chañares Energía S.A. (formerly known as Chañares Herrados Empresa de Trabajos Petroleros S. A.) ("Chañares"), the concessionaire. The terms of the Concessions were 25 years commencing from 24 September 1992 and 26 June 1992, respectively, with the possibility of obtaining a 10-year extension under certain conditions.

In 2011, Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions under a decree dated 30 June 2011 issued by the Executive of the Province of Mendoza.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17. EXPLORATION AND EVALUATION ASSETS (continued)

At 31 December 2015, based on prevailing available information on oil price forecast, investment costs and operating costs, the Group considered the future development of the investment plan on the Concessions using methods of breakeven analysis and investment return analysis and concluded that it was not economically feasible to drill any new wells. Given the nature of the Group's activities, information on the fair value of the exploration and evaluation assets was difficult to obtain unless negotiation with potential purchasers were taking place such that no reliable fair value information in the market could be found. Therefore, in the opinion of the directors of the Company, the exploration and evaluation assets were fully impaired during the year ended 31 December 2015. At 31 December 2016, the Group reconsidered the future development of the investment plan on the Concessions and concluded that no well drilling programme would be launched.

As disclosed in the announcement of the Company dated 15 August 2017, the Group was notified by Chañares that the Executive of the Province of Mendoza had published a decree on 9 August 2017 declaring the lapse of the concession in respect of the PPC Area by 30 October 2017, of which the exploration and evaluation assets in respect of the Group's right over the hydrocarbon production was fully impaired during the year ended 31 December 2015. The Group was also notified by Chañares that the concession in respect of the CHE Area would be extended until 14 November 2027.

At 31 December 2017 and 31 December 2018, the Group reconsidered the future development of the investment plan on the concession in respect of the CHE Area (the "CHE Concession") and concluded that no further well drilling programme would be launched.

As disclosed in the announcement of the Company dated 24 May 2019, the Group was notified by Chañares that the Executive of the Province of Mendoza had issued a decree (the "2019 Decree") in respect of the termination of the CHE Concession as Chañares had not fulfilled its investment commitment. The Decree did not state the effective date of the termination of the CHE Concession but stated that the CHE Concession would be made available for other investors to invest and operate under a formal bidding process to be conducted (the "Bidding Process"). Accordingly, in view of the forthcoming termination of the CHE Concession, at 31 December 2019 and 31 December 2020, the Group had not reconsidered the future development of the investment plan on the CHE Concession.

As disclosed in the Company's announcement dated 16 March 2021, the Group's interest in the CHE Concession had been taken over by the new concessionaire on 13 March 2021, the exploration and evaluation assets were therefore fully written off during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK\$'000	Solar photovoltaic systems HK\$'000	Construction in progress HK\$'000	Others HK\$'000	Total HK\$'000
Cost					
At 1 January 2020	497,532	-	-	4,683	502,215
Additions	-	-	-	1,041	1,041
Eliminated on disposal of subsidiaries	-	-	-	(880)	(880)
Written-off and disposal	-	-	-	(288)	(288)
Exchange adjustment	-	-	-	102	102
At 31 December 2020	497,532	-	-	4,658	502,190
Additions (Note (i) and (ii))	-	30,220	3,551	110	33,881
Eliminated on disposal of subsidiaries	-	-	-	(1,738)	(1,738)
Written-off (Note (iii))	(497,532)	-	-	-	(497,532)
Exchange adjustment	-	-	-	43	43
At 31 December 2021	-	30,220	3,551	3,073	36,844
Depreciation and impairment					
At 1 January 2020	497,447	-	-	4,163	501,610
Provided for the year	85	-	-	136	221
Eliminated on disposal of subsidiaries	-	-	-	(460)	(460)
Eliminated on written-off and disposal	-	-	-	(253)	(253)
Exchange adjustment	-	-	-	87	87
At 31 December 2020	497,532	-	-	3,673	501,205
Provided for the year	-	243	-	139	382
Eliminated on disposal of subsidiaries	-	-	-	(1,631)	(1,631)
Written-off (Note (iii))	(497,532)	-	-	-	(497,532)
Exchange adjustment	-	-	-	37	37
At 31 December 2021	-	243	-	2,218	2,461
Carrying values					
At 31 December 2021	-	29,977	3,551	855	34,383
At 31 December 2020	-	-	-	985	985

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

- (i) As disclosed in the announcement of the Company dated 30 August 2021, the Group entered into an acquisition agreement to acquire a portfolio of existing and to-be-completed solar photovoltaic systems which are participating in the FiT Scheme. The solar photovoltaic systems were depreciated on a straight-line basis of 5% per annum.
- (ii) The amount represented the construction in progress of solar photovoltaic systems in Hong Kong, which are expected to be completed within a year.
- (iii) As described in Notes 17 and 32, the Group's interest in the CHE Concession had been taken over by the new concessionaire on 13 March 2021, the oil and gas properties were therefore written-off.

The oil and gas properties were depreciated on a unit-of-production basis over the estimated production, and the remaining items of property, plant and equipment were depreciated on a straight-line basis at 20% to 33 $\frac{1}{3}$ % per annum after taking into account their estimated residual values.

19. RIGHT-OF-USE ASSETS

	Offices and buildings HK\$'000
Carrying amount At 31 December 2021	4,200
At 31 December 2020	2,523
For the year ended 31 December 2021	
Depreciation charge	1,284
Additions to right-of-use assets	2,961
Total cash outflow for leases	1,517
Less: expenses relating to short-term leases	(76)
Net cash outflow for leases in financing activities	1,441
For the year ended 31 December 2020	
Depreciation charge	1,196
Additions to right-of-use assets	3,724
Total cash outflow for leases	5,226
Less: expenses relating to short-term leases	(465)
Net cash outflow for leases in financing activities	4,761

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

19. RIGHT-OF-USE ASSETS (continued)

For both years, the Group leases offices and buildings for its operations. Lease contracts are entered into for a fixed term of one to twelve years, but may have termination option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

At 31 December 2021, there was no outstanding lease commitment relating to short-term lease for the Group's office disclosed above.

The Group has termination option in certain leases for its offices and buildings. Termination option is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The termination options held are exercisable only by the Group and not by the lessor. The Group reassessed the lease term at the reporting date and concluded not to exercise the termination options and hence the related lease payments during the lease period were included in the lease liabilities.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the equity interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

20. INTANGIBLE ASSET

	Vehicle license HK\$'000
Cost and carrying value	
At 1 January 2020	420
Eliminated on disposal of a subsidiary (Note)	(420)
At 31 December 2020 and 31 December 2021	–

Note: During the year ended 31 December 2020, the Group disposed of a subsidiary which held the vehicle license.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

21. PREPAYMENT FOR ACQUISITION OF NON-CURRENT ASSETS AND TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Prepayment for acquisition of non-current assets (Note (i))	9,874	–
Trade receivables (Note (ii))	194	1,027
Deposits and prepayments	1,316	3,465
Deposits held for petroleum exploration and production operation (Note (iii))	–	1,085
Others (Note (iv))	106	10,216
	1,616	15,793

Notes:

- (i) The amount represented prepayments for the acquisition of solar photovoltaic systems in relation to the solar energy business (Note 18 (ii)), the amount will be utilised as consideration upon completion of the acquisition. The management expects the acquisition to be completed within a year.
- (ii) The Group allows an average credit period of 30 to 60 days (2020: 30 to 60 days). The trade receivables of HK\$194,000 (2020: HK\$1,027,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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

Details of impairment assessment of trade receivables are set out in Note 37.

- (iii) At 31 December 2020, the amount included deposits paid totalling HK\$1,076,000 in relation to the petroleum exploration and production business in Argentina, which were written off during the current year.
- (iv) At 31 December 2021, the amount included HK\$6,000 (2020: HK\$9,101,000) placed with securities brokers in relation to securities trading activities in Hong Kong.

At 31 December 2020, the amount included other receivables of HK\$604,000 in relation to the petroleum exploration and production business in Argentina, which were written off during the current year.

Included in trade and other receivables was the following amount denominated in currency other than the functional currency of the relevant group entities:

	2021 HK\$'000	2020 HK\$'000
ARS	6	1,762

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 4.70% to 11.75% (2020: 4.70% to 11.75%) per annum and maturity dates ranging from 8 March 2022 to 28 June 2025 (2020: 12 February 2022 to 28 June 2025)	78,396	132,198
Analysed as:		
Current portion	47,712	2,213
Non-current portion	30,684	129,985
	78,396	132,198

At 31 December 2021 and 2020, the fair value of debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

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 the recognised rating agencies (i.e. Moody's, Fitch), the macroeconomic factors and the changes in regulatory requirement 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 GDP growth rate and unemployment rate.

Provision of ECL of HK\$49,247,000 (2020: HK\$4,574,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income for the year.

Details of impairment assessment are set out in Note 37. All debt instruments at FVTOCI were denominated in United States dollars.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOAN AND INTEREST RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loan receivables	140,378	190,931
Interest receivables	9,538	20,152
	149,916	211,083
Less: Impairment allowance	(34,915)	(49,701)
	115,001	161,382
Analysed as:		
Current portion	115,001	127,957
Non-current portion	–	33,425
	115,001	161,382
Analysed as:		
Secured	115,001	141,669
Unsecured	–	19,713
	115,001	161,382

At 31 December 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 10% to 18% (2020: 8% to 18%) per annum and from 12 March 2022 to 13 August 2022 (2020: 3 July 2021 to 15 March 2022) respectively.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan and interest receivables:		
Within one year or on demand	115,001	127,957
In more than one year but not more than two years	–	33,425
	115,001	161,382

Before granting loans to borrowers, the Group uses internal credit assessment process to assess the potential borrower's 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a 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 the historical settlement records, including past due dates and default rates, 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 estimates of possibility of default and the expected loss given default including taking into account the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records of each borrower are reassessed and changes in the forward-looking information are considered.

At 31 December 2021, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK\$149,916,000 (2020: HK\$211,083,000), of which HK\$44,596,000 (2020: HK\$74,530,000) was secured by the borrowers' pledged properties of which the market value of the properties less its estimated costs to sell amounted to HK\$29,306,000 (2020: HK\$74,853,000), and cumulative ECL of HK\$15,162,000 (2020: HK\$6,295,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation of the collaterals; HK\$70,959,000 (2020: HK\$73,434,000) was secured by the borrowers' pledged unlisted debt instruments issued by listed company in Hong Kong with principal amount totaling HK\$200,000,000 (2020: HK\$200,000,000), and no ECL was provided after considering the adjustment to reflect loss given default based on the expected realisation of the collaterals; HK\$15,024,000 (2020: nil) was secured by the borrower's pledged unlisted debt instrument issued and cumulative ECL of HK\$416,000 (2020: nil) was provided after considering the adjustment to reflect loss given default based on the expected realisation of the collaterals; and the remaining amount of HK\$19,337,000 (2020: HK\$63,119,000) was not secured by any collateral or credit enhancement and cumulative ECL of HK\$19,337,000 (2020: HK\$43,406,000) was provided based on the ECL assessment performed.

The Group considers various actions for recovery of the credit-impaired loan including regular collateral revisions and interviews with the borrower to update the credit risk profile of the borrower. In the event that the borrower defaulted on its obligations, the Group might take possession of the assets held as collateral through court proceeding or procure the borrower to voluntarily deliver the possession of the collateral to the Group. The credit quality review process enables the Group to assess the potential loss as a result of the credit risk to which it is exposed and take appropriate recovery actions promptly.

At 31 December 2021, of the Group's loan and interest receivables balance with aggregate gross carrying amount of HK\$149,916,000 (2020: HK\$211,083,000), HK\$57,572,000 (2020: HK\$135,725,000) were not past due, HK\$34,134,000 (2020: HK\$1,411,000) had been past due for less than 30 days, HK\$537,000 (2020: HK\$1,830,000) had been past due for more than 30 days but less than 90 days, and HK\$57,673,000 (2020: HK\$72,117,000) had been past due for 90 days or more. The directors of the Company considered those loan and interest receivables that were past due for more than 90 days as credit-impaired, details of the cumulative ECL provided are set out above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

The Group recognised reversal of impairment allowance of HK\$4,356,000 (2020: HK\$12,232,000) on loan and interest receivables for the year.

The Group is not permitted to sell or repledge the collaterals in the absence of default by the borrowers. There have not been any significant changes in the quality of the collateral held for the loan and interest receivables.

The movement of impairment allowance on loan and interest receivables for the year was as follows:

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2020	49	2,506	66,200	68,755
Changes due to loan and interest receivables recognised at 1 January 2020:				
– Transfer to credit-impaired (Note (i))	–	(2,506)	2,506	–
– Impairment allowance recognised (Note (i))	–	–	20,921	20,921
– Impairment allowance reversed (Note (ii))	(49)	–	(33,909)	(33,958)
– Disposal of subsidiary (Note (iii))	(194)	–	(6,628)	(6,822)
New loans granted during the year	805	–	–	805
At 31 December 2020	611	–	49,090	49,701
Changes due to loan and interest receivables recognised at 1 January 2021:				
– Impairment allowance recognised (Note (iv))	2,195	–	12,677	14,872
– Impairment allowance reversed (Note (v))	(6)	–	(20,068)	(20,074)
– Disposal of subsidiaries (Note (vi))	(3,230)	–	(7,200)	(10,430)
New loans granted during the year	846	–	–	846
At 31 December 2021	416	–	34,499	34,915

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

Notes:

- (i) The impairment losses of HK\$2,506,000 was related to loan and interest receivables with gross carrying amount of HK\$23,388,000 transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired) with further impairment allowance of HK\$20,882,000 provided and the impairment allowance of HK\$39,000 was related to loan and interest receivables with gross carrying amount of HK\$25,245,000.
- (ii) The impairment allowance reversed of HK\$49,000 was related to settlement of loan and interests receivables with gross carrying amount of HK\$5,022,000 from 12m ECL. The impairment allowance reversed of HK\$33,909,000 was mainly related to settlement of loan and interests receivables with gross carrying amount of HK\$33,489,000 from lifetime ECL (credit-impaired).
- (iii) The impairment allowance reversed of HK\$6,822,000 was related to the disposal of a subsidiary with loan and interest receivables of gross carrying amount of HK\$26,519,000.
- (iv) The impairment loss of HK\$12,677,000 and HK\$2,195,000 were mainly related to loan and interest receivables with gross carrying amount of HK\$76,044,000 from lifetime ECL (credit-impaired) and HK\$19,894,000 from 12m ECL.
- (v) The impairment allowance reversed of HK\$6,000 was related to settlement of loan and interests receivables with gross carrying amount of HK\$1,810,000 from 12m ECL. The impairment allowance reversed of HK\$20,068,000 was mainly related to settlement of loan and interests receivables with gross carrying amount of HK\$42,824,000 from lifetime ECL (credit-impaired).
- (vi) The impairment allowance reversed of HK\$10,430,000 was related to disposal of subsidiaries with loan and interest receivables of gross carrying amount of HK\$41,334,000 as of disposal date.

Details of ECL assessment are set out in Note 37.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24. OTHER TAX RECOVERABLES

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The Group is searching for potential oilfield projects in Argentina and the directors of the Company consider that an amount of HK\$732,000 (2020: HK\$609,000) will be recovered from the sales of petroleum within twelve months from the end of the reporting period respectively, accordingly, such amounts were classified as current assets.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	6,724	25,097

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

26. BANK BALANCES AND CASH

Bank balances carried interest ranging from 0.01% to 0.60% (2020: 0.01% to 2.70%) per annum.

In addition, included in the bank balances and cash were the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ARS	18	278
US\$	31,946	22,092
RMB	11	11
C\$	11	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	129	526
Other tax payables	1,178	1,249
Accrued professional fees	390	3,237
Other payables and accruals (<i>Note</i>)	10,155	3,732
	11,852	8,744

Note: The amount included HK\$7,388,000 (2020: nil) being other payable for the acquisition of solar photovoltaic systems in relation to the 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	129	526

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

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

Included in trade and other payables were the following amount denominated in currencies other than the functional currency of the relevant group entities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ARS	1,752	1,964
US\$	–	390

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

28. LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	1,574	1,282
More than one year but not exceeding two years	418	1,327
More than two years but not exceeding five years	906	164
More than five years	1,496	–
	4,394	2,773
Less: Amount due within one year shown under current liabilities	(1,574)	(1,282)
Amount due after one year	2,820	1,491

The weighted average incremental borrowing rates applied to lease liabilities was 3.41% (2020: 3.50%).

Included in lease obligations was the following amount denominated in currency other than the functional currency of the relevant group entities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ARS	172	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities recognised and movements thereon during the current and prior years were as follows:

	Taxable temporary difference related to net unrealised gain on financial assets at FVTPL HK\$'000
At 1 January 2020	47
Charged to profit or loss (<i>Note 11</i>)	531
At 31 December 2020	578
Credited to profit or loss (<i>Note 11</i>)	(578)
At 31 December 2021	-

At 31 December 2021, the Group had unused tax losses of HK\$63,560,000 (2020: HK\$177,677,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK\$3,762,000 (2020: HK\$38,336,000) that would expire within five years from the year 2022 to 2026 (2020: from the year 2021 to 2025). All other tax losses may be carried forward indefinitely.

At 31 December 2021, the Group had deductible temporary differences of approximately HK\$15,578,000 (2020: HK\$30,364,000) arising from impairment allowance of loan and interest receivables; and HK\$56,351,000 (2020: HK\$7,104,000) arising from impairment allowance of debt instruments of FVTOCI, no deferred tax assets had been recognised due to the unpredictability of future profits streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

30. SHARE CAPITAL

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

31. 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 (the "Invested Entity"). Eligible participants of the Share Option Scheme include any employees of any member of the Group or any Invested Entity; any directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any consultant or adviser of any member of the Group or any Invested Entity; and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

The offer of a grant of share options shall remain open for acceptance by the participant concerned for a period of fifteen (15) business days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period or after the Share Option Scheme has been terminated. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK\$1.00.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. SHARE OPTION SCHEME (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but in any case the subscription price shall not be less than the higher of: (i) the closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant which must be a business day; (ii) the average closing price of the shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share. The exercise period of the share options granted is determined by the Board but in any event, no longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to the participant under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the approval of the Company's shareholders with such participant and the participant's associates abstaining from voting.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or at the date of the approval of the refreshed Scheme Mandate Limit as the case maybe.

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

In the annual general meeting of the Company held on 22 June 2017, 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 436,712,182 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 approximately 8.3% of the issued shares of the Company as at the date of this annual report.

On 4 May 2020, all the outstanding share options was lapsed. At 31 December 2021 and 31 December 2020, there were no outstanding share options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. SHARE OPTION SCHEME (continued)

Details of the movements in the number of share options during the year ended 31 December 2020 under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercisable Period (both dates inclusive)	Exercise price HK\$ (Note (i))	Outstanding at 1 January 2020	Granted/forfeited/ exercised/lapsed during the year ended 31 December 2020 (Note (ii))	Outstanding at 31 December 2020
Directors:						
Mr. Liu Zhiyi (Note (iii))	4 May 2017	4 May 2017 - 3 May 2020	0.53	43,500,000	(43,500,000)	-
Mr. Sue Ka Lok	4 May 2017	4 May 2017 - 3 May 2020	0.53	22,800,000	(22,800,000)	-
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 - 3 May 2020	0.53	600,000	(600,000)	-
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 - 3 May 2020	0.53	900,000	(900,000)	-
Mr. Pun Chi Ping	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-
				68,400,000	(68,400,000)	-
Employees:						
In aggregate	4 May 2017	4 May 2017 - 3 May 2020	0.53	368,010,000	(368,010,000)	-
Others						
	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-
				436,710,000	(436,710,000)	-

Notes:

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

No share options were granted and no share-based payments expense was recognised during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. JOINT OPERATIONS

Chañares, an independent third party, entered into a joint venture agreement (the “2007 JV Agreement”) with another independent third party (the “Third Party”) on 14 November 2007 in connection with the development of incremental hydrocarbons production in the Concessions, through the investments made by the Third Party. Under the 2007 JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the 2007 JV Agreement, as well as any other benefit obtained from the exploration and production of the works performed thereunder, would be distributed in the following proportion: 28% for Chañares and 72% for the Third Party.

A wholly-owned subsidiary of the Company, Have Result Investments Limited (“Have Result”), entered into an agreement “Assignment of Rights, Investment and Technical Cooperation” with the Third Party dated 24 November 2007, as amended and/or supplemented by (i) a deed of undertaking executed by the Third Party on 12 December 2007; (ii) a supplementary deed of undertaking executed by the Third Party on 28 December 2007; and (iii) a document entitled “Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation” executed by and between the Third Party and Have Result, dated 19 December 2008 (the “Assignment Agreement”). Under the Assignment Agreement, the Third Party assigned in favour of Have Result 51% of its rights on the future production as a consequence of new drillings and the operation of new wells in the Concessions. The incremental hydrocarbon production derived from the new wells in the Concessions would first cover the operating costs and thereafter was shared by the proportion of 51% to Have Result, 21% to the Third Party and 28% to Chañares. As from the date the wells drilled under the terms of the Assignment Agreement went into production, the Third Party should also reimburse Have Result for 21% of the aggregate investments made by Have Result in the Concessions.

On 2 December 2010, Have Result sent a letter to the Third Party acknowledging the notice of the termination of the 2007 JV Agreement (the “Termination”) while as advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remained entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Concessions (the “Existing Wells”), provided that Have Result continued to pay the relevant operating costs as required by the production allocated to it.

On 2 December 2010, another wholly-owned subsidiary of the Company, Southstart Limited, and Chañares entered into a new joint venture agreement (the “2010 JV Agreement”), pursuant to which, EP Energy S.A. (“EP Energy”), a wholly-owned subsidiary of the Company, was entitled to share 72% of hydrocarbon production from the wells drilled by EP Energy in the current and future years until the end of the Concessions period and paid US\$6,000,000 (equivalent to approximately HK\$46,800,000) to Chañares in consideration for the oil exploration and production right in the Concessions during the current term of the Concessions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. JOINT OPERATIONS (continued)

Pursuant to the 2010 JV Agreement, the total consideration for the oil exploration and production right was subject to adjustment with reference to whether or not Chañares could obtain the extension of the term of Concessions (the "Extension") by 31 December 2011. On 14 July 2011, the Company was informed by Chañares that the Mendoza Government issued a decree, pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions until 2027. EP Energy paid an aggregate amount of US\$4,000,000 (equivalent to approximately HK\$31,200,000) to Chañares in consideration for the oil exploration and production right in the Concessions during the extended term of the Concessions. A sum of US\$1,404,000 (equivalent to approximately HK\$10,952,000) was paid in 2011 and the remaining balance of US\$2,596,000 (equivalent to approximately HK\$20,248,000) was paid in 2012.

According to the 2010 JV Agreement, EP Energy was obliged to drill a minimum of five production wells per year during the five consecutive years from 2012, and two production wells per year for the following years until the seventh year before the expiration of the extended term of the Concessions. Failure to meet the minimum drilling requirements might render the 2010 JV Agreement to be terminated and EP Energy would be forfeited any rights to continue drilling but it will not be forfeited any right in respect of the wells already drilled.

On 5 June 2012, EP Energy, Have Result and Chañares entered into an operation agreement (the "Operation Agreement").

Pursuant to the Operation Agreement, Chañares agreed to release EP Energy from the above commitment. EP Energy, however, retained the right to drill and invest in the Concessions during the life of the Concessions awarded with respect to any extension thereof. If five or more new wells were drilled by EP Energy in a year, EP Energy would be entitled to 72% and Chañares would be entitled to 28% of the hydrocarbon production of the new wells; and if less than five new wells were drilled by EP Energy in a year, EP Energy would be entitled to 65% and Chañares would be entitled to 35% of the hydrocarbon production of the new wells. The Operation Agreement confirmed that the hydrocarbon production of the existing five wells drilled by EP Energy would continue to be distributed in accordance with the 2010 JV Agreement, i.e. 72% to EP Energy and 28% to Chañares. On the other hand, Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Concessions.

The Operation Agreement reconfirmed that Have Result had the right to receive 51% of the hydrocarbon production obtained from the Existing Wells until the termination of the Concessions and any extension thereof.

In August 2017, the Group was notified by Chañares that the concession in respect of the PPC Area was lapsed, and the CHE Concession would be extended until 14 November 2027 (Note 17).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32. JOINT OPERATIONS (continued)

In May 2019, the Group was notified by Chañares that the CHE Concession had been terminated according to the 2019 Decree (Note 17). Despite this, as disclosed in the announcement of the Company dated 18 June 2019, the Company had been advised by its legal advisor in Argentina that, as stated in the 2019 Decree, before the successful bidder took over the concession, Chañares could continue to operate in the CHE Concession under the same contractual conditions previously granted. In light of the advice from the legal advisor in Argentina and the Company's understanding that Chañares continued to operate in the CHE Concession since the issuance of the 2019 Decree, the Company considered that the termination of the CHE Concession contemplated under the 2019 Decree had no immediate impact on the Group's operations in Argentina unless and until there was a successful bidder who took over the CHE Concession after the Bidding Process. As disclosed in the Company's circulars dated 12 March 2020 and 8 October 2020, after due evaluation of the data and information relating to the Chañares Concession, the Company intended, through its indirect wholly-owned subsidiary, to submit a bid offer (the "Bid") for the Chañares Concession under the Bidding Process and the Bid was submitted on 28 October 2020 (Argentina time).

As disclosed in the Company's announcements dated 12 March 2021, 15 March 2021 and 16 March 2021, on 11 March 2021 (Argentina time), the Group received from the Hydrocarbons Department of Mendoza Province, Argentina a decree issued by the Ministry of Economy and Energy of the Mendoza Government, Argentina (the "Decree") which stated that the Chañares Concession would be awarded to a new concessionaire other than the Company's indirect wholly-owned subsidiary for a 25-year term from the date following the publication of the Decree in the official gazette (the "Gazette") of the Mendoza Province. On 12 March 2021 (Argentina time), the Decree was published in the Gazette. On 15 March 2021 (Argentina time), the Company was informed by Chañares that the new concessionaire took over the Chañares Concession on 13 March 2021 (Argentina time).

As disclosed in the Company's announcement dated 16 March 2021, the Group's interest in the CHE Concession had been taken over by the new concessionaire on 13 March 2021 and the joint operation arrangement terminated accordingly.

The aggregate amount of assets and liabilities, revenue and expenses recognised in the consolidated financial statements in relation to the Group's interest in the joint operations are as follows:

	2021 HK\$'000	2020 HK\$'000
Assets (Note)	–	3,461
Liabilities	–	2,287
Revenue	–	14,097
Expenses	–	16,744

Note: At 31 December 2020, the assets represented other tax recoverable of HK\$609,000, trade and other receivables of HK\$2,407,000 and bank balances and cash of HK\$445,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000
At 1 January 2020	3,612
Financing cash flows	(4,761)
New lease entered	3,724
Exchange adjustment	32
Interest expense (<i>Note 10</i>)	166
At 31 December 2020	2,773
Financing cash flows	(1,441)
New lease entered	2,961
Interest expense (<i>Note 10</i>)	101
At 31 December 2021	4,394

34. RETIREMENT BENEFIT SCHEMES

The Group contributes to MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Contributions to the MPF Scheme by the Group and the employees are calculated as a percentage of the employee's relevant income. The retirement benefit scheme costs recognised in profit or loss represent contributions payable by the Group to the schemes. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group also participates in the employees' pension scheme of the respective municipal governments in the countries where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary of the employees and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

The total expense recognised in profit or loss of HK\$853,000 (2020: HK\$1,354,000) represents contribution paid/payable to these schemes by the Group at rates specified in the rules of the schemes.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Short-term employee benefits	5,774	6,484
Retirement benefit schemes contributions	546	641
	6,320	7,125

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

36. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital structure are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to manage its capital structure, the Group will balance its overall capital structure through payment of dividends, new share issues as well as raise of new debts.

The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

37. FINANCIAL INSTRUMENTS

Financial risk management objectives

Financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include prepayment on acquisition of non-current assets, debt instruments at FVTOCI, trade and other receivables, loan and interest receivables, financial assets at FVTPL, bank balances and cash and trade and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at FVTPL	6,724	25,097
Financial assets at amortised cost	317,833	309,955
Debt instruments at FVTOCI	78,396	132,198
Financial liabilities		
Amortised cost	8,070	1,246
Lease liabilities	4,394	2,773

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan and interest receivables, debt instruments at FVTOCI and lease liabilities. The Group is also exposed to cash flow interest rate risk relates primarily to the Group's short-term deposits placed with banks and variable-rate bank balances that are interest-bearing at market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Total interest revenue/income from financial assets that are measured at amortised cost or at FVTOCI is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest revenue		
Financial assets at amortised cost	13,182	17,870
Debt instruments at FVTOCI	8,871	10,142
Other income and losses, net		
Financial assets at amortised cost	83	741
Revenue/interest income under effective interest method	22,136	28,753

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, (loss) profit after tax for the year ended 31 December 2021 of the Group would decrease/increase by HK\$959,000 (2020: increase/decrease HK\$673,000).

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's other comprehensive expense for the year ended 31 December 2021 would increase/decrease by HK\$327,000 (2020: other comprehensive income decrease/increase by HK\$552,000) as a result of the changes in the fair value of debt instruments at FVTOCI.

Foreign currency risk management

Several subsidiaries of the Company have assets and liabilities denominated in foreign currencies which expose the Group to foreign currency risk. During the year under review, the Group had not experienced any significant exchange rate exposure to United States dollars as Hong Kong dollars and United States dollars exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of Renminbi and will consider a formal foreign currency hedging policy for it should the needs arise. As for the Group's petroleum operation in Argentina, the oil selling proceeds are quoted at United States dollars and converted into Argentina Peso for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on United States dollars and converted into Argentina Peso for payments. The functional currency of the Argentina group entities is United States dollars. The Group currently does not have a formal foreign currency hedging policy for Argentina Peso, however, the management regularly monitors foreign exchange exposure of Argentina Peso and will undertake appropriate hedging measures should significant exposures arise.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities, at the reporting date were as follows:

	Assets		Liabilities	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
ARS	24	2,040	(1,924)	(1,964)
US\$	110,342	154,290	-	(390)
RMB	11	11	-	-
C\$	11	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to 10% increase and decrease in HK\$ against the relevant foreign currencies. Under the pegged exchange rate system, the financial impact on exchange difference between Hong Kong dollars and United States dollars will be immaterial as most US\$ denominated monetary assets are held by group entities having Hong Kong dollars as their functional currency, and therefore no sensitivity analysis has been prepared against United States dollars. In addition, since the Renminbi and Canadian dollars denominated monetary assets held by the Group are immaterial, no sensitivity analysis has been prepared against Renminbi and Canadian dollars.

Sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The analysis represents the sensitivity of trade and other receivables, bank balances, trade and other payables and lease liabilities that are denominated in Argentina Peso. A negative number below indicates a decrease in loss after tax (2020: a positive number indicated a decrease in profit after tax) where Hong Kong dollars being 10% (2020: 10%) strengthened against Argentina Peso. For Hong Kong dollars being 10% (2020: 10%) weakened against Argentina Peso, there would be an equal and opposite impact on the (loss) profit after tax.

	ARS impact	
	2021	2020
	HK\$'000	HK\$'000
Decrease in loss after tax (2020: decrease in profit after tax)	(133)	5

In management's opinion, the sensitivity analysis reflects the exposure at the year end, but not the exposure during the year.

Other price risk

The Group is exposed to price risk from investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

Financial assets at FVTPL

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 20% higher/lower, loss after tax for the year ended 31 December 2021 would decrease/increase by HK\$1,123,000 (2020: profit after tax would increase/decrease by HK\$4,191,000) as a result of the change in fair value of financial assets at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to prepayment for acquisition of non-current assets, trade and other receivables, loan and interest receivables, bank balances and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with these financial assets, except that the credit risks associated with certain loan and interest receivables are mitigated because they are secured by collaterals.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade Receivables	Financial assets other than trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Medium risk	Debtor frequently settles after due dates	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

					2021 Gross carrying amount/ fair value HK\$'000	2020 Gross carrying amount/ fair value HK\$'000
	Notes	External credit rating	Internal credit rating	12m or lifetime ECL		
Debt instruments at FVTOCI						
Investments in listed bonds	22	BB+ (2020: BB- to B+)	Low risk	12m ECL	15,675	117,743
		B	Medium risk	12m ECL	–	14,455
		BB- to B- RD	High risk Loss	Lifetime ECL Lifetime ECL-credit impaired	57,640 5,081	– –
Financial assets at amortised cost						
Loan and interest receivables	23	N/A	Low risk Medium risk High risk Loss	12m ECL 12m ECL Lifetime ECL Lifetime ECL-credit impaired	– 15,025 – 134,891	1,810 19,894 – 189,379
Other receivables and deposits and prepayment	21	N/A	(Note (i)) Write-off	12m ECL Lifetime ECL-credit impaired	10,820 1,680	12,919 –
Trade receivables	21	N/A	(Note (ii))	Lifetime ECL (simplified approach)	194	1,027
Bank balances	26	BBB- to AA (2020: BBB- to AA)	N/A	12m ECL	191,791	134,564

Notes:

- (i) For the purpose of internal credit assessment, the Group assesses whether credit risk has increased significantly since initial recognition based on the financial background, financial condition and historical settlement records of the counterparties, and both the quantitative and qualitative information including reasonable and supportive forward-looking information available without undue cost or effort.
- (ii) The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance for trade receivables on lifetime ECL basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Trade receivables

At 31 December 2021, the Group had concentration of credit risk for its trade receivables as 100% (2020: 100%) of the amount was attributable to the Group's trading customer in Hong Kong (2020: Argentina) and it contributed to 3% (2020: 32%) of the Group's revenue. However, since the trade receivables are due from a major power company (2020: state-owned oil company) of good creditability, the management considers that the Group's credit risk is low and ECL is minimal at 31 December 2021 and 2020.

Other receivables and deposits and prepayments

For other receivables and deposits of HK\$946,000 (2020: HK\$12,919,000), the management assessed the credit risk individually on the recoverability based on the financial background, financial condition and historical settlement records of the counterparties, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management considers that there is no significant increase in credit risk since initial recognition and thus no loss allowance recognised during the years ended 31 December 2021 and 2020.

For the prepayment for acquisition of non-current assets, the amount of HK\$9,874,000 was paid to a reputable company in Hong Kong with low credit risk and thus no loss allowance recognised during the year ended 31 December 2021.

During the year ended 31 December 2021, the management considers that the counterparty of other receivables and deposits held for petroleum exploration and production is in financial difficulty since initial recognition and thus the amount totalling HK\$1,680,000 (2020: nil) was written off.

Loan and interest receivables

At 31 December 2021, the carrying amount of loan and interest receivables was HK\$115,001,000 (2020: HK\$161,382,000). The Group had concentration of credit risk for its loan and interest receivables as 100% (2020: 85%) of the carrying amount at 31 December 2021 was due from five (2020: five) borrowers which amounted to HK\$115,001,000 (2020: HK\$137,203,000) at 31 December 2021. The Group seeks to maintain strict control over its outstanding loan and interest receivables to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

The recoverability of outstanding loan and interest receivables are determined by an evaluation of the financial background, financial condition and historical settlement records, including past due rates and default rates, of the borrowers and reasonable and supportable forward-looking information (such as forecast of macroeconomic factors including GDP growth and unemployment rate with adjustment on different scenarios of economic environment prospect) that is available without undue cost or effort at the end of each reporting period. The borrowers are assigned with different risk grading under internal credit ratings to calculate the ECL, taking into consideration the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the expected loss given default including taking into account the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. Owing to the great financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is a high risk that a prolonged pandemic could lead to increased credit default rates. The collaterals pledged to the Group in relation to outstanding loans comprise properties or unlisted debt instruments issued by listed company in Hong Kong with the estimated fair value of certain collaterals are higher than the related loan balances individually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Loan and interest receivables (continued)

At 31 December 2021, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK\$92,344,000 (2020: HK\$75,358,000) which were past due as at the reporting date, of which HK\$34,134,000 (2020: HK\$1,411,000) had been past due for less than 30 days, HK\$537,000 (2020: HK\$1,830,000) had been past due for more than 30 days but less than 90 days and HK\$57,673,000 (2020: HK\$72,117,000) had been past due for 90 days or more. The directors of the Company considered those loan and interest receivables that were past due for more than 90 days as credit-impaired, details of the cumulative ECL provided are set out in Note 23.

Debt instruments at FVTOCI

At 31 December 2021, the carrying amount of debt instruments at FVTOCI was HK\$78,396,000 (2020: HK\$132,198,000). The Group had concentration of credit risk for its debt instruments at FVTOCI as 78% (2020: 77%) of the carrying amount at 31 December 2021 was due from four (2020: six) debt instruments at FVTOCI which amounted to HK\$61,519,000 (2020: HK\$101,932,000) at 31 December 2021.

During the year ended 31 December 2021, provision of ECL on debt instruments at FVTOCI amounting to HK\$49,247,000 (2020: HK\$4,574,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income. At 31 December 2021, the cumulative impairment allowance for debt instruments at FVTOCI amounted to HK\$56,351,000 (2020: HK\$7,104,000).

The Group's debt instruments at FVTOCI mainly comprise instruments that have a commensurate level of risk of default when comparing to its rate of return in terms of coupon interests given that the counterparties have a stable capacity to repay, the assessment process has also taken into account other comparable debt instruments of investment grade and/or issuers have good credit history and repayment records. The Group assesses the financial strengths and performance of the issuers in satisfying the repayment of principal and interest of the debt instruments as they fall due. The Group also closely monitors the changes in the credit ratings of the issuers and follows their market news for taking immediate actions if there is an indication of a deterioration of the repayment ability of the issuers.

The Group determines individually whether the issuers of the debt instruments have been suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the issuers at initial recognition and at the end of the reporting period. At 31 December 2021, included in the Group's debt instruments balance were issuer with carrying amount of HK\$78,396,000 (2020: HK\$132,198,000), of which HK\$15,675,000 (2020: HK\$132,198,000) which is under 12m ECL, due to low credit risk; HK\$57,640,000 (2020: nil) which is under lifetime ECL (not credit impaired), due to significant deterioration in the internal credit rating and adverse change in the business during the reporting period; HK\$5,081,000 under lifetime ECL (credit impaired), as certain issuers are engaging in businesses that are unstable and in significant financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI (continued)

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments and the Company's management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. In making that evaluation, the Group assessed the ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by the recognised rating agency (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 GDP growth rate and unemployment rate.

	12m ECL HK\$'000	Lifetime ECL (not credit impaired) HK\$'000	Lifetime ECL (credit impaired) HK\$'000	Total HK\$'000
At 1 January 2020	2,530	–	–	2,530
Changes due to debt instruments at FVTOCI recognised at 1 January 2020:				
– Impairment allowance recognised	4,476	–	–	4,476
– Impairment allowance reversed (Note (i))	(324)	–	–	(324)
New debt instruments purchased (Note (ii))	422	–	–	422
At 31 December 2020	7,104	–	–	7,104
Changes due to debt instruments at FVTOCI recognised at 1 January 2021:				
– Transferred to lifetime ECL (Note (iii))	(6,588)	3,281	3,307	–
– Impairment allowance reversed (Note (iv))	(434)	–	–	(434)
– Impairment allowance recognised	–	15,967	33,714	49,681
At 31 December 2021	82	19,248	37,021	56,351

Notes:

- (i) The impairment allowance reversed of HK\$324,000 was attributed to the derecognition of debt instruments with carrying amount of HK\$15,600,000.
- (ii) The carrying amount of new debt instruments purchased amounting to HK\$7,903,000 during the year ended 31 December 2020.
- (iii) The impairment allowance of HK\$6,588,000 was transferred from 12m ECL to lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) with debt instruments of carrying amount of HK\$57,640,000 and HK\$5,081,000 respectively.
- (iv) The impairment allowance reversed of HK\$434,000 was attributed to the decrease in credit risk of debt instrument with carrying amount of HK\$15,675,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms.

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities, and on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest in effect at the end of the reporting period.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 6 months HK\$'000	7 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2021							
Non-derivative financial liabilities							
Trade payables	–	129	–	–	–	129	129
Other payables	–	7,941	–	–	–	7,941	7,941
		8,070	–	–	–	8,070	8,070
Lease liabilities	3.41	141	706	847	3,387	5,081	4,394
		8,211	706	847	3,387	13,151	12,464
At 31 December 2020							
Non-derivative financial liabilities							
Trade payables	–	526	–	–	–	526	526
Other payables	–	720	–	–	–	720	720
		1,246	–	–	–	1,246	1,246
Lease liabilities	3.50	113	564	677	1,518	2,872	2,773
		1,359	564	677	1,518	4,118	4,019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

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).

	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	2021 HK\$'000	2020 HK\$'000		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	33,259	132,198	Level 1	Quoted bid prices in active markets
	45,137	–	Level 2	Quoted market prices with credit risk adjustment
Financial assets at FVTPL				
Listed equity securities	6,724	25,097	Level 1	Quoted bid prices in an active market

During the year, the fair value of the debt instruments of HK\$45,137,000 was measured using quoted market prices with credit risk adjustment and classified as Level 2 of the fair value hierarchy as the quoted prices do not represent their fair value.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the consolidated financial statements approximate to their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2021 and 2020, are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
EP Energy S. A.	Argentina	ARS303,600 (2020: ARS303,600)	-	100% (2020: 100%)	Petroleum exploration and production
Have Result Investments Limited	British Virgin Islands/ Argentina	US\$10,000 (2020: US\$10,000)	-	100% (2020: 100%)	Petroleum exploration and production
EPI Energy Investments Limited	Hong Kong	HK\$1 (2020: HK\$1)	-	100% (2020: 100%)	Sales of electricity
Have Result Finance Limited	Hong Kong	HK\$100 (2020: HK\$100)	-	100% (2020: 100%)	Money lending
EPI Management Limited	Hong Kong	HK\$1 (2020: HK\$1)	-	100% (2020: 100%)	Investment in securities and management
Mobilewise (Hong Kong) Limited (Note (iii))	Hong Kong	N/A (2020: HK\$1)	-	- (2020: 100%)	Investment in securities and management
Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership) (literal translation of its Chinese name 廈門兆聯恒天智創投資管理合夥企業 (有限合夥) (Note (i))	The PRC	RMB60,824,578 (2020: RMB60,824,578)	-	100% (2020: 100%)	Investment holding and money lending
Mobilewise Network Technology (Beijing) Limited (literal translation of its Chinese name 携智網絡技術(北京)有限公司 (Note (ii) and (iii))	The PRC	N/A (2020: US\$1,400,000)	-	- (2020: 100%)	Money lending

Notes:

- (i) Incorporated as unincorporated business (limited partnership).
- (ii) Incorporated as limited liability company (solely funded by Taiwan, Hong Kong and Macao corporate body).
- (iii) During the year ended 31 December 2021, the companies were disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the Group. To give details of other insignificant subsidiaries which are mainly inactive or engaged in investment holding would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

39. CAPITAL COMMITMENTS

At 31 December 2021, the Group had capital commitments of HK\$34,203,000 and 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 consolidated financial statements.

40. EVENTS AFTER THE REPORTING PERIOD

On 9 February 2022, EP Resources Corporation, an indirect wholly-owned subsidiary of the Company, ("EP Resources") as purchaser and RockEast Energy Corp. ("RockEast") as vendor entered into an asset purchase and sale agreement (the "APA"), pursuant to which EP Resources has conditionally agreed to acquire, and RockEast has conditionally agreed to sell, an operating oil field which comprises the petroleum and natural gas rights, the facilities and pipelines, together with all other properties and assets located in Alberta Province of Canada at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group's management is in the process of completing the transactions contemplated thereunder. Further details of the transactions are contained in the Company's circular dated 11 March 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Property, plant and equipment	–	–
Unlisted interests in subsidiaries	–*	–*
Amounts due from subsidiaries	35,210	93
Total non-current assets	35,210	93
Current assets		
Other receivables, prepayment and deposits	468	1,172
Amounts due from subsidiaries	198,758	304,341
Bank balances and cash	171,712	100,532
Total current assets	370,938	406,045
Current liabilities		
Other payables	2,438	4,238
Amounts due to subsidiaries	6,630	6,691
Tax payable	146	3,092
Total current liabilities	9,214	14,021
Net current assets	361,724	392,024
Total assets less current liabilities	396,934	392,117
Capital and reserves		
Share capital	52,403	52,403
Reserves (<i>Note</i>)	344,531	339,714
Total equity	396,934	392,117

* The amount of investment in subsidiaries is less than HK\$1,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2020	918,270	201,645	(732,634)	387,281
Loss and total comprehensive expense for the year	—	—	(47,567)	(47,567)
At 31 December 2020	918,270	201,645	(780,201)	339,714
Profit and total comprehensive income for the year	—	—	4,817	4,817
At 31 December 2021	918,270	201,645	(775,384)	344,531

Five-Year Financial Summary

For the year ended 31 December 2021

RESULTS

	For the year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	24,820	42,449	60,560	71,419	57,870
(Loss) profit before tax	(31,626)	8,578	(137,327)	(115,087)	(48,424)
Income tax credit (expense)	2,255	(440)	(772)	(140)	(6,431)
(Loss) profit for the year	(29,371)	8,138	(138,099)	(115,227)	(54,855)
Attributable to:					
Owners of the Company	(29,371)	8,519	(138,099)	(115,227)	(54,855)
Non-controlling interests	–	(381)	–	–	–
	(29,371)	8,138	(138,099)	(115,227)	(54,855)

ASSETS AND LIABILITIES

	At 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	442,915	475,763	469,264	599,667	706,920
Total liabilities	(16,925)	(16,265)	(25,368)	(24,614)	(147,804)
Equity attributable to owners of the Company	425,990	459,498	443,896	575,053	559,116
Attributable to:					
Owners of the Company	425,990	459,879	443,896	575,053	559,116
Non-controlling interests	–	(381)	–	–	–
	425,990	459,498	443,896	575,053	559,116