EPI (Holdings) Limited
長盈集團(控股)有限公司*

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

ANNUAL REPORT 2022

*For identification purpose only

Contents

Abbreviations

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

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

The Chinese version of this 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

Rooms 1502-03, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

TRADING OF SHARES

Hong Kong Stock Exchange
(Stock Code: 689)

WEBSITE

https://www.epiholdings.com

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 2022 ("**FY2022**").

RESULTS

For FY2022, the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money leading and investment in securities.

During FY2022, there was a sharp surge in international oil prices largely because of the revival of economic activities worldwide following the easing of the COVID pandemic, and the tightened supply of energy sources following the outbreak of war between Russia and Ukraine. The price of Brent crude oil, one of the benchmarks of international oil prices, jumped from around US$80 per barrel in December 2021, reached its peak of over US$130 per barrel in March 2022, and dropped back to around US$80 per barrel in December 2022. Although international oil prices continue to fluctuate considerably recently, they are hovering at comparatively high levels to their historical trends in the past five years and current market outlook of the industry remains positive.

Leveraging on the Group's business experience of its oil operation in Argentina and with the intent of continuing its petroleum exploration and production business, as announced by the Company on 17 July 2022, the Group has completed the acquisition of an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province of Canada (the "**Canadian Oil Assets**") for a final consideration of C$22,500,000 (equivalent to HK$135,461,000). Upon closing of the transactions, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements. For the period from 16 July 2022 to 31 December 2022, the Canadian Oil Assets contributed a revenue of HK$30,932,000 and an operating profit of HK$4,078,000 to the Group's results for FY2022, and for the same period, the earnings before interest, taxes, depreciation and amortisation generated by the Canadian Oil Assets was HK$13,178,000. The acquisition of the Canadian Oil Assets represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

In alignment with the Group's strategic initiatives to develop a diversified and balanced energy business portfolio, in July 2021, the Group entered into a cooperation framework agreement (the "**Cooperation Agreement**") with a specialist solar energy total solution and services provider to invest in solar energy power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the "**FiT Scheme**"), which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. In August 2021, for further development of the solar energy business, the Group entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 31 December 2022, the Group has invested a sum of HK$51,516,000 in solar energy power generation projects under the two aforementioned agreements.

For FY2022, the Group's petroleum exploration and production business contributed a profit of HK$4,078,000 (2021: loss of HK$4,112,000), the solar energy business contributed a profit of HK$1,403,000 (2021: HK$89,000), the money lending business recorded a loss of HK$16,237,000 (2021: profit of HK$17,440,000), and the Group's investment in securities recorded a loss of HK$9,743,000 (2021: HK$32,533,000).

Overall speaking, the Group recorded an increase in revenue by 84% to HK$45,102,000 (2021: HK$24,496,000), mainly due to the incorporation of the Canadian Oil Assets' revenue in the Group's consolidated financial statements since July 2022, and reported a loss attributable to owners of the Company of HK$46,746,000 (2021: HK$29,371,000) that mainly due to (i) the recognition of net loss on financial assets at fair value through profit or loss of HK$1,952,000 in contrast to the net gain of HK$7,870,000 recorded in last year; (ii) the increase in depreciation which mainly related to the Canadian Oil Assets and the Group's solar energy power generation projects to HK$13,130,000 (2021: HK$1,666,000); (iii) the provision of expected credit loss ("**ECL**") on loan and interest receivables of HK$20,019,000 (2021: reversal of ECL of HK$4,356,000); and (iv) the increase in other expense to HK$14,875,000 (2021: HK$7,193,000) mainly due to the professional fees incurred for the acquisition of the Canadian Oil Assets; whilst partly offset by (i) the decrease in provision of ECL on debt instruments at fair value through other comprehensive income to HK$11,081,000 (2021: HK$49,247,000), and (ii) the profit contributions from the petroleum exploration and production and solar energy businesses totalling HK$5,481,000 (2021: net loss of HK$4,023,000). Basic loss per share was HK0.89 cent (2021: HK0.56 cent).

PROSPECTS

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

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

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

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

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

Statement from the Board

APPRECIATION

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

Sue Ka Lok
Executive Director

Hong Kong, 30 March 2023

BUSINESS REVIEW

For the year ended 31 December 2022 ("**FY2022**"), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During FY2022, there was a sharp surge in international oil prices largely because of the revival of economic activities worldwide following the easing of the COVID pandemic, and the tightened supply of energy sources following the outbreak of war between Russia and Ukraine. The price of Brent crude oil, one of the benchmarks of international oil prices, jumped from around US$80 per barrel ("**bbl**") in December 2021 to its peak of over US$130 per bbl in March 2022, and dropped back to around US$80 per bbl in December 2022. Although international oil prices continue to fluctuate considerably recently, they are hovering at comparatively high levels to their historical trends in the past five years and current market outlook of the industry remains positive.

Leveraging on the Group's business experience of its oil operation in Argentina and with the intent of continuing its petroleum exploration and production business, as announced by the Company on 17 July 2022, the Group has completed the acquisition of an operating oilfield which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province in Canada (the "**Canadian Oil Assets**") for a final consideration of C$22,500,000 (equivalent to HK$135,461,000). Upon closing of the transaction, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements. For the period from 16 July 2022 to 31 December 2022, the Canadian Oil Assets contributed a revenue of HK$30,932,000 and an operating profit of HK$4,078,000 to the Group's results for FY2022, and for the same period, the earnings before interest, taxes, depreciations and amortisation ("**EBITDA**") generated by the Canadian Oil Assets was HK$13,178,000.

In alignment with the Group's strategic initiatives to develop a diversified and balanced energy business portfolio, in July 2021, the Group entered into a cooperation framework agreement (the "**Cooperation Agreement**") with a specialist solar energy total solution and services provider to invest in solar energy power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the "**FiT Scheme**"), which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. In August 2021, for further development of the solar energy business, the Group entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 31 December 2022, the Group has invested a sum of HK$51,516,000 in solar energy power generation projects under the two aforementioned agreements.

Management Discussion and Analysis

For FY2022, the Group recorded an increase in revenue by 84% to HK$45,102,000 (2021: HK$24,496,000), mainly due to the incorporation of the Canadian Oil Assets' revenue in the Group's consolidated financial statements since July 2022, and reported a loss attributable to owners of the Company of HK$46,746,000 (2021: HK$29,371,000) that mainly attributed to (i) the recognition of net loss on financial assets at fair value through profit or loss ("**FVTPL**") of HK$1,952,000 in contrast to the net gain of HK$7,870,000 recorded in last year; (ii) the increase in depreciation which mainly related to the Canadian Oil Assets and the Group's solar energy power generation projects to HK$13,130,000 (2021: HK$1,666,000); (iii) the provision of expected credit loss ("**ECL**") on loan and interest receivables of HK$20,019,000 (2021: reversal of ECL of HK$4,356,000); and (iv) the increase in other expenses to HK$14,875,000 (2021: HK$7,193,000) mainly due to the professional fees incurred for the acquisition of the Canadian Oil Assets, whilst partly offset by (i) the decrease in provision of ECL on debt instruments at fair value through other comprehensive income ("**FVTOCI**") to HK$11,081,000 (2021: HK$49,247,000); and (ii) the profit contributions from the petroleum exploration and production and solar energy businesses totalling HK$5,481,000 (2021: net loss of HK$4,023,000).

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 was taken over by a new concessionaire on 13 March 2021, accordingly, the Group's petroleum exploration and production business in Argentina ceased in FY2022. As above mentioned, the acquisition of the Canadian Oil Assets was completed on 16 July 2022, since then, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements. For FY2022, the Group's petroleum exploration and production business (now constituted by the Canadian Oil Assets) generated a revenue of HK$30,932,000, an operating profit of HK$4,078,000 and an EBITDA of HK$13,178,000 whilst in last year, before the CHE Concession was taken over, it generated a revenue of HK$1,523,000 and incurred an operating losses of HK$4,112,000. It is expected that the revenue and EBITDA generated by the Canadian Oil Assets will continue to grow in 2023 as their full year results, together with the production of new wells drilled, will be incorporated in the Group's results.

The Canadian Oil Assets represent an operating oilfield comprising petroleum and natural gas rights, facilities and pipelines, together with other properties and assets spanned on 8,818 net acres of land in Windy Lake region, near Calgary in Alberta Province of Canada.

The Canadian Oil Assets is managed under EP Resources Corporation ("**EPR**"), a Canadian incorporated wholly-owned subsidiary of the Company, by a team of local management with extensive experience in the oil and gas industry in Calgary, Canada. For the period from 16 July 2022 to 31 December 2022, the Canadian Oil Assets produced approximately 81,300 bbl and sold 81,100 bbl of crude oil, and generated a revenue of approximately C$6,618,000 (equivalent to HK$39,821,000) (before royalties payment) at an average selling price of C$81.6 per bbl. The crude oil produced from the Canadian Oil Assets were trucked and sold to the independent oil distributors located in the nearby regions who will largely resell the same to the American importers.

From July 2022 onwards and up to the end of 2022, EPR had incurred capital expenditure totalling C$2,655,000 (equivalent to HK$15,285,000) for new wells drilling and production enhancement work for the number of wells as shown in the table below:

	Number of wells	Capital Expenditure	
		C$'000	***HK$'000 equivalent***
New wells drilling	3	2,156	12,412
Wells reactivations	3	140	806
Additional perforations	2	270	1,555
Wells recompletion	1	89	512
		2,655	15,285

As of 31 December 2022, there were 35 producing wells in operation, with an average remaining reserve life of more than ten years, compared to 32 producing wells when the acquisition of the Canadian Oil Assets took place in July 2022. The addition of the three producing wells was a result of the wells reactivations work performed. The drilling work of the three new wells were in progress at the end of 2022, with two were subsequently completed in January 2023 and one in February 2023. All three new wells drilled have commenced production and are currently in operation.

As at 31 December 2022, an update of the estimated oil reserves of the Canadian Oil Assets are as follows:

	Gross Remaining Reserves	
	As at 31 December 2022* ***'000 bbl***	As at 31 December 2021# *'000 bbl*
Proved		
Developed producing	**502.1**	630.2
Developed non-producing	**140.8**	38.6
Undeveloped	**902.0**	1,063.0
Total Proved	**1,544.9**	1,731.8
Probable	**1,653.0**	1,958.8
Proved plus Probable	**3,197.9**	3,690.6

* According to the reserve report ("**Reserve Report**") prepared by Trimble Engineering Associates Ltd. ("**Trimble**") on the estimated oil reserves of the Canadian Oil Assets as at 31 December 2022, Trimble was the competent person engaged by the Company in preparing the competent person's report ("**CPR**") contained in the circular dated 11 March 2022 (the "**Circular**") in relation to the acquisition of the Canadian Oil Assets. The same set of methodology adopted in preparing the CPR are adopted in preparing the Reserve Report. Further details of the Canadian Oil Assets were contained in the Circular.

\# The Group acquired the Canadian Oil Assets in July 2022. The data of the estimated oil reserves of the Canadian Oil Assets as at 31 December 2021 are extracted from the Circular and are for illustration only.

According to the Group's initial four-year development plan for the Canadian Oil Assets, it was envisaged that 6, 14, 18 and 11 new wells would be drilled in 2022, 2023, 2024 and 2025. In respect of the 2022 drilling plan, for the reason that the completion time of acquiring the Canadian Oil Assets in July 2022 was later than envisaged when the development plan was first made, the Group could only manage to complete the drilling work for two new wells in January 2023 and one in February 2023. As for the planned drilling of the other three new wells, the plan is currently held up pending for further evaluation as based on the production data that the Group has collected from the local government authorities for the oilfields located near the target new wells, and the updated geological information including seismic data of the target new wells and the oilfields nearby, the production of the target new wells may not meet the desired level as originally anticipated. In respect of the 2023 drilling plan, the work is progressing as planned except that the number of new wells to be drilled on a target site will be 8 instead of 14 while the forecasted production from the new wells will remain the same. After further study of the geological information of the target site, the Group decided to employ a different horizontal drilling technique which could be more cost effective than the one originally planned, with the result that less wells will be drilled while the forecasted production level will remain the same. In respect of the drilling plans for 29 new wells in 2024 and 2025, based on the production data of nearby oilfields and geological information recently collected, together with other technical reasons, the plans will be revised with 14, 10 and 5 new wells to be drilled in 2024, 2025 and 2026, adding up to the same number of new wells as originally planned. Primarily owing to the change of drilling plan for 2022 and the completion time of the three new wells were deferred to before the end of February 2023, it caused a variance to the cashflow expected to be generated from the Canadian Oil Assets in 2022.

Solar Energy

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

During FY2022, the Group has made further investment of HK$7,871,000 and bringing the Group's total investment in solar energy power generation projects up to HK$51,516,000 as of 31 December 2022, with a further capital commitment of approximately HK$6,978,000. As of the year end, the Group has 40 solar photovoltaic systems in operation, and 10 solar photovoltaic systems are scheduled to be completed before the end of first quarter 2023. For FY2022, the solar energy business contributed a revenue and an operating profit of HK$6,536,000 (2021: HK$652,000) and HK$1,403,000 (2021: HK$89,000) respectively to the Group, and EBITDA of the business was HK$5,157,000 (2021: HK$396,000).

Money Lending

For FY2022, the Group's money lending business reported decreases in revenue by 71% to HK$3,877,000 (2021: HK$13,182,000) and operating profit (before provision of ECL) by 71% to HK$3,782,000 (2021: HK$13,084,000), which were mainly due to the lower average amount of performing loans advanced to borrowers during FY2022. A provision of ECL of HK$20,019,000 (2021: reversal of ECL of HK$4,356,000) on loan and interest receivables was recognised during the year.

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

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

For FY2022, a provision of ECL of HK$20,019,000 (2021: reversal of ECL of HK$4,356,000) was recognised which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of the collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans. There was no change in the method used in determining the impairment allowance on loan receivables from the prior financial year.

The size of the Group's loan portfolio reduced by 47% to HK$60,582,000 (2021: HK$115,001,000) (on a net of impairment allowance basis) was mainly a result of the settlement or partial repayment of certain loans. 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 2022, the carrying amount of the loan portfolio held by the Group amounted to HK$60,852,000 (after impairment allowance of HK$23,800,000) (2021: HK$115,001,000 (after impairment allowance of HK$34,915,000)) 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	76.9	8.5 – 12.0	Within one year
Individual	23.1	11.0 – 18.0	Within one year
	100.0		

At 31 December 2022, 85% (2021: 100%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals with 15% (2021: nil) 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 four largest borrowers accounted for 39% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

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

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

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

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

Investment in Securities

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

At 31 December 2022, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK$4,772,000 (2021: HK$6,724,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK$33,739,000 (2021: HK$78,396,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK$3,757,000 (2021: HK$9,139,000) and a loss, after provision of ECL, of HK$9,743,000 (2021: HK$32,533,000).

Financial assets at FVTPL

At 31 December 2022, the Group held a financial asset at FVTPL portfolio amounting to HK$4,772,000 (2021: HK$6,724,000) measured at market/fair value. For FY2022, the portfolio generated a revenue of HK$152,000 (2021: HK$268,000), representing dividends from equity securities. The Group recognised a net loss on financial assets at FVTPL of HK$1,952,000 (2021: gain of HK$7,870,000) for FY2022, which comprised net unrealised loss of HK$1,952,000 (2021: net realised gain and net unrealised loss of HK$9,099,000 and HK$1,229,000 respectively).

The net 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 and had not acquired any equity securities during the current year.

At 31 December 2022, the Group's financial asset at FVTPL portfolio of HK$4,772,000 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 31 December 2022 %	% of shareholding interest %	Carrying amount at 1 January 2022 HK$'000	Market/ fair value at 31 December 2022 HK$'000	Unrealised loss recognised during the year ended 31 December 2022 HK$'000	Dividend income recognised during the year ended 31 December 2022 HK$'000	#Investee company's financial performance	#Future prospects of the investee company
			A	B	C = B – A			
Emperor International Holdings Limited (HKEX stock code: 163) Property investment and development and hospitality businesses	1.10	0.20	6,724	4,772	(1,952)	152	For the six months ended 30 September 2022, revenue decreased by 61% to approximately HK$541 million and its results experienced a turnaround and recorded a loss for the period of approximately HK$1,037 million as compared to the profit of approximately HK$189 million recorded in the prior period.	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 2022, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$33,739,000 (2021: HK$78,396,000) was measured at market/fair value. During FY2022, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK$3,605,000 (2021: HK$8,871,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK$28,041,000 (2021: HK$47,712,000) was classified as current assets.

During FY2022, the Group had not acquired any debt securities (2021: nil), and principal of certain debt securities totalling HK$32,370,000 were redeemed. At the year end, a net fair value loss on debt instruments at FVTOCI of HK$11,238,000 (2021: HK$54,714,000) 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.

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 worked closely with the independent professional valuer and taken into accounts factors including the withdrawal or downgrading of credit ratings of the debt instruments by the credit rating agencies, the defaults of the bond issuers in making payments of interest and principal for their indebtedness, as well as forward-looking information including the future macroeconomic 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.

For FY2022, a provision of ECL on debt instruments at FVTOCI of HK$11,081,000 (2021: HK$49,247,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of certain debt instruments held by the Group had further increased since initial recognition. During FY2022, the credit ratings of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, were withdrawn or downgraded by the credit 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$11,081,000 was recognised.

At 31 December 2022, the Group invested in debt securities issued by six property companies based in the Mainland, the market/fair value of the portfolio amounted to HK$33,739,000, with details as below:

Category of companies	#Approximate weighting to the carrying amount of the Group's total assets at 31 December 2022 %	Yield to maturity on acquisition date %	Acquisition costs *HK$'000*	*Acquisition costs during the year/carrying amount at 1 January 2022 *HK$'000*	Market/fair value at 31 December 2022 *HK$'000*	Accumulated fair value loss recognised up to 31 December 2022 *HK$'000*	Fair value loss recognised during the year ended 31 December 2022 *HK$'000*
			A	B	C	D = C – A	E = C – B
Property	7.78	5.62 – 12.50	104,826	49,958	33,739	(71,087)	(16,219)

* The amount represented the costs of the securities acquired during the year ended 31 December 2022 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 2022 did not exceed 5%.

The yield to maturity on acquisition of the debt securities which were held by the Group at the year end ranging from 5.62% to 12.50% per annum.

Overall Results

For FY2022, the Group's petroleum exploration and production business recorded a profit of HK$4,078,000 (2021: loss of HK$4,112,000), the solar energy business recorded a profit of HK$1,403,000 (2021: HK$89,000), the money lending business recorded a loss of HK$16,237,000 (2021: profit of HK$17,440,000), and the Group's investment in securities recorded a loss of HK$9,743,000 (2021: HK$32,533,000).

Overall speaking, the Group reported a loss attributable to owners of the Company of HK$46,746,000 (2021: HK$29,371,000), and a total comprehensive expense attributable to owners of the Company of HK$49,677,000 (2021: HK$33,508,000) which included a net fair value loss on debt instruments at FVTOCI of HK$11,238,000 (2021: HK$54,714,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During FY2022, 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$191,386,000 (2021: HK$363,774,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK$90,568,000 (2021: HK$198,548,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$21,797,000 (2021: HK$14,105,000), was at a liquid level of about 8.8 (2021: 25.8). The decrease in liquid assets was mainly due to the payment of consideration of HK$135,461,000 for the acquisition of the Canadian Oil Assets.

At 31 December 2022, the Group's total assets amounted to HK$433,689,000 (2021: HK$442,915,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK$57,376,000 (2021: HK$16,925,000) divided by total assets, was at a low level of about 13% (2021: 4%). Finance costs represented the accretion expense on decommissioning obligation and imputed interest on lease liabilities of HK$1,127,000 (2021: nil) and HK$119,000 (2021: HK$101,000) respectively recognised for the year.

At 31 December 2022, the equity attributable to owners of the Company amounted to HK$376,313,000 (2021: HK$425,990,000) and was equivalent to an amount of approximately HK7.18 cents (2021: HK8.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK$49,677,000 was mainly due to the loss incurred by the Group for 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.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Canadian dollars, Hong Kong dollars and United States dollars. The Group has not experienced any significant foreign exchange exposure to United States dollars as the exchange rate of Hong Kong dollars to United States dollars is pegged. The Group's foreign exchange exposure to Canadian dollars could be significant depending on the volatilities of exchange rate of Hong Kong dollars to Canadian dollars, the Group does not currently have a formal foreign currency hedging policy for Canadian dollars and will adopt one in due course should significant exposure arise.

Contingent Liability

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

Pledge of Assets

At 31 December 2022, the Group had not pledged any assets (31 December 2021: nil).

Capital Commitment

At 31 December 2022, the Group had a total capital commitment of HK$6,978,000 for acquisition of solar photovoltaic systems which was capital expenditure contracted for but not provided (31 December 2021: HK$34,390,000).

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2022, the Group had a total of 23 (2021: 21) employees including directors of the Company with 15 (2021: 18) employees stationed in Hong Kong and the PRC, 8 (2021: nil) employees in Canada and nil (2021: 3) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK$7,300,000 (2021: HK$9,799,000) for the year. The drop in staff costs of HK$2,499,000 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 its employees in Hong Kong and a pension scheme for its employees in Canada. 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 the other employees' pension scheme are calculated as a percentage of the employees' relevant income and vest fully and immediately with the employees, thus there are no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme and the other employees' pension scheme.

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.

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 petroleum and solar energy businesses are 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 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 FY2022, 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 FY2022, 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 57, joined the Company as Executive Director and the Chief Executive Officer in October 2016 and stepped down from his position as the 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 fellow 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 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 chief executive officer of CSC Holdings Limited (formerly known as 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 Courage Investment is also secondarily listed on the Main Board of Singapore Exchange Securities Trading Limited.

Mr. Yiu Chun Kong ("Mr. Yiu")

Aged 38, 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 42, 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. He is also 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pun Chi Ping ("Mr. Pun")

Aged 56, 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). Both aforementioned companies are listed on the Main Board of the Hong Kong Stock Exchange.

Ms. Leung Pik Har, Christine ("Ms. Leung")

Aged 53, 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 58, 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 52, joined the Company as Financial Controller in November 2009. He 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.

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 2022.

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, the 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, the performance of the Group during the year with reference to key financial performance indicators, the key relationships with employees, customers and suppliers and the 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 19 of this annual report, and the "Corporate Governance Report" set out on pages 30 to 45 of this annual report. These discussions form part of this report. In addition, discussions on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 46 to 76 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 84.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 170. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the Company's share capital are set out in Note 30 to the consolidated financial statements.

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 2022, 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 40 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2022, 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 (2021: 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 93% of the total revenue for the year and revenue from the largest customer accounted for approximately 67%. Purchases from the Group's five largest suppliers accounted for 67% of the total purchases for the year and purchases from the largest supplier accounted for 25%.

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.

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

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. Yiu Chun Kong and Ms. Leung Pik Har, Christine will retire by rotation at the forthcoming annual general meeting of the Company (the "**2023 AGM**") and, being eligible, will offer themselves for re-election at the 2023 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 2023 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 14 to the consolidated financial statements.

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 2022, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2022, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

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

Notes:

(i) The approximate percentage of the Company's issued shares was calculated on the basis of 5,240,344,044 shares of the Company in issue as at 31 December 2022.

(ii) These interests were held by Billion Expo, a wholly-owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen and Premier United were deemed to be interested in 862,085,620 shares of the Company under the SFO.

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

(iv) The interests of China Shipbuilding Capital Limited and China State Shipbuilding Corporation Limited related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2022 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the related party transactions in relation to the consultancy fee paid to the substantial shareholder and the remuneration of directors and other members of key management 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 fully exempted from reporting, annual review, announcement and independent shareholders' approval requirement.

Save as disclosed above, the other related party transaction set out in Note 35 to the consolidated financial statements does not constitute "Connected Transactions" nor "Continuing Connected Transactions" under Chapter 14A of the Listing Rules.

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 2022 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 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 2023 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, 30 March 2023

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.

CULTURES AND VALUES

The Board believes a healthy corporate culture is vital in attaining the Group's vision, values and strategy. It trusts that conducting business in an ethical and reliable way will maximise its long-term interests and those of its stakeholders. The structure of corporate governance adopted by the Company emphasises a quality board, sound internal controls and accountability to shareholders and these are based upon an ethical corporate culture. It is the Board's mission to establish and foster a healthy corporate culture with the following principles and to ensure that the Company's vision, values and business strategies are aligned to it.

(i) Ethics and Integrity

The Group strives to maintain a high standard of business ethics and corporate governance across all business levels and operating activities. Directors, management and staff are all required to act lawfully, ethically and responsibly. Such required standards are set out in the Group's Code of Conduct, Anti-corruption Policy and Whistleblowing Policy (further discussions on the two policies are in the sections below). Trainings are conducted from time to time to reinforce the values across the Group and to uphold the standards with respect to ethics and integrity.

(ii) Commitment to Excellence

The Group believes commitment to excellence is the first step to continuous improvement and the driving force behind a business organisation. The Group implements a performance appraisal system and aims to reward and recognise performing staff by providing them competitive remuneration packages, as well as the opportunities of career development and progression within the Group. Such values are articulated in policies, procedures and processes in day-to-day operations. Department heads are responsible to set expectations for staff with respect to their roles and responsibilities. In addition, staff are also encouraged to enroll in external training courses, seminars in order to update their technical skills and keep abreast of the market and regulatory developments.

CORPORATE GOVERNANCE

The Company had 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 2022, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

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

CORPORATE GOVERNANCE (continued)

Chairman and chief executive (continued)

Deviation

The Company had deviated from the Code Provision C.2.1 of the CG Code during the year ended 31 December 2022 due to the positions of Chairman of the Board and Chief Executive Officer had been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision F.2.2

Code Provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

As the position of Chairman of the Board had been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as the chairman of the annual general meeting of the Company held on 30 June 2022 in accordance with Bye-law 70 of the Company's Bye-laws.

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 had complied with the required standards set out in the Model Code during the year ended 31 December 2022.

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 business 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 30 March 2023, 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 20 to 22 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.

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 the developments of 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 briefings 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 2022, 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 had complied with Code Provision C.1.4 of the CG Code and had provided the Company with their respective training records pursuant to the CG Code.

During the year ended 31 December 2022, four regular Board meetings and two general meetings were held and the attendance of each director is set out below:

	Number of attendance	
	Board Meetings	**General Meetings**
Executive Directors		
Mr. Sue Ka Lok	4/4	2/2
Mr. Yiu Chun Kong	4/4	2/2
Mr. Chan Shui Yuen	4/4	2/2
Independent Non-executive Directors		
Mr. Pun Chi Ping	4/4	2/2
Ms. Leung Pik Har, Christine	4/4	2/2
Mr. Kwong Tin Lap	4/4	2/2

CHAIRMAN AND CHIEF EXECUTIVE

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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.

REMUNERATION COMMITTEE (continued)

The Remuneration Committee met once during the year ended 31 December 2022 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	1/1
Ms. Leung Pik Har, Christine	1/1
Mr. Kwong Tin Lap	1/1

Details of the directors' remuneration are set out in Note 14 to the consolidated financial statements. Pursuant to E.1.5 of the CG Code, the details of the annual remuneration of the senior management by bands during the year are set out below:

Remuneration band	Number of individual
HK$1,000,000 to HK$1,500,000	1

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 once during the year ended 31 December 2022 to review the board diversity policy (the "**Board Diversity Policy**") of the Company, the independence of the independent non-executive directors, the structure, size and composition of the Board; and review and make recommendations to the Board on the re-election of directors. The attendance of each member is set out below:

Members	Number of attendance
Ms. Leung Pik Har, Christine	1/1
Mr. Pun Chi Ping	1/1
Mr. Kwong Tin Lap	1/1

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. 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.

During the year ended 31 December 2022, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Board Diversity Policy has been consistently implemented. As at the date of this annual report, the Board consists of one female Director and five male Directors. The Board considered gender diversity in respect of the Board is satisfactory.

The Group has taken, and will continue to take, steps to promote diversity at all levels of workforce (including senior management). Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination so as to develop a pipeline of potential successors to the Board and the workforce. As at 31 December 2022, the male to female ratio in the workforce (including senior management) is approximately 7:3. The Board considered gender diversity in respect of workforce is achieved.

In order to ensure that independent views and input of independent non-executive directors are made available to the Board, the Nomination Committee and the Board would assess the independence of independent non-executive directors annually with regard to, among others, the following factors:

(i) their character, integrity, expertise and experience;

(ii) declaration of conflict of interest in their roles as independent non-executive directors;

(iii) duration of appointment as independent non-executive directors;

(iv) time commitment to the Company's affairs;

(v) past and present financial or other interests in the businesses of the Company; and

(vi) connection with other director(s), chief executive or substantial shareholder(s) of the Company.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence, and the Company considers that each of the Independent Non-executive Directors has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

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 others, 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 annually and the Nomination Policy from time to time to ensure that the polices will be implemented effectively.

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 2022 is set out in the "Independent Auditor's Report" on pages 77 to 83 of this annual report.

For the year ended 31 December 2022, the remuneration payable to the Company's auditor, Moore Stephens CPA Limited, for the provision of audit services amounted to HK$1,448,000. During the year, a sum of HK$453,000 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 two times during the year ended 31 December 2022 and 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

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 2021 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 2022 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 might 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 2021;

5. reviewed the effectiveness of the risk management and internal control systems of the Group;

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; and

7. reviewed and adopted the Anti-corruption Policy and Whistleblowing Policy (further discussions on the two policies are in the sections below).

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 COMMITTEE (continued)

The Corporate Governance Committee met once during the year ended 31 December 2022 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 2022, 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.

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 2022. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of the evaluation process. The external consultant has 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 has 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 its 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.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Anti-corruption Policy

The Board had adopted an anti-fraud and counter-corruption policy (the "**Anti-corruption Policy**") which forms an important part of the Group's effective risk management and internal control systems. The Group is committed to achieving high standards of business ethics and corporate governance across all business levels and operating activities and has zero tolerance towards fraud and corruption. It strives to protect its reputation, assets and information from any attempt of fraud, corruption, deceit or improper conduct by employees or third parties. In line with this, the Anti-corruption Policy has outlined the Company's expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected fraud, corruption and other similar irregularities. The Anti-corruption Policy applies to all Group employees and all business partners, including customers, suppliers and debtors. The Audit Committee has the overall responsibility for the implementation, monitoring and periodic review of the Anti-corruption Policy.

Whistleblowing Policy

The Board has adopted a whistleblowing policy (the "**Whistleblowing Policy**") which forms an important part of the Group's effective risk management and internal control systems. In line with the Group's commitment to promote ethical standards and to uncover any fraud, malpractice and misconduct within the organisation, the purpose of the Whistleblowing Policy is to (i) encourage and assist any employee(s) of the Group or third parties (e.g. customers, suppliers etc.) to raise the concern and disclose related information confidentially; (ii) provide reporting channels and guidance on whistleblowing to employees or third parties to raise the concern rather than neglecting it; and (iii) reveal suspected fraud, malpractice or misconduct before these activities cause disruption or loss to the Group. The Audit Committee has the overall responsibility for implementing, monitoring and reviewing the effectiveness of the Whistleblowing Policy and the actions resulting from the investigation.

External parties who wish to obtain more information on the Anti-corruption Policy and Whistleblowing Policy could contact us by email to acchairman@epiholdings.com or by mail to Rooms 1502-03, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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 20 to 22 of this annual report. Mr. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2022.

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.

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 Rooms 1502-03, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

Shareholders Communication Policy

The Group has adopted a shareholders communication policy (the "**Shareholders Communication Policy**") which sets out the objective of ensuring that the Company's shareholders, both individual and institutional and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investment community to engage actively with the Company. The Group has established a range of communication channels between itself and the shareholders, investors and other stakeholders. These include (i) contacting the Hong Kong branch share registrar, Tricor Tengis Limited, regarding questions on shareholdings; (ii) publishing corporate communications such as announcements, circulars and the annual and interim reports; (iii) maintaining a corporate website at www.epiholdings.com; and (iv) holding shareholders' meetings. The Board has the overall responsibility to maintain an ongoing dialogue with the shareholders and the investment community, and will regularly review the Shareholders Communication Policy to ensure its effectiveness.

For the year ended 31 December 2022, the Board has reviewed the implementation and effectiveness of the Shareholders Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders Communication Policy has been properly implemented during the year under review and is effective.

INVESTOR RELATIONS

As a channel to further promote effective communication, the Group maintains a website at www.epiholdings.com where the Company's annual and interim reports, notices, announcements and circulars are posted.

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 2022.

Enquiries may be put to the Board through the Company Secretary at Rooms 1502-03, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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 others, 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 21 April 2023, being the latest practicable date before printing of this annual report.

Environmental, Social and Governance Report

INTRODUCTION

The Board is pleased to present this Environmental, Social and Governance ("**ESG**") Report ("**ESG Report**") of the Group for the year ended 31 December 2022 (the "**Reporting Period**" or "**2022**"). The Group is principally engaged in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

The ESG Report summarises the policies, sustainability strategies, management approach and initiatives implemented by the Group, as well as the performance of the Group in environmental and social aspects of its businesses.

REPORTING SCOPE

The Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. During the Reporting Period, the Group completed the acquisition of an operating oilfield which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province in Canada (the "**Canadian Oil Assets**"). The scope of this ESG Report covers the Group's major business operations and activities in Hong Kong and the petroleum exploration and production business in Canada since the completion of the acquisition of the Canadian Oil Assets in July 2022, but excludes the petroleum exploration and production business in Argentina which was ceased in March 2021. The Group will further expand its reporting scope in the future, where appropriate.

REPORTING BASIS

The ESG Report has been prepared in accordance with the Environmental, Social and Governance 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" on pages 30 to 45 of this annual report.

REPORTING PRINCIPLES

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

Materiality: The content of this ESG 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 the reported content, further details of which are set out in the sections headed "Stakeholder Engagement" and "Materiality Assessment" below.

Quantitative: The key performance indicators ("**KPIs**") relating to the environmental and social aspects are disclosed in this ESG Report which provide stakeholders of the Group a comprehensive picture of the Group's ESG performance. Where appropriate, relevant data are supplemented by explanatory notes to establish benchmarks.

REPORTING PRINCIPLES (continued)

Balance: Every effort has been made in this ESG 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 ESG Report.

Consistency: Except for the change in reporting scope, the approach in preparing this ESG Report is consistent with the ESG Reports in the previous years to allow for meaningful comparison. If there are any additional changes that may affect the comparison with the previous reports, explanation will be provided for the corresponding data.

ESG MANAGEMENT

Report from the Board

The Group is committed to corporate social responsibility and recognises the importance of 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. The Group has been running its solar energy business with a view to contribute its efforts in promoting the use of clean and renewable energy and building a greener environment. The Board retains the collective responsibility for the management approach, strategies and reporting of the Group's ESG matters. In order to better evaluate, prioritise and manage the Group's ESG-related issues, the Board discusses and reviews the Group's ESG-related risks and opportunities, performance, goals and targets with the assistance of the management team at least annually.

During the Reporting Period, the employees of the Group had shown strong team spirit and the Group had provided multi-pronged support to the employees in the midst of the COVID pandemic to avoid infection, and helped to prevent the spread of virus in the community. The Group had provided various supportive measures which included providing epidemic prevention materials and rapid antigen test kits to employees, and facilitating "work from home" arrangement. Despite the severity of the pandemic, the Group remained concerned about employees' remuneration and benefits, career development opportunities, provision of safe working environment, and fulfilling corporate social responsibility. Going forward, upon the revival of economic activities worldwide following the easing of the pandemic, the Group hopes that all employees and the community will continue to put unremitting efforts in going through the adversities and challenges, and make continuous progress towards sustainable development.

ESG MANAGEMENT (continued)

Report from the Board (continued)

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 had 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 ESG 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.

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 reviewed the progress made against ESG-related goals and targets through internal meetings with the management team. The management team reports to the Board at least annually 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	Board members are responsible for: ✧ Developing long-term sustainable development policies and strategies ✧ Assessing and identifying risks and opportunities associated with ESG ✧ Ensuring appropriate and effective ESG risk management and internal monitoring systems ✧ Reviewing and approving policies, objectives and action plans/measures relating to ESG matters ✧ Approving ESG reports
Management team	The management team is responsible for: ✧ Developing and reviewing ESG-related policies, objectives and action plans/measures ✧ Monitoring and reporting to the Board on the progress of the implementation of the action plans/measures ✧ Identifying ESG risks and opportunities ✧ Reviewing ESG reports
Functional departments	The functional departments are responsible for: ✧ Identifying, assessing, defining and reporting to management on significant ESG issues ✧ Performing ESG risk management and internal monitoring ✧ Ensuring ESG policies, objectives and action plans/measures are integrated into business operations ✧ Reporting to management on progress and quality of action plans/measures

ESG MANAGEMENT (continued)

Governance Structure (continued)

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 set out in the sections headed "Stakeholder 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.

Stakeholder Engagement

The Group is committed to maintaining the sustainable development of its businesses 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 ESG-related 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	• Compliance with laws and regulations • Fulfil tax obligations • Joint efforts in combating COVID-19	• Uphold integrity and compliance in operations • Pay tax on time, which in return contributing to the society • Establish comprehensive and effective internal control and risk management systems • Follow the government's prevention measures and guidelines to prevent the spread of COVID-19
Shareholders/ investors	• Return on investment • Information transparency • Corporate governance system	• 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 and risk management systems

ESG MANAGEMENT (continued)

Stakeholder Engagement (continued)

Stakeholders	Expectations and concerns	Management response
Employees	• Labour rights • Career development • Compensation and welfare • Health and workplace safety • Joint efforts in combating COVID-19	• 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	• High quality products and customer services	• Provide high quality products and services continuously in order to maintain customer satisfaction • Ensure proper contractual obligations are in place
Suppliers	• Integrity • Corporate reputation	• Ensure the performance of contractual obligations • Establish policy and procedures regarding supply chain management • Stringent selection of suppliers
Community	• Environmental protection • Reduce GHG emissions • Effective resources utilisation • Community contribution • Economic development • Joint efforts in combating COVID-19	• 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 prevention measures and guidelines to prevent the spread of COVID-19

ESG MANAGEMENT (continued)

Stakeholder Engagement (continued)

The following table contains the Group's communication channels with key stakeholders:

Stakeholders	Communication channels
Government/ regulatory organisations	• Written or electronic correspondences • Visits and inspections • Compliance and legal advisor
Shareholders/investors	• General meetings • Interim and annual reports • Announcements and circulars • Company website and email
Employees	• Training activities, seminars and briefings • Internal email • Suggestion boxes • Regular meetings • Performance appraisals
Customers	• Customer service hotline • Emails • Customer meetings
Suppliers	• Site visits • Business meetings and discussions
Community	• ESG reports • Company website and email • Reports and announcements

ESG MANAGEMENT (continued)

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 which both the Group and its key stakeholders are interested in and assessed the level of concern in accordance with their perspectives so as to select the material ESG-related aspects. For the materiality assessment, the Group has adopted the following three processes:

Identification	✧ Identifies ESG issues through diverse channels and internal discussion ✧ Examines and adopts the ESG issues of concern in the past stakeholders' engagement ✧ Draws attention to emerging ESG issues
Prioritisation	✧ Synthesises, analyses and evaluates the views of all parties to identify and prioritises potential and important issues ✧ Develops materiality matrix based on the importance of the issue to the Group and its key stakeholders
Validation	✧ Interacts with the management team to validate the materiality assessment and ensure that these issues are aligned with the sustainable development direction sought by the Group ✧ Reports the materiality assessment to the Board and makes disclosure in the ESG Report

ESG MANAGEMENT (continued)

Materiality Assessment (continued)

Materiality assessment facilitates the Group to ensure its business objectives and development direction are in line with the expectations and requirements of its stakeholders. During the Reporting Period, there was no significant change in the materiality of ESG issues, as there was no significant change in the Group's business nature. The matters of concern of the Group and its stakeholders are presented in the following materiality matrix:

Materiality Matrix

Importance to Stakeholders \ Importance to the Group	Low	Medium	High
High	◆ Anti-discrimination measures ◆ Labour rights protection	◆ Talent management ◆ Staff training and promotion opportunity ◆ Staff compensation and welfare	➢ Customer's satisfaction ➢ Product and customer service quality ➢ Suppliers management ◆ Occupational health and workplace safety
Medium	➢ Community contribution	➢ Anti-corruption measures ✧ Air and GHG emissions ✧ Energy conservation measures	➢ Operational compliance ➢ Client's privacy measures and protection
Low	➢ Product safety ◆ Preventive measures for child and forced labour ✧ Water resources utilisation ✧ Generation of non-hazardous wastes		

✧ Environmental ◆ Employee ➢ Operation

A. ENVIRONMENTAL

Owing to the Group's business nature, its daily operations may impact, both directly and indirectly, the environment. Therefore, the Group is committed to maintaining the long-term sustainability of the environment and community where the Group operates, and thus integrated environmental and social consideration into its decision making process and assumes the responsibilities of creating an environmentally sustainable business.

As the Group is engaged in the petroleum exploration and production business, it inevitably generates emissions and other pollutants during daily operations. Therefore, the Group recognises the importance of continuous improvement on ESG performance and its responsibilities towards the potential negative environmental impacts associated with its business operations, and thus has established relevant internal guidelines to ensure strict compliance with all local environmental-related laws and regulations, as well as focuses on nurturing and strengthening its employees' awareness of environmental protection in their daily work processes.

Owing to the nature of the Canadian Oil Assets operation, GHG emissions from consumption of different types of fuel and energy, together with hazardous and non-hazardous waste arising from operation will be inevitably produced, which will be discussed in the sections "A1. Emissions" and "A2. Use Of Resources" below. The daily operations of the oilfield, new wells drilling and other production enhancement activities consume different types of fuel and energy including (i) electricity and propane consumed mainly for well fluid extraction from wells, water separation from the well fluid, and water injection back into underground, and (ii) diesel and propane consumed mainly for running rigs for new wells drilling and other production enhancement works. The consumption of fuel and energy generated Scope 1 GHG emissions, and purchased electricity generated Scope 2 GHG emissions. In addition, hazardous wastes including waste oil and fluid, and non-hazardous wastes including drill cuttings, will be produced from the daily operations, new wells drilling and other production enhancement activities of the Canadian Oil Assets.

The Group commenced its solar energy business in 2021 through investing in solar energy power generation projects located in Hong Kong, under which solar photovoltaic ("**SPV**") systems built are connected to the power grid of CLP Power Hong Kong ("**CLP**") under the Renewable Energy Feed-in Tariff Scheme (the "**FiT Scheme**"), and electricity produced by the SPV systems is supplied and sold to CLP. The FiT Scheme is an initiative promoted by the two power companies and the Hong Kong Government aiming to incentivise the private sector to produce clean energy for consumption in Hong Kong, which also serves as an important mean of the government's plan of achieving carbon neutrality before 2025. The Group has successfully integrated the environmental protection aspect of its ESG-initiatives into a viable business model, and is committed to continue contributing its efforts in promoting the use of clean and renewable energy and building a greener environment for the community.

Owing to the change in reporting scope during the Reporting Period, the Group considered its ESG targets set in 2021 were no longer applicable, and thus has revised its ESG targets in 2022. The revised targets are described in the sections headed "Air and GHG Emissions", "Waste Management" and "Energy Conservation Measures" below.

A. ENVIRONMENTAL (continued)

Operational Compliance

The Group adopts industry practices and guidelines in its management of environmental risks arising from the petroleum exploration and production operation in Canada. The Group strictly complies with all the relevant environmental laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in Canada concerning air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that would have a significant impact on the Group, including but not limited to the Alberta Energy Regulator Directive 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry, Canadian Environmental Protection Act, 1999 (CEPA 1999), Environmental Protection and Enhancement Act (EPEA) and Environmental Management Act (EMA) of Canada.

A1. Emissions

Air and GHG Emissions

The Group is committed to minimising air emissions from its operations and ensuring compliance with the statutory emission standards. As the Group's daily operations currently do not involve in the usage of company vehicles, the Group does not generate significant amount of air emissions owing to use of vehicles. Nonetheless, the Group has established policies relating to fuel-saving of company vehicles such as minimising their use, eliminating excessive fuel consumption, and carrying out regular vehicle inspection and maintenance.

The Group has always been committed to assessing and reporting its carbon footprint to the public. During the Reporting Period, the major sources of the Group's GHG emissions were direct GHG emissions from diesel and propane consumption arising from the daily operations, new well drilling and other production enhancement activities of the Canadian Oil Assets (Scope 1) and energy indirect GHG emissions from electricity purchased for the daily use of the Canadian Oil Assets (Scope 2). Owing to the change in reporting scope, the Group has set a revised target to gradually reduce the Group's GHG emissions intensity (tCO_2e/thousand bbl[5]) over the next five years, using 2022 as the baseline year. To achieve the set target, the Group will continue its efforts in mitigating the GHG emissions in the following years including exploring ways to lower the use of purchased electricity, phasing out energy-inefficient equipment when it reaches the end of the equipment lifecycle and enhancing the Group's employees' environmental awareness.

During 2022, the Group's total GHG emissions intensity increased significantly compared to 2021. This is mainly due to the expansion in the reporting scope to include the Group's petroleum exploration and production business in Canada, which is in sizeable scale.

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

Air and GHG Emissions (continued)

Summary of GHG emissions and its intensity performance is as follows:

Indicator[1]	Unit	2022	2021
Scope 1 – Direct GHG emissions	tCO_2e	378.81[2]	9.19[3]
Scope 2 – Energy indirect GHG emissions	tCO_2e	1,335.95[2]	8.45[3]
Total GHG emissions	**tCO_2e**	**1,714.76**	**17.64**
Intensity	tCO_2e/employee[4]	74.55	0.84
	tCO_2e/thousand bbl[5]	21.09	N/A

Notes:

1. GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, the latest released emission factors of China's regional power grid basis, the "Global Warming Potential Values" from the Fifth Assessment Report (AR5) of the Intergovermental Panel on Climate Change (IPCC) 2014 and the Sustainability Report 2022 published by HK Electric.

2. These figures represent GHG emissions from the diesel and propane consumption (Scope 1) and purchased electricity (Scope 2) of the Group's Canadian Oil Assets.

3. These figures are related to the petroleum exploration and production business in Argentina which was ceased in March 2021, its consumption of natural gas and electricity and the corresponding GHG emissions have been restated to conform with current year presentation.

4. As at 31 December 2022, the Group had a total of 23 (2021: 21) directors and employees. This data is used for calculating intensity data per employee and employees related data.

5. The Group's Canadian Oil Assets produced approximately 81,300 barrels ("**bbl**") of crude oil in 2022. As the petroleum exploration and production business in Canada accounts for most of the Group's GHG emissions/hazardous wastes/non-hazardous wastes/energy consumption, this production data of crude oil is used for calculating intensity data per thousand bbl, in addition to the intensity data per employee. Owing to the change in the reporting scope, this intensity data type will be disclosed from 2022 onwards.

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

Air and GHG Emissions (continued)

During the Reporting Period, the Group did not generate any nitrogen oxide ("**NOx**") (2021: 11.74 kilograms), sulphur oxide ("**SOx**") (2021: 0.03 kilograms) and particulate matters ("**PM**") (2021: 1.08 kilograms) as its operations currently do not involve in the usage of company vehicles. The air emissions of NOx, SOx and PM generated in 2021 was due to the vehicles used by the Group's petroleum exploration and production business in Argentina.

Sewage Discharge

The Group's office in Hong Kong and Canada do not consume a significant volume of water during their daily operations, and thus do not generate a material portion of sewage. As waste water from the Group's offices will be discharged into sewage pipe networks connected to the regional water purification plants, the water consumed by the Group is considered as sewage discharged. Details of the Group's water injection and water consumption are set out in the section headed "Water Resources Utilisation" below.

Waste Management

Hazardous wastes

The Group's Canadian Oil Assets operation inevitably generates hazardous wastes including waste oil and fluid from its daily operations, new wells drilling and other production enhancement activities. Nonetheless, the Group strictly abides by all waste-related laws and regulations in Canada and strives to reduce the amount of hazardous wastes generated from its operations. The Group engages qualified subcontractors to collect, manage and dispose of all hazardous wastes generated from its operations, in compliance with local laws and regulations.

In order to minimise the environmental impacts from hazardous wastes generated from the Group's operations and achieve the set target, the Group has implemented measures to reduce waste production and regularly monitors the waste production level. If any abnormal fluctuations in the amount of hazardous waste produced are identified, the Group will conduct investigation to identify the source of such fluctuations. It is the Group's internal operational guidance to entrust all hazardous wastes to qualified third party for compliant disposal.

A. ENVIRONMENTAL (continued)

Waste Management (continued)

Hazardous wastes (continued)

Summary of hazardous wastes disposal and its intensity performance is as follows:

Indicator	Unit	2022	2021
Total hazardous wastes	**tonne**	**65.63**	**–**
Intensity	tonne/employee	2.85	–
	tonne/thousand bbl	0.81	N/A

Generation of non-hazardous wastes

The Group's Canadian Oil Assets operation inevitably generates non-hazardous waste including waste papers from its daily operations and drill cuttings from new wells drilling and other production enhancement activities. The Group strives to minimise the potential environmental risks and impacts caused by its wastes by developing effective waste treatment strategies and policies. Waste management mainly involves recycling waste papers and collection of domestic wastes. Clearly labelled recycling bins are provided for collection of waste papers, plastic bottles, etc. Wastes are properly sorted and are stored in designated collection areas. After identifying and classifying the wastes, the recyclable wastes collected are then delivered to the waste collectors for regular recycling. In respect of drill cuttings, it is the Group's internal operational guidance to entrust this non-hazardous waste produced in the oilfield to licensed third party for compliant disposal.

In order to minimise the environmental impacts from non-hazardous wastes generated from the Group's operation, the Group has implemented measures to reduce waste papers. 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 procure paper bearing the Forest Stewardship Council Recycled Label for financial reports printing, and to promote "green office" concepts in the workplace. The Group also encourages its employees to reduce the use of non-recyclable materials to minimise the adverse impact on the environment. Owing to the change in reporting scope, the Group has set a revised target to conduct annual activities to raise awareness of waste reduction among employees from 2022 onwards.

During the Reporting Period, the Group's total non-hazardous wastes intensity (tonne/employee) increased significantly compared to 2021. This is mainly due to the expansion in the reporting scope to include the Group's petroleum exploration and production business in Canada, which is in sizeable scale.

Summary of non-hazardous wastes disposal and its intensity performance is as follows:

Indicator	Unit	2022	2021
Total non-hazardous wastes	**tonne**	**601.86**	**0.47**
Intensity	tonne/employee	26.17	0.02
	tonne/thousand bbl	7.40	N/A

A. ENVIRONMENTAL (continued)

A2. Use of Resources

Energy Conservation Measures

The Group actively implements the concept of energy conservation, emission reduction and maintain conscious use of resources. The Group's energy consumption mainly comprises diesel and propane consumption and electricity purchased for its daily operations, new wells drilling and other production enhancement activities for its Canadian Oil Assets.

For the Group office-based operations in Hong Kong and Canada, the Group encourages its employees to change their habit of using electrical appliances, and has introduced control measures including turning off lightings, air-conditioners, computers, personal electronic devices and office equipment after work and/or when they are idle, or turning 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 promotes 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. Owing to the change in reporting scope, the Group has set a revised target to conduct annual activities to raise awareness of energy conservation among employees from 2022 onwards and gradually reduce the Group's energy consumption intensity (MWh/thousand bbl) over the next five years, using 2022 as the baseline year. To achieve the set target, the Group has established policies and procedures to achieve electricity conservation and efficient use of electricity among a range of lighting, electronic devices, electrical appliances and equipment.

During the Reporting Period, the Group's total energy consumption intensity increased significantly compared to 2021, which is mainly due to the expansion in the reporting scope to include the Group's petroleum exploration and production business in Canada, which is in sizeable scale.

Aiming to reduce GHG emissions and to contribute building a greener environment, the Group is assessing the feasibility to lower the use of purchased electricity for the Canadian Oil Assets operation through the use of natural gas, or other renewable energy generation methods including solar energy or wind energy, for electricity generation.

A. ENVIRONMENTAL (continued)

A2. Use of Resources (continued)

Energy Conservation Measures (continued)

Summary of energy consumption and its intensity performance is as follows:

Indicator[6]	Unit	2022	2021[7]
Gasoline[8]	MWh	–	5.34
Diesel[8]	MWh	1,046.91	12.06
Natural gas[8]	MWh	–	22.28
Propane	MWh	564.81	N/A
Direct energy consumption	**MWh**	**1,611.72**	**39.68**
Purchased electricity	MWh	2,518.13	13.88
Indirect energy consumption	**MWh**	**2,518.13**	**13.88**
Total energy consumption	**MWh**	**4,129.85**	**53.56**
Intensity	MWh/employee	179.56	2.55
	MWh/thousand bbl	50.80	N/A

Notes:

6. The method of calculating energy consumption data is based on the "Energy Statistics Manual" issued by the International Energy Agency.

7. During 2021, the Group's petroleum exploration and production operation in Argentina consumed approximately 551 liters of gasoline, 1,127 liters of diesel and 2,129,782 liters of natural gas.

8. Owing to the enhancement of the Group's data processing mechanism, the equivalent amount of energy consumption in MWh will be disclosed from 2022 onwards.

Natural Gas Consumption

The Group's petroleum exploration and production business in Argentina used natural gas for heating and its operation ceased since March 2021. The Group had not consumed any natural gas since then including the Reporting Period.

Water Resources Utilisation

During the daily operations of the Canadian Oil Assets, a large volume of water will be extracted from underground together with the crude oil in form of well fluid, and then the water is needed to be separated from the well fluid and injected back into underground. During the Reporting Period, the Group had injected approximately 377,000 cubic meter of water back into underground, in compliance with local environmental rules and practices. The operation did not consume any fresh water, surface water, seawater or third-party water during the Reporting Period for the oil extraction process.

A. ENVIRONMENTAL (continued)

A2. Use of Resources (continued)

Water Resources Utilisation (continued)

For the Group's office-based operations in Hong Kong and Canada, the Group does not have any issues in sourcing water that is fit for its purpose as water is adequately supplied by the government authorities to the office buildings where the Group's offices are located. Nonetheless, the Group recognises the scarcity of resources the environment could offer and always encourages its staff members to cherish water usage.

The water consumption data for the Group's offices in Hong Kong and Canada are not available since water usage is covered in the office building management fees and the building management companies are not able to provide water consumption and discharge data for individual office unit. Since the volume of drinking water purchased for office use is also considered as insignificant, the target for water efficiency is therefore not presented as water consumption data are not available. The 2021 figures shown in the table below represent the water consumption of the Group's Argentina office, which ceased to operate during the Reporting Period.

Summary of water consumption and the Group's intensity performance is as follows:

Indicator	Unit	2022	2021
Water	tonne	–	35.00
Total water consumption	**tonne**	**–**	**35.00**
Intensity	tonne/employee	–	1.67

Packaging Material

Owing to the Group's business nature, the use of packaging material is not a material ESG aspect of the Group.

A3. The Environment and Natural Resources

Well Site Management and Environment Restoration

During the Reporting Period, the Group employed its own local management team in Canada to manage the daily oilfield operations. For drilling operations, the local team prepares the drilling plan and completion jobs design and schedule, manage the overall progress, and engage different service provider/vendor to perform the drilling and completion jobs. Although most of the daily operations in the oilfield are carried out by service providers and vendors, the Group still strives to minimise the potential environmental impacts arising from its business through monitoring the work of the service providers and vendors. As far as the Group understands, the activities performed by the service providers/vendors were in material respects complied with the local environmental laws and regulations.

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources (continued)

Well Site Management and Environment Restoration (continued)

The Group is aware of the potential impact of its petroleum exploration and production business on the environment and natural resources, and therefore attaches great importance to minimising its environmental impact where possible, and strictly complies with all relevant local environmental-related laws and regulations. The Group recognises its responsibility of preserving the oilfields and pursuing sustainable petroleum exploration and production practices. Accordingly, the Group has recognised a decommissioning obligation in accordance with the regulations as required by Alberta Energy Regulator which represents the cost for future abandonment of the oil and gas production equipment and facilities. This obligation includes facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. As of 31 December 2022, the Group was responsible for managing about 80 wells, of which 35 wells were presently active and producing hydrocarbons, and drilling works on three new wells were in progress with two were subsequently completed in January 2023 and one in February 2023. The Group has the responsibility to decommission and reclaim all the aforementioned well sites to their original land use. When the Group decides to permanently cease an operation at a well site, pipeline or facility, the asset must be decommissioned, remediated and reclaimed. The Group will take charge of this process, which involves two stages: (i) abandonment and (ii) reclamation. Upon abandonment of both the downhole and surface components and removal of all surface equipment, the well is considered as decommissioned. Once abandonment work is completed on a site, environmental assessments, remediation (if applicable) and reclamation activities can commence.

During the Reporting Period, the Group had completed abandonment work on two non-producing wells and a bundle of underground pipeline. The abandonment works have been verified and recognised by Alberta Energy Regulator.

The Group has consistently integrated its ESG goals and mission in its daily operations and implemented practices and procedures to preserve and improve the shared future. Other than the Group's petroleum exploration and production operation, 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 all 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 wastes. The Group strives to promote the use of clean and renewable energy, as promulgated by its solar energy business discussed below, with a view to contribute its efforts in building a greener environment.

Fostering Renewable Clean Energy

The Group has also invested in solar energy power generation projects that are participating in the FiT Scheme. Solar energy is a kind of clean, renewable and sustainable source of electricity which builds a greener environment. As of 31 December 2022, the Group has 40 solar photovoltaic systems in operations, and 10 solar photovoltaic systems are scheduled to be completed before the end of the first quarter of 2023. By expanding its footprints in renewable energy sector, the Group demonstrated its commitment to curb carbon emissions and contributed concerted efforts together with the government and the community to exploit renewable energy potential in Hong Kong.

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources (continued)

Indoor Air Quality

The Group is committed to providing its employees with a pleasing working environment to enhance their work efficiency. For the Group's office-based operation in Hong Kong and Canada, its employees spend most of their working hours inside the office, implying that indoor air quality at workplace is of paramount importance. Therefore, indoor air quality is constantly monitored and improved by the utilisation of several measures. Such measures include cleaning air-conditioning systems regularly and choosing products with low or zero volatile organic compounds where applicable. By adopting these measures, indoor air quality of the Group's offices is maintained.

A4. 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 their relationships with the Group's businesses can help the Group to prepare and analyse possible risks and opportunities, seize 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.

To handle the intensified threat of climate change, the Group has assessed the potential risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical Risks

For physical risks, increase in severity of extreme weather events such as stronger typhoons and floods, may interrupt the water and electricity supplies, damage the Group's properties, as well as threaten the safety of the Group's employees. This may cause interruption to the normal business operations and thus have an adverse effect on the Group's financial performance.

The Group has implemented different measures to manage the abovementioned physical risks. For example, the Group maintains comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions. In addition, the Group has established the practice of communicating the arrangements for extreme weather events to employees in advance. The Group recognises potential financial impacts can be minimised with adequate preparation for extreme weather events.

Transition Risks

For transition risks, the Group expects policies and regulations in relation to climate change will become increasingly stringent. If the Group's existing compliance procedures and business operations could not fully comply with the new legal and regulatory requirements, it might incur additional compliance costs and the reputation of the Group may also be adversely affected. In addition, the high-carbon emitting industry will suffer from higher cost, lower returns or asset devaluation. Related climate change risk might also impose an impact to the Group's investment and financing activities regarding related industries.

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources (continued)

Transition Risks (continued)

To manage the above transition risks, the Group has implemented a series of measures. Firstly, the Group's management team regularly monitors existing and emerging climate-related trends, policies and regulations and seek compliance consulting services to reduce legal risks. Secondly, the Group has gradually incorporated sustainability into its business operations. Various measures have also been adopted to protect the environment, including measures aimed at reducing GHG emissions as well as resources conservation. Furthermore, with the aim to demonstrate the Group's commitment on promoting environmental protection, the Group has commenced its solar energy business to explore and capitalise on potential opportunities arising from the increasing awareness on environmental protection, as well as to advocate the global vision of decarbonisation by producing clean and renewable solar energy.

B. SOCIAL

B1. Employment

Connecting with the right people, building social capital and relationships, showing appreciation to staff members, suppliers and customers who keep the business running are the cornerstones of business success. 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 has established relevant policies to ensure its employment practices strictly follows the principles of fairness, equality, competitiveness and non-discrimination in hiring outstanding talents.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong and the Canadian Human Rights Act and Employment Standards Code of Canada.

Employment and Labour Practices

The Group's employees are critical for its continuing operations. The Group always views employees as the core assets of the Group for establishing the foundation of success and long-term development. When the Group formulates human resources strategies, it devotes to create an equitable, non-discriminatory and safe working environment. It strives to build a harmonious working environment for employees based on mutual respect, trust, impartiality, transparency and truthfulness, dynamism and teamwork to encourage creativity, flexibility and commitment to accomplish the corporate mission.

Staff Training and Promotion Opportunity

The Group provides 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 remuneration packages to retain competent staff. In addition, the Group strictly complies with the relevant laws and regulations in hiring employees.

B. SOCIAL (continued)

B1. Employment (continued)

Staff Training and Promotion Opportunity (continued)

The Group devotes to protect human right and privacy of employees. It selects the best qualified candidates by considering various criteria such as education background, relevant work experience, demonstrated knowledge, competencies and skills, desirable personal traits, physical fitness and development potential.

Anti-discrimination Measures

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 applies to all phases of the employment relationships, including but not limited to recruitment, promotion, dismissal, personal development opportunities and determining wages and benefits. Diversity is the strength of the Group, and therefore every employee must respect the people and cultures with whom or in which they work. The Group endeavours to seek diversity at all levels and expect a work environment in which all employees can develop and contribute to their full potential, and strives to achieve a win-win situation through joint development of employees and the Group.

Details of the distribution of the directors and employees are as follows:

Indicator	**As at 31 December 2022**		As at 31 December 2021	
	Number (Person)	**Percentage (%)**	Number (Person)	Percentage (%)
Employment type				
Full-time	**23**	**100.00**	21	100.00
Part-time	**–**	**–**	–	–
Gender				
Male	**16**	**69.57**	15	71.42
Female	**7**	**30.43**	6	28.58
Age group				
20-30	**–**	**–**	–	–
31-40	**5**	**21.74**	6	28.58
41-50	**6**	**26.09**	3	14.29
> 50	**12**	**52.17**	12	57.14
Geographical region				
Hong Kong	**15**	**65.22**	15	71.42
PRC	**–**	**–**	3	14.29
Argentina	**–**	**–**	3	14.29
Canada	**8**	**34.78**	N/A	N/A

B. SOCIAL (continued)

B1. Employment (continued)

Anti-discrimination Measures (continued)

During the Reporting Period, the Group had an overall turnover rate[9] of 30.43%. Details of the turnover rate by gender, age group and geographical region are as follows:

	Turnover Rate (%)[10]	
	2022	2021
Gender		
Male	**31.25**	18.80
Female	**28.57**	42.90
Age group		
20-30	**–**	100.00
31-40	**40.00**	40.00
41-50	**33.33**	20.00
> 50	**25.00**	8.30
Geographical region		
Hong Kong	**–**	21.10
The PRC[11]	**N/A**	25.00
Argentina[11]	**N/A**	57.10
Canada[11]	**12.50**	–

Notes:

9. The overall turnover rate is calculated by dividing the total number of directors and employees leaving employment during the reporting period by the total number of directors and employees at the end of the reporting period. Owing to the enhancement of the Group's data processing mechanism, the overall turnover rate will be disclosed from 2022 onwards.

10. The turnover rate by category is calculated by dividing the total number of directors and employees in the specified category leaving employment during the reporting period by the number of directors and employees in the specified category at the end of the reporting period.

11. During the Reporting Period, three employees from the PRC, three employees from Argentina and one employee from Canada had left the Group.

Staff Compensation and Welfare

To retain quality staff, the Group offers competitive remuneration package and regularly evaluate their salary levels to make sure that their remuneration packages are competitive. Though the remuneration package varies in different nations where the Group operates, it strives to build a fair, reasonable and competitive remuneration scheme in all its operation locations. 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.

B. SOCIAL (continued)

B1. Employment (continued)

Staff Compensation and Welfare (continued)

Additional allowances that are also available to the employees include meal allowance, overseas travelling allowance and education subsidy. Education subsidy covers 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 employees.

Talent Management

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 recommendation based on a number of criteria, including work experience, seniority, knowledge and skills, performance, contributions, etc of the employee. In compliance with local labour laws, social security laws and regulations, the Group operates retirement plans 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, the Group implements 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.

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 as well as organise various recreational activities.

B2. 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 the 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 the 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 is checked to verify that it is executed safely so as to minimise incidents and potential risks.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance and Employees' Compensation Ordinance of Hong Kong and the Occupational Health and Safety Act of Canada.

B. SOCIAL (continued)

B2. Health and Safety (continued)

Occupational Health and Workplace Safety

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 practise 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 performing in the work field.

The Group provides on-the-job technical training regularly, arranges safety assessment and organises teambuilding activities to promote job safety. This is to ensure that employees are equipped with the required knowledge and skills to fulfil their job duties and able to meet the safety standards.

The Group also has insurance policies in place for injuries at work for every employee. It cares about 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. The Group sets 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 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.

The Group also establishes and optimises its occupational health management system to protect workers and their rights. The Group provides all site workers in oilfield 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 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 manoeuvres, identified risks and scope or needs that are required to complete such an operation.

B. SOCIAL (continued)

B2. Health and Safety (continued)

Occupational Health and Workplace Safety (continued)

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

During the Reporting Period, the Group adopted various preventive measures to reduce the risk of infection and the spread of COVID-19. These precautions include provision of surgical masks and alcohol-based hand sanitizers to the employees, reminding employees to follow good 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.

B3. 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 provide 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.

B. SOCIAL (continued)

B3. Development and Training (continued)

During the Reporting Period, 43.48%[12] of the Group's employees were trained and with an average of 0.87 hours per employee[13] was recorded. The percentage of trained employees, the percentage of breakdown of trained employees and the average training hours per employee, by gender and employee category are as follows:

	Average training hours per employee[14] (hours)		Percentage of trained employees[15] (%)	
	2022	2021	**2022**	2021
Gender				
Male	**0.88**	0.33	**43.75**	33.33
Female	**0.86**	–	**42.86**	–
Employee category				
Directors	**2.00**	1.00	**100.00**	100.00
Senior management	**2.00**	0.20	**100.00**	20.00
Lower-level management	**2.00**	0.33	**100.00**	33.33
Ordinary staff	**0.14**	–	**7.14**	–

Notes:

12. The overall percentage of trained employees is calculated by dividing the total number of directors and employees who received training during the reporting period by the total number of directors and employees at the end of the reporting period.

13. The overall average training hours per employee is calculated by dividing the total number of training hours during the reporting period by the total number of directors and employees at the end of the reporting period.

14. The average training hours per employee by category is calculated by dividing the total number of training hours in the specified category during the reporting period by the total number of directors and employees in the specified category at the end of the reporting period.

15. The percentage of trained employees by category is calculated by dividing the total number of directors and employees in the specified category who received training during the reporting period by the total number of directors and employees in the specified category at the end of the reporting period.

During the Reporting Period, the Directors participated in various continuing professional development training activities to further develop and refresh their knowledge and skills. Their respective number of training hours were not included in the above table.

B. SOCIAL (continued)

B4. Labour Standards

Labour Rights Protection

The Group cherishes human rights and strictly prohibits any unethical hiring practices, including child and forced labour, during its recruitment process. The Group strictly complies with all local laws and will not employ children under the legal working age as defined by the relevant laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong and the Canada Labour Code of Canada.

Preventive Measures for Child and Forced Labour

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 working overtime is required to avoid involuntary overtime work. Also, the employees are compensated as appropriate in accordance with the applicable labour laws and regulations.

In cases where any individual below the legal working age is hired, corrective actions will be taken immediately to rectify the situation, by terminating the employee and reporting to the relevant governmental authorities.

B5. Supply Chain Management

Strengthening relationships with suppliers depend on the determination for conducting all aspects of 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 competitiveness of price. Each of the qualified suppliers is given a fair chance to supply quality products and provide services to the Group, and where feasible, priority will be provided to suppliers or service providers that provides environmentally preferable products and services.

To enhance suppliers' quality, the Group conducts its supplier assessment process in a structured and systematic manner. The evaluation criteria of a supplier include its service or product quality, performance on environmental issues, labour practice, commitment to social responsibilities and moral standards. Furthermore, the Group oversees business relationships with the suppliers in due care in pursuit of mitigating any issues that contradict the Group's performance standards on environmental and social issues, including legal compliance, workplace safety, mitigation of environmental impacts, protocols against sexual and gender discrimination, and protocols against harassment and abuse.

Periodic supplier and service provider performance evaluation is conducted to better control and assure good quality.

B. SOCIAL (continued)

B5. Supply Chain Management (continued)

Suppliers Management

The Group endeavours to sources locally, to minimise its logistical carbon footprint, reduce shipping costs and benefit local economy. During the Reporting Period, the Group had engaged a total of 96 suppliers and service providers to support its daily operations, new wells drilling and other production enhancement activities in the oilfield in Canada, of which, all of the suppliers and service providers have gone through the Group's supplier management procedures.

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 identify, monitor and control the potential environmental and social risks along the Group's supply chain.

B6. Product Responsibility

The Group attaches great importance to the provision of the best products and services to its customers. Therefore, the Group has established relevant policies and procedures to monitor the status and progress of all its business activities carrying out at different levels, so as to ensure high quality products and services are delivered to its customers.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to privacy issues and compensation regarding health and safety, advertisement, labelling, and products and services provided, that would have a significant impact on the Group, including but not limited to the Copyright Ordinance of Hong Kong and the Personal Information Protection Act (PIPA) of Canada.

Product and Customer Service Quality

Crude oil extracted from underground is treated through oil/water separation process, to a specification accepted by the customers before delivery and selling to the customers. Checking of specification of crude oil are performed by the trucking company at the Group's facility before delivery, as well as by the customers at the collection facility of the customers 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.

B. SOCIAL (continued)

B6. Product Responsibility (continued)

Client's Privacy Measures and Protection

For the money lending business, the Group handles confidential information of 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.

Intellectual Property ("IP") Rights

Owing to the Group's business nature, it does not involve in significant amount of uses of IP rights. Nonetheless, the Group respects IP rights. Employees are not allowed to possess or use copyrighted material without the permission of the copyright owners. Furthermore, the Group's IT Department is responsible for obtaining proper licenses for the software, hardware and information used in the Group's daily business operations. The Group has monitoring procedures in place to ensure that IP rights are not being infringed upon.

Customer Satisfaction

The Group recognises customer satisfaction as the cornerstone of its continuous business success, and strives to maintain good relationships with all its customers. By gathering and analysing customers' feedback, inquires and complaints, the Group identifies room for improvement in its products or services quality in the future. The Group has also formulated relevant policies and procedures to handle customers' feedback and complaints in a timely and professional manner. During the Reporting Period, the Group was not aware of any material written complaints related to products and services provided.

B7. Anti-corruption

The Group always attaches importance to creating a harmonious and honest work environment and it commits 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 their employment. Employees must observe the required ethical standards and make their own judgements as to the appropriateness of their conduct in business operations. During the Reporting Period, 6 directors and 4 employees received a total of approximately 12 hours and 8 hours of anti-corruption training relating to the latest updates on anti-corruption, respectively.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance of Hong Kong and the Corruption of Foreign Public Officials Act (CFPOA) of Canada.

B. SOCIAL (continued)

B7. Anti-corruption (continued)

Anti-corruption Measures

The Group adopted an anti-fraud and counter corruption policy with a vision to achieve high standards of business ethics and corporate governance across all business levels and operating activities. 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 also adopted 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, evidence or avoid investigation of suspicious transactions may be considered as illegal. The Group has also provided various reporting channels for its suppliers, customers and other business partners to report any violations of laws or regulations when people are performing their duties for the Group.

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. The Group continues to optimise the reporting mechanism and resolutely fight against corruption for building a clean social environment.

During the Reporting Period, there were no concluded legal cases regarding corruption practices brought against the Group or its employees.

B8. Community Investment

Community Contribution

The Group views sustainable development and community contribution as corporate goals. The Group believes in people-oriented management principle, carry out a variety of activities in fulfilling its social responsibilities, actively pursue social contribution initiatives and strive to create a sustainable and harmonious society. The Group's performance over the long term depends on its sensitivity to local customs and conventions governing business relationships and its commitment to make a positive contribution to the sustainable development of the communities in which it works. The Group considers ways of supporting communities in which it operates through charitable and educational activities and contributions.

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 liveable environment together. The Group strives to minimise any harmful effects of its operations on the natural environment and finite resources and constantly enhance 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, environmental quality standards which are desirable and attainable are set out to ensure the Group fully complies with all relevant environmental legislation.

The Group is also a responsible taxpayer and employer that offer job opportunities to ease the local employment pressure. The Group establishes good practices in running its business and actively promote energy saving and environmentally friendly concepts with a hope to be the role model within the industry. The Group has certainly contributed to social stability and building a harmonious community.

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2022	2021
GHG emissions:			
Scope 1 - Direct GHG emissions	**tCO_2e**	**378.81**	**9.19**
Intensity	tCO_2e/employee	16.47	0.44
	tCO_2e/thousand bbl	4.66	N/A
Scope 2 – Energy indirect GHG emissions	**tCO_2e**	**1,335.95**	**8.45**
Intensity	tCO_2e/employee	58.08	0.40
	tCO_2e/thousand bbl	16.43	N/A
Total GHG emissions	**tCO_2e**	**1,714.76**	**17.64**
Intensity	tCO_2e/employee	74.55	0.84
	tCO_2e/thousand bbl	21.09	N/A
Air emissions:			
Nitrogen oxide	kilogram	–	11.74
Sulphur oxide	kilogram	–	0.03
Particulate matters	kilogram	–	1.08
Hazardous wastes:			
Total hazardous wastes	**tonne**	**65.63**	–
Intensity	tonne/employee	2.85	–
	tonne/thousand bbl	0.81	N/A
Non-hazardous wastes:			
Total non-hazardous wastes	**tonne**	**601.86**	**0.47**
Intensity	tonne/employee	26.17	0.02
	tonne/thousand bbl	7.40	N/A

SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE (continued)

	Unit	2022	2021
Energy consumption:			
Gasoline	MWh	–	5.34
Diesel	MWh	1,046.91	12.06
Natural gas	MWh	–	22.28
Propane	MWh	564.81	N/A
Direct energy consumption	**MWh**	**1,611.72**	**39.68**
Electricity	MWh	2,518.13	13.88
Indirect energy consumption	**MWh**	**2,518.13**	**13.88**
Total energy consumption	**MWh**	**4,129.85**	**53.56**
Intensity	MWh/employee	179.56	2.55
	MWh/thousand bbl	50.80	N/A
Water consumption:			
Total water consumption	**tonne**	–	35.00
Intensity	tonne/employee	–	1.67

MOORE

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

大華馬施雲
會計師事務所有限公司

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 84 to 169, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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 losses ("**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 historical settlement records, including the past due dates and probability of default, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration 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; and

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 to assess the potential loss as a result of the risk on credit-impaired loan and interest receivables to which the Group is exposed and take appropriate corrective actions. 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$84,652,000 in aggregate and the impairment allowance on loan and interest receivables is HK$23,800,000 in aggregate as at 31 December 2022 as set out in Note 22 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 2022, 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.

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 21 to the consolidated financial statements, the fair value of debt instruments at FVTOCI is HK$33,739,000 at 31 December 2022 and the impairment allowance of HK$11,081,000 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; and • 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.

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.

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 HKSAs 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 HKSAs, 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.

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
30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**45,102**	24,496
Sales of petroleum, net of royalties		**30,932**	1,523
Sales of electricity		**6,536**	652
Interest income		**7,482**	22,053
Dividend income		**152**	268
Purchases, processing and related expenses	7	**(13,952)**	(1,067)
Other income and losses, net	8	**(8,210)**	1,122
Net (loss) gain on financial assets at fair value through profit or loss	9	**(1,952)**	7,870
(Provision) reversal of expected credit loss on loan and interest receivables		**(20,019)**	4,356
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		**(11,081)**	(49,247)
Wages, salaries and other benefits	13	**(7,300)**	(9,799)
Depreciation	13	**(13,130)**	(1,666)
Loss on redemption of debt instruments at fair value through other comprehensive income		**(453)**	–
Other expenses		**(14,875)**	(7,193)
Gain (loss) on disposal of subsidiaries	10	**159**	(397)
Finance costs	11	**(1,246)**	(101)
Loss before tax		**(46,957)**	(31,626)
Income tax credit	12	**211**	2,255
Loss for the year	13	**(46,746)**	(29,371)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Net fair value loss on debt instruments at fair value through other comprehensive income		**(11,238)**	(54,714)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		**11,081**	49,247
Release on redemption of debt instruments at fair value through other comprehensive income		**453**	–
Reclassification of cumulative translation reserve upon disposal of foreign operations	10	**1,312**	340
Exchange differences arising on translation of financial statements of foreign operations		**(4,539)**	990
Other comprehensive expense for the year, net of income tax		**(2,931)**	(4,137)
Total comprehensive expense for the year attributable to owners of the Company		**(49,677)**	(33,508)
Loss per share attributable to owners of the Company			
– Basic	17	**HK(0.89) cent**	HK(0.56) cent

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	18	**218,781**	34,383
Right-of-use assets	19	**2,590**	4,200
Deposit paid for decommissioning obligation	20	**8,256**	–
Prepayment for acquisition of non-current assets	20	**6,978**	9,874
Debt instruments at fair value through other comprehensive income	21	**5,698**	30,684
Total non-current assets		**242,303**	79,141
Current assets			
Debt instruments at fair value through other comprehensive income	21	**28,041**	47,712
Inventories		**312**	–
Loan and interest receivables	22	**60,852**	115,001
Trade and other receivables and prepayments	20	**10,398**	1,610
Other tax recoverable	23	**204**	732
Income tax recoverable		**1,011**	171
Financial assets at fair value through profit or loss	24	**4,772**	6,724
Cash and cash equivalents	25	**85,796**	191,824
Total current assets		**191,386**	363,774
Current liabilities			
Trade and other payables	26	**20,805**	11,852
Income tax payable		**618**	679
Lease liabilities	27	**374**	1,574
Total current liabilities		**21,797**	14,105
Net current assets		**169,589**	349,669
Total assets less current liabilities		**411,892**	428,810

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Lease liabilities	*27*	**2,351**	2,820
Decommissioning obligation	*29*	**33,228**	–
Total non-current liabilities		**35,579**	2,820
Net assets		**376,313**	425,990
Capital and reserves			
Share capital	*30*	**52,403**	52,403
Reserves		**323,910**	373,587
Total equity		**376,313**	425,990

The consolidated financial statements on pages 84 to 169 together with the Company's statement of financial position set out in Note 40 to the consolidated financial statements have been approved and authorised for issue by the Board on 30 March 2023 and are signed on its behalf by:

Sue Ka Lok	**Chan Shui Yuen**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000 (Note (a))	Investment revaluation reserve HK$'000 (Note (b))	Translation reserve HK$'000 (Note (c))	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling Interest HK$'000	Total HK$'000
At 1 January 2021	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)
Net 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 on debt instruments at fair value through other comprehensive income	–	–	–	49,247	–	–	49,247	–	49,247
Reclassification of cumulative translation reserve upon disposal of foreign operations	–	–	–	–	340	–	340	–	340
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	990	–	990	–	990
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
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(46,746)**	**(46,746)**	**–**	**(46,746)**
Net fair value loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**(11,238)**	**–**	**–**	**(11,238)**	**–**	**(11,238)**
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**11,081**	**–**	**–**	**11,081**	**–**	**11,081**
Release on redemption of debt instruments at fair value through other comprehensive income	**–**	**–**	**–**	**453**	**–**	**–**	**453**	**–**	**453**
Reclassification of cumulative translation reserve upon disposal of foreign operations	**–**	**–**	**–**	**–**	**1,312**	**–**	**1,312**	**–**	**1,312**
Exchange differences arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**(4,539)**	**–**	**(4,539)**	**–**	**(4,539)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**296**	**(3,227)**	**(46,746)**	**(49,677)**	**–**	**(49,677)**
At 31 December 2022	**52,403**	**918,270**	**201,645**	**(3,938)**	**(4,656)**	**(787,411)**	**376,313**	**–**	**376,313**

Notes:

(a) The share options reserve represents the cumulative expense on the share options granted recognised over the vesting period. All the share options forfeited after the vesting date or are still not exercise at the expiry date will continue to be held in this reserve. All the outstanding share options were lapsed and there were no outstanding share options as at 31 December 2022 and 31 December 2021.

(b) The investment revaluation reserve represents cumulative gains and losses arising from revaluation of debt instruments at fair value through other comprehensive income that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those debt instruments at fair value through other comprehensive income are disposed of or are determined to be impaired.

(c) The translation reserve represents exchange differences arising from the translation of financial statements of the Group's foreign operations into the presentation currency of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Loss before tax		**(46,957)**	(31,626)
Adjustments for:			
Depreciation of property, plant and equipment		**11,692**	382
Depreciation of right-of-use assets		**1,438**	1,284
Loss on redemption of debt instruments at fair value through other comprehensive income		**453**	–
Provision (reversal) of expected credit loss on loan and interest receivables		**20,019**	(4,356)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		**11,081**	49,247
Write off of other receivables and deposit		**–**	1,680
Write off of property, plant and equipment		**9**	–
Bank and other interest income	8	**(1,343)**	(83)
Modification loss on debt instruments at fair value through other comprehensive income	8	**79**	–
Net loss (gain) on financial assets at fair value through profit or loss	9	**1,952**	(7,870)
Accretion expense on decommissioning obligation	11	**1,127**	–
Interest expense	11	**119**	101
Dividend income		**(152)**	(268)
Interest income from money lending business		**(3,877)**	(13,182)
Interest income from debt instruments at fair value through other comprehensive income		**(3,605)**	(8,871)
(Gain) loss on disposal of subsidiaries	10	**(159)**	397
Operating cash flows before movements in working capital		**(8,124)**	(13,165)
Increase in inventory		**(326)**	–
(Increase) decrease in trade and other receivables and prepayment		**(9,134)**	12,489
Decrease in loan and interest receivables		**22,881**	15,955
Decrease (increase) in other tax recoverable		**457**	(123)
Decrease in financial assets at fair value through profit or loss		**–**	26,243
Increase (decrease) in trade and other payables		**11,859**	(2,576)
Increase in deposit paid for decommissioning obligation		**(8,628)**	–
Cash generated from operations		**8,985**	38,823
Dividend received		**152**	268
Income tax (paid) refunded		**(158)**	915
Interest received from money lending business		**7,245**	17,948
Interest received from debt instruments at fair value through other comprehensive income		**4,378**	7,959
Net cash from operating activities		**20,602**	65,913

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing Activities			
Acquisition of assets and liabilities	32	**(135,461)**	–
Purchase of property, plant and equipment		**(29,760)**	(26,493)
Prepayment paid on acquisition of non-current assets		**(2,454)**	(9,874)
Proceeds from redemption of debt instruments at fair value through other comprehensive income		**32,370**	–
Consent fee received from modification of debt instruments at fair value through other comprehensive income		**197**	–
Bank and other interest received	8	**1,343**	83
Net cash inflow on disposal of subsidiaries	10	**8,751**	28,933
Net cash used in investing activities		**(125,014)**	(7,351)
Financing Activities			
Repayment of lease liabilities		**(1,497)**	(1,340)
Interest paid		**(119)**	(101)
Net cash used in financing activities		**(1,616)**	(1,441)
Net (decrease) increase in cash and cash equivalents		**(106,028)**	57,121
Cash and cash equivalents at beginning of the year		**191,824**	134,627
Effect of foreign exchange rate changes		**–**	76
Cash and cash equivalents at end of the year, represented by cash and cash equivalents		**85,796**	191,824

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 Rooms 1502-03, 15th 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 1 January 2022 for the preparation of the consolidated financial statements:

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

The application of the amendments to HKFRSs in the current 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.

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[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRS 16	Lease liability in a sale and leaseback[3]
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	Non-current liabilities with covenant[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies[1]
Amendments to HKAS 8	Definition of accounting estimates[1]
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction[1]

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

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

3 Effective for annual periods beginning on or after 1 January 2024.

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.

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.

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.

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.

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.

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.

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.

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 include drilling costs, exploration and evaluation costs, development costs and other direct costs attributable to the oil and gas production properties.

Oil and gas properties are depreciated and depleted using the unit-of-production method. Unit-of-production rates are based on oil and gas 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.

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.

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.

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)

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.

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.

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

3.2 Significant accounting policies (continued)

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).

Decommissioning obligation

Decommissioning obligation represents cost for the future abandonment of oil and gas production equipment and facilities, representing the legal obligations, at the end of their economic lives. Decommissioning activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

The amount recognised as part of the cost of oil and gas properties is the estimated cost of decommissioning, discounted to its net present value. The timing and amount of future expenditure are reviewed annually together with the interest rate to be used in discounting the cash flows. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property, plant and equipment – oil and gas properties.

Decommissioning costs are depreciated as part of the cost of oil and gas properties using the unit-of-production method. The accretion of discount of the provision of decommissioning cost is recognised as finance costs in the consolidated profit or loss.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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)

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.

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.

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, cash and cash equivalents 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.

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.

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.

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)

Despite the aforegoing, 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.

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 issuer engaging in business that are 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.

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.

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.

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.

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.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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.

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**") and the Canada Pension Fund are recognised as an expense when employees have rendered service entitling them to the contributions.

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

3.2 Significant accounting policies (continued)

Employee benefits (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

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".

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.

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

3.2 Significant accounting policies (continued)

Foreign currencies (continued)

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.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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 quantitative modelling to support 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 that have a detrimental impact on the estimated future cash flows have occurred. In addition, judgement is involved to assess whether a change in the contractual terms of the Group's loan and interest receivables and debt instruments at FVTOCI would lead to (1) an increase in credit risk; and (2) the need to derecognise the existing loan and interest receivables and debt instruments at FVTOCI and recognise new loan and interest receivables and debt instruments at FVTOCI. The information about the ECL and the Group's loan and interest receivables and debt instruments at FVTOCI are disclosed in Notes 37, 22 and 21 respectively.

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 for 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 to assess the potential loss as a result of the risk on credit-impaired loan and interest receivables to which the Group is exposed and take appropriate corrective actions. 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 provision of ECL is sensitive to changes in estimates. Owing to greater financial uncertainty triggered by the COVID epidemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 37 and 22 respectively.

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

Key sources of estimation uncertainty (continued)

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.

Provision of ECL for 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 have a detrimental impact on the estimated future cash flows have occurred. Evidence that the debt instruments at FVTOCI are credit-impaired includes observable data including significant financial difficulty of the issuer; and the issuer is engaging in business that is 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, incorporation of forward looking information. The information about the ECL and the Group's financial assets are disclosed in Notes 37 and 21 respectively.

At 31 December 2022, the carrying amounts of debt instruments at FVTOCI was HK$33,739,000 (2021: HK$78,396,000) with provision of ECL of HK$11,081,000 (2021: HK$49,247,000) 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.

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

Key sources of estimation uncertainty (continued)

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

At 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets, subject to impairment assessment were HK$218,781,000 and HK$2,590,000 (2021: HK$34,383,000 and HK$4,200,000) respectively, no impairment loss had been provided for the years ended 31 December 2022 and 31 December 2021 in respect of property, plant and equipment and right-of-use assets respectively.

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:

	2022	2021
	HK$'000	*HK$'000*
Sales of petroleum	**39,821**	1,847
Less: Royalties	**(8,889)**	(324)
Sales of petroleum, net of royalties	**30,932**	1,523
Sales of electricity	**6,536**	652
Interest income from money lending business*	**3,877**	13,182
Interest income from debt instruments at FVTOCI*	**3,605**	8,871
Dividend income from financial assets at FVTPL	**152**	268
	45,102	24,496

* Under effective interest method

5. REVENUE (continued)

Revenue from major products and services (continued)

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

During the year, revenue from sales of electricity was recognised at a point in time when the electricity generated (by solar energy power generation systems) and transmitted was simultaneously received and consumed by the power companies under the Renewable Energy Feed-in Tariff Scheme (the "**FiT Scheme**"), jointly launched by the Hong Kong Government and the two power companies in Hong Kong. The Group has no unsatisfied performance obligations at each reporting date.

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

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

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 2022

	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	30,932	6,536	3,877	3,757	45,102
Results					
Segment results before provision of ECL	4,078	1,403	3,782	1,338	10,601
Provision of ECL	–	–	(20,019)	(11,081)	(31,100)
Segment results	4,078	1,403	(16,237)	(9,743)	(20,499)
Other income and losses, net					(8,818)
Corporate expenses					(17,772)
Gain on disposal of subsidiaries					159
Finance costs					(27)
Loss before tax					(46,957)
Income tax credit					211
Loss for the year					(46,746)
Other information					
Depreciation of property, plant and equipment	(7,973)	(3,528)	–	–	(11,501)
Depreciation of right-of-use assets	–	(226)	–	–	(226)

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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	1,523	652	13,182	9,139	24,496
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)

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

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:

	2022	2021
	HK$'000	*HK$'000*
Segment assets		
Petroleum exploration and production	**203,649**	1,256
Solar energy	**50,890**	47,599
Money lending	**63,662**	127,774
Investment in securities	**38,511**	85,126
Total segment assets	**356,712**	261,755
Unallocated:		
Property, plant and equipment	**653**	854
Cash and cash equivalents	**73,914**	177,911
Right-of-use assets	**101**	1,312
Other assets	**2,309**	1,083
Consolidated assets	**433,689**	442,915
Segment liabilities		
Petroleum exploration and production	**51,539**	1,800
Solar energy	**2,568**	2,860
Money lending	**2**	25
Total segment liabilities	**54,109**	4,685
Unallocated:		
Lease liabilities	**164**	1,491
Other liabilities	**3,103**	10,749
Consolidated liabilities	**57,376**	16,925

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

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

6. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are located in Canada, Hong Kong and the PRC. The Group's operation in Argentina ceased in the current year.

Information about the Group's revenue from external customers/sources is presented based on the geographical location of the 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	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Canada	**30,932**	–	**185,615**	–
Hong Kong	**14,170**	21,008	**50,990**	48,285
The PRC	**–**	1,965	**–**	–
Argentina	**–**	1,523	**–**	172
	45,102	24,496	**236,605**	48,457

Note: Non-current assets excluded debt instruments at FVTOCI.

Information about major customers

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

	2022	2021
	HK$'000	*HK$'000*
Customer A [1]	**30,166**	–
Customer B [2]	**6,536**	N/A[4]
Customer C [3]	**–**	3,300

Notes:

1 Revenue from petroleum exploration and production business

2 Revenue from solar energy business

3 Revenue from money lending business

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

7. PURCHASES, PROCESSING AND RELATED EXPENSES

	2022 **HK$'000**	2021 *HK$'000*
Operating cost for petroleum exploration and production business	**12,703**	–
Operating and maintenance cost for solar energy business	**1,249**	1,067
	13,952	1,067

8. OTHER INCOME AND LOSSES, NET

	2022 **HK$'000**	2021 *HK$'000*
Bank and other interest income	**1,343**	83
Government grants *(Note (i))*	**228**	–
Overprovision of accrued expenses *(Note (ii))*	**–**	1,920
Exchange (loss) gain, net	**(10,332)**	453
Modification loss on debt instrument at FVTOCI	**(79)**	–
Others	**630**	(1,334)
	(8,210)	1,122

Notes:

(i) During the year ended 31 December 2022, the Group recognised government grants of HK$228,000 (2021: nil) in respect of COVID-19-related subsidies which related to Employment Support Scheme provided by the Hong Kong Government.

(ii) During the year ended 31 December 2021, 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.

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

	2022	2021
	HK$'000	*HK$'000*
Net unrealised loss on financial assets at FVTPL *(Note (i))*	**(1,952)**	(1,229)
Net realised gain on disposal of financial assets at FVTPL *(Note (ii))*	**–**	9,099
	(1,952)	7,870

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 2022 and 2021, 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 values of the financial assets at FVTPL disposed of upon disposal.

10. GAIN (LOSS) ON DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2022 and 2021, the Group disposed of its entire equity interests in four (2021: five) subsidiaries to independent third parties.

	2022 ***HK$'000***	2021 *HK$'000*
Consideration received:		
Consideration received in cash	**8,800**	29,100
Assets and liabilities of the disposed subsidiaries at the date of disposal:		
Property, plant and equipment	**–**	107
Loan and interest receivables	**7,881**	30,904
Other receivables	**4**	60
Cash and cash equivalents	**49**	167
Trade and other payables	**(6)**	(1,714)
Income tax payable	**(599)**	(367)
Net assets disposed of	**7,329**	29,157
Gain (loss) on disposal of subsidiaries:		
Consideration received	**8,800**	29,100
Net assets disposed of	**(7,329)**	(29,157)
Reclassification of cumulative translation reserve upon disposal of foreign operations to profit or loss	**(1,312)**	(340)
Gain (loss) on disposal	**159**	(397)
Net cash inflow arising on disposal:		
Cash consideration	**8,800**	29,100
Less: cash and cash equivalents disposed of	**(49)**	(167)
	8,751	28,933

11. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Accretion expense on decommissioning obligation *(Note 29)*	**1,127**	–
Interest on lease liabilities	**119**	101
	1,246	101

12. INCOME TAX CREDIT

	2022 HK$'000	2021 HK$'000
Tax charge for the year comprises:		
Current tax		
Hong Kong	**–**	(944)
The PRC	**–**	(207)
	–	(1,151)
Overprovision in prior years		
Hong Kong	**830**	2,929
The PRC	**–**	(101)
	830	2,828
Withholding tax on interest income from a group entity	**(619)**	–
Deferred tax *(Note 28)*	**–**	578
Income tax credit recognised in profit or loss	**211**	2,255

Under the two-tiered profits tax rates regime of Hong Kong, 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.

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

12. INCOME TAX CREDIT (continued)

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

	2022	2021
	HK$'000	*HK$'000*
Loss before tax	**46,957**	31,626
Tax at the applicable rates of 16.5% (2021: 16.5%)	**7,748**	5,218
Tax effect of income not taxable for tax purpose	**2,404**	435
Tax effect of expenses not deductible for tax purpose	**(2,528)**	(448)
Tax effect of deductible temporary difference not recognised	**–**	(5,686)
Utilisation of deductible temporary difference previously not recognised	**517**	–
Overprovision in prior years	**830**	2,828
Tax effect of tax losses not recognised	**(8,279)**	(187)
Withholding tax on interest income from a subsidiary	**(619)**	–
Income tax at concessionary rate	**–**	165
Effect of different tax rates of subsidiaries operating in other jurisdictions	**138**	(70)
Income tax credit for the year	**211**	2,255

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022	2021
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**11,692**	382
Depreciation of right-of-use assets	**1,438**	1,284
Total depreciation	**13,130**	1,666
Staff costs		
– directors' emoluments *(Note 14)*	**1,385**	1,612
– other staff costs	**5,710**	7,386
– other staff's retirement benefits schemes contributions (excluding directors)	**205**	801
Total staff costs	**7,300**	9,799
Auditor's remuneration	**2,332**	1,198

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2021: seven) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Name	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2022				
Executive Directors				
Mr. Sue Ka Lok	**–**	**390**	**20**	**410**
Mr. Yiu Chun Kong	**–**	**130**	**7**	**137**
Mr. Chan Shui Yuen	**–**	**455**	**23**	**478**
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**	**975**	**50**	**1,385**
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 *(Note)*	–	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

Note: Appointed on 8 April 2021 and resigned on 18 October 2021

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

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 independent non-executive directors shown above were for their services as directors of the Company.

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.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2021: nil) of them was a director whose emoluments is included in the disclosure in Note 14. The emoluments of the remaining four (2021: five) individuals are as follows:

	2022	2021
	HK$'000	*HK$'000*
Salaries and other benefits	**2,745**	4,634
Retirement benefits schemes contributions	**79**	591
	2,824	5,225

Their emoluments were within the following bands:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	1

16. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2022 (2021: nil), nor has any dividend been proposed since the end of the reporting period (2021: nil).

17. LOSS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(46,746)**	(29,371)

	2022	2021
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**5,240,344**	5,240,344

For the years ended 31 December 2022 and 2021, the diluted loss per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK$'000 (Note (i))	Solar photovoltaic systems HK$'000 (Note (ii))	Construction in progress HK$'000 (Note (iii))	Others HK$'000 (Note (iv))	Total HK$'000
Cost					
At 1 January 2021	497,532	–	–	4,658	502,190
Additions	–	30,220	3,551	110	33,881
Eliminated on disposal of subsidiaries	–	–	–	(1,738)	(1,738)
Written-off	(497,532)	–	–	–	(497,532)
Exchange adjustment	–	–	–	43	43
At 31 December 2021	–	30,220	3,551	3,073	36,844
Additions	2,538	10,580	21,992	–	35,110
Acquired on acquisition of assets and liabilities *(Note 32)*	169,338	–	–	–	169,338
Reclassification	2,992	3,738	(6,730)	–	–
Change in estimate in decommissioning obligation *(Note 29)*	(245)	–	–	–	(245)
Written-off	–	–	–	(1,222)	(1,222)
Exchange adjustment	(7,637)	–	(812)	–	(8,449)
At 31 December 2022	**166,986**	**44,538**	**18,001**	**1,851**	**231,376**
Depreciation and impairment					
At 1 January 2021	497,532	–	–	3,673	501,205
Provided for the year	–	243	–	139	382
Eliminated on disposal of subsidiaries	–	–	–	(1,631)	(1,631)
Written-off	(497,532)	–	–	–	(497,532)
Exchange adjustment	–	–	–	37	37
At 31 December 2021	–	243	–	2,218	2,461
Provided for the year	7,973	3,528	–	191	11,692
Written-off	–	–	–	(1,213)	(1,213)
Exchange adjustment	(345)	–	–	–	(345)
At 31 December 2022	**7,628**	**3,771**	**–**	**1,196**	**12,595**
Carrying values					
At 31 December 2022	**159,358**	**40,767**	**18,001**	**655**	**218,781**
At 31 December 2021	–	29,977	3,551	855	34,383

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The oil and gas properties are depreciated on a unit-of-production basis. During the year ended 31 December 2021, 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.

(ii) As disclosed in the announcements of the Company dated 30 August 2021 and 23 July 2021, (a) the Group entered into an acquisition agreement to acquire a portfolio of existing and to-be-completed solar photovoltaic systems; and (b) the Group entered into a cooperation framework agreement to invest in solar energy power generation projects which are participating in the FiT Scheme. For the year ended 31 December 2021, the solar photovoltaic systems were depreciated on a straight-line basis of 5% per annum. With effect from 1 January 2022, the solar photovoltaic systems have been depreciated on a straight-line basis until the end of the validity period of the FiT scheme, i.e. 31 December 2033. The change in depreciation rate has increased the depreciation charge for the year by HK$987,000.

(iii) The amount represented the construction in progress of new oil wells and other production enhancement works on oil wells in Canada, which are expected to be completed within a year. The construction in progress of solar photovoltaic systems in Hong Kong had been completed and reclassified as solar photovoltaic systems.

(iv) The remaining items of property, plant and equipment were depreciated on a straight-line basis at 20% to 33 $^{1}/_{3}$% 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 2022	**2,590**
At 31 December 2021	4,200
For the year ended 31 December 2022	
Depreciation charge	**1,438**
Written-off	**172**
Additions to right-of-use assets	**–**
Total cash outflow for leases	**1,645**
Less: expenses relating to short-term leases	**(29)**
Net cash outflow for leases in financing activities	**1,616**
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

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 2022 and 2021, there were no outstanding lease commitments relating to short-term leases for office as 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 security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

20. DEPOSITS AND PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Deposit paid for decommissioning obligation *(Note (i))*	**8,256**	–
Prepayment for acquisition of non-current assets *(Note (ii))*	**6,978**	9,874
Trade receivables *(Note (iii))*	**5,232**	194
Deposits and prepayments	**4,826**	1,316
Others	**340**	100
	10,398	1,610

Notes:

(i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's of petroleum exploration and production business in Canada.

(ii) The amount represented prepayment for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business, which would be utilised as consideration upon completion of the acquisition. The management expects the acquisition would be completed within one year.

(iii) The Group allows an average credit period of 30 to 60 days (2021: 30 to 60 days). The trade receivables of HK$5,232,000 (2021: HK$194,000) were aged within 30 days based on the customers' statement date and were neither past due nor impaired.

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

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

20. DEPOSITS AND PREPAYMENTS, TRADE AND OTHER RECEIVABLES (continued)

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

	2022	2021
	HK$'000	*HK$'000*
Argentina Peso ("**ARS**")	**–**	6

21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022	2021
	HK$'000	*HK$'000*
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 5.25% to 11.75% (2021: 4.70% to 11.75%) per annum and maturity dates ranging from 23 March 2022 to 28 June 2025 (2021: 8 March 2022 to 28 June 2025)	**33,739**	78,396
Analysed as:		
Current portion	**28,041**	47,712
Non-current portion	**5,698**	30,684
	33,739	78,396

At 31 December 2022 and 2021, the fair values 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 market conditions 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.

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

Provision of ECL of HK$11,081,000 (2021: HK$49,247,000) 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 US$.

22. LOAN AND INTEREST RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Fixed-rate loan receivables *(Note)*	**84,000**	140,378
Interest receivables	**652**	9,538
	84,652	149,916
Less: Impairment allowance	**(23,800)**	(34,915)
	60,852	115,001
Analysed as:		
Current portion	**60,852**	115,001
Analysed as:		
Secured	**51,494**	115,001
Unsecured	**9,358**	–
	60,852	115,001

Note: Included in loan receivables was an unsecured loan of principal amount of HK$12,500,000 (2021: nil) carrying interest at 8.5% per annum lent to a related party of the Company *(Note 35)*. In March 2023, loan principal of HK$7,500,000 has been repaid, and maturity date of the remaining loan principal of HK$5,000,000 has been extended to 19 December 2023 with interest rate being revised from 8.5% to 10.5% per annum.

22. LOAN AND INTEREST RECEIVABLES (continued)

The range of interest rates and maturity dates attributed to the Group's performing loan receivables at 31 December 2022 were 10.5% to 18.0% (2021: 10.0% to 18.0%) per annum and from 27 April 2023 to 19 December 2023 (2021: from 12 March 2022 to 13 August 2022) respectively.

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

	2022	2021
	HK$'000	*HK$'000*
Loan and interest receivables:		
Within one year or on demand	**60,852**	115,001

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

Impairment assessment

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of 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 historical settlement records, including past due dates and probability of default, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration the estimates of expected cash shortfalls which are driven by 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 historical settlement records of each borrower are reassessed and changes in the forward-looking information are considered.

22. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

At 31 December 2022, included in the Group's loan and interest receivables were debtors with aggregate gross carrying amount of HK$84,652,000 (2021: HK$149,916,000), of which (i) HK$23,500,000 (2021: HK$44,596,000) was secured by the borrowers' pledged properties, the market value of the properties less the estimated costs to sell amounted to HK$14,169,000 (2021: HK$29,306,000) and cumulative ECL of HK$9,473,000 (2021: HK$15,162,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collaterals; (ii) HK$33,589,000 (2021: HK$70,959,000) was secured by the borrowers' pledged unlisted debt instruments issued by a listed company in Hong Kong with principal amount totalling HK$100,000,000 (2021: HK$200,000,000), cumulative ECL of HK$9,782,000 (2021: nil) was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collaterals; (iii) HK$15,025,000 (2021: HK$15,024,000) was secured by the borrowers' own unlisted debt instrument pledged, cumulative ECL of HK$1,365,000 (2021: HK$416,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collaterals; and (iv) the remaining amount of HK$12,538,000 (2021: HK$19,337,000) was not secured by any collateral or credit enhancement and cumulative ECL of HK$3,180,000 (2021: HK$19,337,000) was provided based on the ECL assessment performed. At 31 December 2022, loans were granted to a Hong Kong resident, companies incorporated in Hong Kong and British Virgin Islands, and a company listed on the Hong Kong Stock Exchange.

The Group considers various actions for recovery of the credit-impaired loan including regular collateral reviews and interviews with the borrower to update the credit risk of the borrower. In the event of default, the Group might take possession of assets held as collateral through court proceeding or voluntary delivery of possession by the borrower. The credit quality review process enables the Group to assess the potential loss as a result of the risk to which it is exposed and take appropriate corrective actions.

At 31 December 2022, of the Group's loan and interest receivables with aggregate gross carrying amount of HK$84,652,000 (2021: HK$149,916,000), (i) HK$15,062,000 (2021: HK$57,572,000) were not past due; (ii) nil (2021: HK$34,134,000) had been past due for less than 30 days; (iii) HK$12,500,000 (2021: HK$537,000) had been past due for more than 30 days but less than 90 days; and (iv) HK$57,090,000 (2021: HK$57,673,000) had been past due for 90 days or more. The directors of the Company considered those secured loan and interest receivables that were past due for more than 90 days and unsecured loan and interest receivables that were past due for more than 30 days as credit-impaired, details of the cumulative ECL provided are set out above.

The Group recognised impairment allowance of HK$20,019,000 (2021: reversal of impairment allowance of HK$4,356,000) on loan and interest receivables for the current year.

22. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

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

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

	12m ECL *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
At 1 January 2021	611	49,090	49,701
Changes due to loan and interest receivables recognised at 1 January 2021:			
– Impairment allowance recognised *(Note (i))*	2,195	12,677	14,872
– Impairment allowance reversed *(Note (ii))*	(6)	(20,068)	(20,074)
– Disposal of subsidiaries *(Note (iii))*	(3,230)	(7,200)	(10,430)
New loans granted during the year	846	–	846
At 31 December 2021	416	34,499	34,915
Changes due to loan and interest receivables recognised at 1 January 2022:			
– Impairment allowance recognised *(Note (iv))*	**949**	**15,890**	**16,839**
– Disposal of subsidiaries *(Note (v))*	**–**	**(10,928)**	**(10,928)**
– Write off of impairment allowance *(Note (vi))*	**–**	**(20,206)**	**(20,206)**
New loan granted during the year	**–**	**3,180**	**3,180**
At 31 December 2022	**1,365**	**22,435**	**23,800**

22. LOAN AND INTEREST RECEIVABLES (continued)

Impairment assessment (continued)

Notes:

(i) 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 assessed under lifetime ECL (credit-impaired) and HK$19,894,000 assessed under 12m ECL.

(ii) The impairment allowance reversed of HK$6,000 was related to settlement of loan and interest receivables with gross carrying amount of HK$1,810,000 assessed under 12m ECL. The impairment allowance reversed of HK$20,068,000 was mainly related to settlement of loan and interest receivables with gross carrying amount of HK$42,824,000 assessed under lifetime ECL (credit-impaired).

(iii) 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 the disposal date.

(iv) The impairment loss of HK$15,890,000 and HK$949,000 were mainly related to loan and interest receivables with gross carrying amount of HK$76,768,000 assessed under lifetime ECL (credit-impaired) and HK$15,025,000 assessed under 12m ECL.

(v) The impairment allowance reversed of HK$10,928,000 was related to disposal of subsidiaries with loan and interest receivables of gross carrying amount of HK$18,809,000 as of the disposal date.

(vi) The impairment allowance written off of HK$20,206,000 was related to loan and interest receivables with gross carrying amount of HK$20,206,000 assessed under life-time ECL (credit-impaired).

Details of ECL assessment are set out in Note 37.

23. OTHER TAX RECOVERABLE

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. As at 31 December 2022, no tax will be recovered as the Group's operation in Argentina ceased (2021: the Group was searching for potential oilfield projects in Argentina and the directors of the Company considered that an amount of HK$732,000 would be recovered from the sales of petroleum).

As at 31 December 2022, other tax recoverable of HK$204,000 (2021: nil) represented goods and services tax receivables in Canada.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	HK$'000	*HK$'000*
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	**4,772**	6,724

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.

25. CASH AND CASH EQUIVALENTS

Bank balances include short-term deposits matured within 3 months carried interest ranging from 0.01% to 5.00% (2021: 0.01% to 0.60%) per annum.

The directors of the Company considered that the amount of ECL on cash and cash equivalents was immaterial.

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

	2022	2021
	HK$'000	*HK$'000*
ARS	**–**	18
US$	**1,862**	31,946
RMB	**11**	11
C$	**31**	11

26. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	–	129
Other tax payables	–	1,178
Accrued professional fees	279	390
Payables for acquisition of property, plant and equipment *(Note (i))*	12,720	7,388
Other payables and accruals *(Note (ii))*	7,806	2,767
	20,805	11,852

Notes:

(i) At 31 December 2022, the amount of HK$12,720,000 was related to the acquisition of oil and gas properties with credit period of 60 days (2021: HK$7,388,000 was related to the acquisition of solar photovoltaic systems with credit period of 45 days).

(ii) At 31 December 2022, the amount included other payables of HK$3,958,000 (2021: nil) related to the operating expenses, workover costs and abandonment costs in relation to the petroleum exploration and production business in Canada.

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

	2022 HK$'000	2021 HK$'000
0 – 30 days	–	129

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 currency other than the functional currency of the relevant group entities:

	2022 HK$'000	2021 HK$'000
ARS	–	1,752

27. LEASE LIABILITIES

	2022	2021
	HK$'000	*HK$'000*
Lease liabilities payable:		
Within one year	**374**	1,574
More than one year but not exceeding two years	**200**	418
More than two years but not exceeding five years	**643**	906
More than five years	**1,508**	1,496
	2,725	4,394
Less: Amount due within one year shown current liabilities	**(374)**	(1,574)
Amount due after one year	**2,351**	2,820

The weighted average incremental borrowing rate applied to lease liabilities was 3.41% (2021: 3.41%).

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

	2022	2021
	HK$'000	*HK$'000*
ARS	**–**	172

28. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities is as follows:

	Net unrealised gain on financial assets at FVTPL *HK$'000*
At 1 January 2021	**578**
Credited to profit or loss *(Note 12)*	**(578)**
At 31 December 2021 and **31 December 2022**	**–**

At 31 December 2022, the Group had unused tax losses of HK$102,077,000 (2021: HK$81,249,000) 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$16,159,000 (2021: HK$3,762,000) that will expire within twenty (2021: five) years from year 2023 to 2042 (2021: from year 2022 to 2026). All other tax losses may be carried forward indefinitely.

At 31 December 2022, the Group had deductible temporary differences of approximately HK$1,365,000 (2021: HK$15,578,000) arising from impairment allowance of loan and interest receivables; and HK$67,432,000 (2021: HK$56,351,000) arising from impairment allowance of debt instruments at FVTOCI, no deferred tax assets had been recognised due to the unpredictability of future profits streams.

29. DECOMMISSIONING OBLIGATION

	HK$'000
At 1 January 2021 and 31 December 2021	**–**
Addition through acquisition of assets and liabilities *(Note 32)*	**33,877**
Change in estimate *(Note 18)*	**(245)**
Accretion expenses *(Note 11)*	**1,127**
Exchange realignment	**(1,531)**
At 31 December 2022	**33,228**

30. SHARE CAPITAL

	Number of ordinary shares *'000*	Share capital *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 31 December 2021 and **31 December 2022**	**100,000,000**	**1,000,000**
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2021, 31 December 2021 and **31 December 2022**	**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.

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

On 4 May 2020, all the outstanding share options were lapsed.

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

At 31 December 2022 and 31 December 2021, there were no outstanding share options.

32. ACQUISITION OF ASSETS AND LIABILITIES

On 9 February 2022, the Group entered into an asset purchase and sale agreement with RockEast Energy Corp. for the acquisition of an operating oilfield which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province in Canada ("**Canadian Oil Assets**"). On 16 July 2022, the acquisition of the Canadian Oil Assets was completed. The directors of the Company have elected to apply the optional concentration test in accordance with HKFRS 3 and concluded that the transaction was an acquisition of assets and liabilities as the Canadian Oil Assets are concentrated in a group of similar identifiable assets of similar nature. In addition, the directors of the Company are also of the opinion that the Canadian Oil Assets is the smallest identifiable group of assets that generates cash flows.

Details of the acquisition are summarised as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment *(Note 18)*	**169,338**
Decommissioning obligation *(Note 29)*	**(33,877)**
	135,461
Analysis of net outflow of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	**135,461**

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details 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 2021	2,773
Financing cash flows	(1,441)
New lease entered	2,961
Interest expense	101
At 31 December 2021	4,394
Financing cash flows	**(1,616)**
Interest expense	**119**
Written-off	**(172)**
At 31 December 2022	**2,725**

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 scheme. 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$255,000 (2021: HK$853,000) represents contribution paid/payable to these schemes by the Group at rates specified in the rules of the schemes.

35. RELATED PARTY TRANSACTIONS

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

Relationship	*Notes*	**Nature of transaction/balance**	**2022** ***HK$'000***	2021 *HK$'000*
A related company	*(i)*	Loan interest income	**483**	–
		Loan and interest receivables	**12,538**	–
An individual shareholder	*(ii)*	Consultancy fee	**130**	130

Notes:

(i) The related company is a public limited liability company whose shares are listed on the Main Board of the Hong Kong Stock Exchange. The related company and the Company were both indirectly owned by an individual shareholder who held more than 10%, but less than 30%, of the issued shares of both companies. The board of directors of the related company and the Company had four common directors.

(ii) The individual shareholder of the Company held more than 10%, but less than 30%, of the Company's issued shares.

35. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2022	2021
	HK$'000	*HK$'000*
Short-term employee benefits	**2,441**	5,774
Retirement benefit schemes contributions	**67**	546
	2,508	6,320

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 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 maintain the capital structure, the Group will balance its overall capital structure through the 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 deposit paid for decommissioning obligation, debt instruments at FVTOCI, trade and other receivables, loan and interest receivables, financial assets at FVTPL, cash and cash equivalents 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.

37. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	2022	2021
	HK$'000	*HK$'000*
Financial assets		
Financial assets at FVTPL	**4,772**	6,724
Financial assets at amortised cost	**162,594**	307,959
Debt instruments at FVTOCI	**33,739**	78,396
Financial liabilities		
Amortised cost	**17,624**	8,070
Lease liabilities	**2,725**	4,394

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:

	2022	2021
	HK$'000	*HK$'000*
Interest revenue		
Financial assets at amortised cost	**3,877**	13,182
Debt instruments at FVTOCI	**3,605**	8,871
Other income and losses, net		
Financial assets at amortised cost	**1,343**	83
Revenue/interest income under effective interest method	**8,825**	22,136

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 after tax for the year ended 31 December 2022 would decrease/increase by HK$429,000 (2021: decrease/increase by HK$959,000).

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 US$ as HK$ and US$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of C$ and RMB and will consider a formal foreign currency hedging policy for it should the needs arise. The Group currently does not have a formal foreign currency hedging policy for C$, however, the management regularly monitors foreign exchange exposure of C$ and will undertake appropriate hedging measures should significant exposure arise.

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

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
ARS	**–**	24	**–**	(1,924)
C$	**31**	11	**–**	–
US$	**35,601**	110,342	**–**	–
RMB	**11**	11	**–**	–

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 HK$ and US$ will be immaterial as most US$ denominated monetary assets are held by group entities having HK$ as their functional currency, and therefore no sensitivity analysis has been prepared against US$.

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 ARS, RMB and C$, the Group's major foreign currency items. A positive number below indicates an increase in loss after tax whereas a negative number below indicates a decrease in loss after tax where Hong Kong dollars strengthen 10% against the relevant currencies. For a 10% (2021: 10%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss after tax.

	2022 ***HK$'000***	2021 *HK$'000*
ARS impact		
Decrease in loss after tax	**–**	(133)
C$ impact		
Increase in loss after tax	**2**	1
RMB impact		
Increase in loss after tax	**1**	1

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

37. FINANCIAL INSTRUMENTS (continued)

Other price risk

The Group is exposed to price risk from investments in listed equity securities and listed debt 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 2022 would decrease/increase by HK$797,000 (2021: loss after tax would decrease/increase by HK$1,123,000) as a result of the change in fair value of financial assets at FVTPL.

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 trade and other receivables, loan and interest receivables, cash and cash equivalents and debt instruments at FVTOCI. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with certain loan and interest receivables are mitigated because they are secured by collaterals.

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

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 that 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

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:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	**2022 Gross carrying amount/ fair value HK$'000**	2021 Gross carrying amount/ fair value HK$'000
Debt instruments at FVTOCI						
Investments in listed bonds	*21*	BB+	Low risk	12m ECL	**–**	15,675
		B- to RD (2021: BB- to B-)	High risk	Lifetime ECL	**31,558**	57,640
		WD (2021: RD)	Loss	Lifetime ECL-credit impaired	**2,181**	5,081
Financial assets at amortised cost						
Loan and interest receivables	*22*	N/A	Medium risk	12m ECL	**15,025**	15,025
			Loss	Lifetime ECL-credit impaired	**69,627**	134,891
Other receivables and deposits	*20*	N/A	*(Note (i))*	12m ECL	**10,713**	946
			Write off	Lifetime ECL-credit impaired	**–**	1,680
Trade receivables	*20*	N/A	*(Note (ii))*	Lifetime ECL (simplified approach)	**5,232**	194
Cash and cash equivalents	*25*	BBB- to AA (2021: BBB- to AA)	N/A	12m ECL	**85,750**	191,797

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.

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Trade receivables

At 31 December 2022, the Group had concentration of credit risk for its trade receivables as 100% (2021: 100%) of the amount was attributable to the Group's two trading customers in Canada (2021: nil) and one customer in Hong Kong (2021: one customer in Hong Kong) and they contributed to 86% (2021: 3%) of the Group's revenue. However, since the trade receivables are due from reputable oil distributors in Canada with good settlement history and a major electrical power company (2021: a major electrical power company) in Hong Kong of good creditability, the management considers that the Group's credit risk is low and ECL is minimal at 31 December 2022 and 2021.

Other receivables and deposits

For other receivables and deposits, the management assessed individually on the recoverability of other receivables and deposits based on the financial background, financial condition and historical settlement records of the debtors, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of other receivables and deposits of HK$10,713,000 (2021: HK$946,000) since initial recognition and the Group performs impairment assessment based on 12m ECL. For the year ended 31 December 2022 and 2021, the Group assessed the ECL for these other receivables and deposits as insignificant and thus no loss allowance is recognised.

During the year ended 31 December 2021, the management considered that the counterparty of the deposits held for the petroleum exploration and production business in Argentina was in financial difficulty since initial recognition and thus the amount of HK$1,680,000 was written-off.

Loan and interest receivables

At 31 December 2022, the carrying amount of loan and interest receivables was HK$60,852,000 (2021: HK$115,001,000). The Group had concentration of credit risk for its loan and interest receivables as 100% (2021: 100%) of the carrying amount at 31 December 2022 was due from four (2021: five) borrowers which amounted to HK$60,852,000 (2021: HK$115,001,000) at 31 December 2022, and the loan made to the largest borrower amounted to HK$23,808,000 (2021: HK$37,090,000) which accounted for 39% (2021: 32%) of the Group's loan portfolio (on a net of impairment allowance basis). 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.

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Loan and interest receivables (continued)

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 epidemic, 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 and unlisted debt instruments issued by a listed company in Hong Kong with the estimated fair value of the collaterals are lower than the related loan balances individually.

At 31 December 2022, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK$69,590,000 (2021: HK$92,344,000) which were past due as at the reporting date, of which (i) nil (2021: HK$34,134,000) had been past due for less than 30 days; (ii) HK$12,500,000 (2021: HK$537,000) had been past due for more than 30 days but less than 90 days; and (iii) HK$57,090,000 (2021: HK$57,673,000) had been past due for 90 days or more. Details of the cumulative ECL provided are set out in Note 22.

Debt instruments at FVTOCI

At 31 December 2022, the carrying amount of debt instruments at FVTOCI was HK$33,739,000 (2021: HK$78,396,000). The Group had concentration of credit risk for its debt instruments at FVTOCI as 94% (2021: 78%) of the carrying amount at 31 December 2022 was due from four (2021: four) debt instruments at FVTOCI which amounted to HK$31,557,000 (2021: HK$61,519,000) at 31 December 2022.

During the year ended 31 December 2022, provision of ECL on debt instruments at FVTOCI amounting to HK$11,081,000 (2021: HK$49,247,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income. At 31 December 2022, the cumulative impairment allowance for debt instruments at FVTOCI amounted to HK$67,432,000 (2021: HK$56,351,000).

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI (continued)

The Group's debt instruments at FVTOCI mainly comprise instruments that have, on an individual basis, a commensurate level of risk of default when comparing to its rate of return in terms of coupon interest given that the counterparty has a stable capacity to repay. 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 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 2022, included in the Group's debt instruments of carrying amount of HK$33,739,000 (2021: HK$78,396,000), debt instruments of (i) nil (2021: HK$15,675,000) were assessed under 12m ECL, due to low credit risk; (ii) HK$31,558,000 (2021: HK$57,640,000) were assessed under lifetime ECL (not credit impaired), due to significant deterioration in the internal credit rating and adverse change in the business of the issuer during the reporting period; and (iii) HK$2,181,000 (2021: HK$5,081,000) were assessed under lifetime ECL (credit impaired), as certain issuers are engaging in businesses that are unstable and are in significant financial difficulties.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments and the Company's management worked 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.

37. FINANCIAL INSTRUMENTS (continued)

Credit risk and impairment assessment (continued)

Debt instruments at FVTOCI (continued)

	12m ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2021	7,104	–	–	7,104
Changes due to debt instruments at FVTOCI recognised at 1 January 2021:				
– Transferred to lifetime ECL *(Note (i))*	(6,588)	3,281	3,307	–
– Impairment allowance reversed *(Note (ii))*	(434)	–	–	(434)
– Impairment allowance recognised	–	15,967	33,714	49,681
At 31 December 2021	82	19,248	37,021	56,351
Changes due to debt instruments at FVTOCI recognised at 1 January 2022:				
– Impairment allowance reversed *(Note (iii))*	**(82)**	**(3,229)**	**–**	**(3,311)**
– Impairment allowance recognised *(Note (iv))*	**–**	**11,492**	**2,900**	**14,392**
At 31 December 2022	**–**	**27,511**	**39,921**	**67,432**

Notes:

(i) The impairment losses 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.

(ii) 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.

(iii) The impairment allowance reversed of HK$82,000 and HK$3,229,000 was attributed to the derecognition of debt instruments with carrying amount of HK$15,675,000 and HK$12,763,000 respectively.

(iv) The impairment allowance of HK$11,492,000 was recognised under lifetime ECL (not credit-impaired) as the issuer of the corresponding debt instruments continued to suffer from further deterioration in business conditions during the year, and impairment allowance of HK$2,900,000 was recognised under lifetime ECL (credit-impaired) as the issuer of the corresponding debt instruments continued to engage in businesses that are unstable and are in significant financial difficulties.

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 based 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 2022							
Non-derivative financial liabilities							
Other payables	**–**	**17,624**	**–**	**–**	**–**	**17,624**	**17,624**
Lease liabilities	**3.41**	**187**	**116**	**139**	**2,782**	**3,224**	**2,725**
		17,811	**116**	**139**	**2,782**	**20,848**	**20,349**
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

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)
	2022	2021		
	HK$'000	*HK$'000*		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	**–**	33,259	Level 1	Quoted bid prices in active markets
	33,739	45,137	Level 2	Quoted bid prices with credit risk adjustment
Financial assets at FVTPL				
Listed equity securities	**4,772**	6,724	Level 1	Quoted bid prices in an active market

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

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.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2022 and 2021, 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	
EPI Energy Investments Limited	Hong Kong	HK$1 (2021: HK$1)	–	100% (2021: 100%)	Sales of electricity
Have Result Finance Limited	Hong Kong	HK$100 (2021: HK$100)	–	100% (2021: 100%)	Money lending
EPI Management Limited	Hong Kong	HK$1 (2021: HK$1)	–	100% (2021: 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) and (ii))*	The PRC	N/A (2021: RMB60,824,578)	–	N/A (2021: 100%)	Investment holding and money lending
EP Resources Corporation *(Note (iii))*	Canada	C$10,560,001	–	100%	Petroleum exploration and production

Notes:

(i) Incorporated as unincorporated business (limited partnership).

(ii) During the year ended 31 December 2022, the company was disposed of.

(iii) Incorporated on 5 January 2022.

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 2022, the Group had a total capital commitment of HK$6,978,000 for acquisition of solar photovoltaic systems which was capital expenditure contracted for but not provided in the consolidated financial statements.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	HK$'000	*HK$'000*
Non-current assets		
Unlisted interests in subsidiaries	**–***	–*
Loan to a subsidiary	**99,571**	–
Amounts due from subsidiaries	**48,408**	35,210
Total non-current assets	**147,979**	35,210
Current assets		
Other receivables, prepayment and deposits	**7,000**	468
Tax recoverable	**146**	–
Amounts due from subsidiaries	**111,037**	198,758
Cash and cash equivalents	**58,715**	171,712
Total current assets	**176,898**	370,938
Current liabilities		
Other payables	**2,028**	2,438
Amounts due to subsidiaries	**6,221**	6,630
Tax payable	**618**	146
Total current liabilities	**8,867**	9,214
Net current assets	**168,031**	361,724
Total assets less current liabilities	**316,010**	396,934
Capital and reserves		
Share capital	**52,403**	52,403
Reserves *(Note)*	**263,607**	344,531
Total equity	**316,010**	396,934

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

40. 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 2021	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
Loss and total comprehensive expense for the year	**–**	**–**	**(80,924)**	**(80,924)**
At 31 December 2022	**918,270**	**201,645**	**(856,308)**	**263,607**

Five-Year Financial Summary

For the year ended 31 December 2022

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**45,102**	24,496	42,449	60,560	71,419
(Loss) profit before tax	**(46,957)**	(31,626)	8,578	(137,327)	(115,087)
Income tax credit (expense)	**211**	2,255	(440)	(772)	(140)
(Loss) profit for the year	**(46,746)**	(29,371)	8,138	(138,099)	(115,227)
Attributable to:					
Owners of the Company	**(46,746)**	(29,371)	8,519	(138,099)	(115,227)
Non-controlling interests	**–**	–	(381)	–	–
	(46,746)	(29,371)	8,138	(138,099)	(115,227)

ASSETS AND LIABILITIES

	At 31 December				
	2022	2021	2020	2019	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**433,689**	442,915	475,763	469,264	599,667
Total liabilities	**(57,376)**	(16,925)	(16,265)	(25,368)	(24,614)
Equity attributable to owners of the Company	**376,313**	425,990	459,498	443,896	575,053
Attributable to:					
Owners of the Company	**376,313**	425,990	459,879	443,896	575,053
Non-controlling interests	**–**	–	(381)	–	–
	376,313	425,990	459,498	443,896	575,053