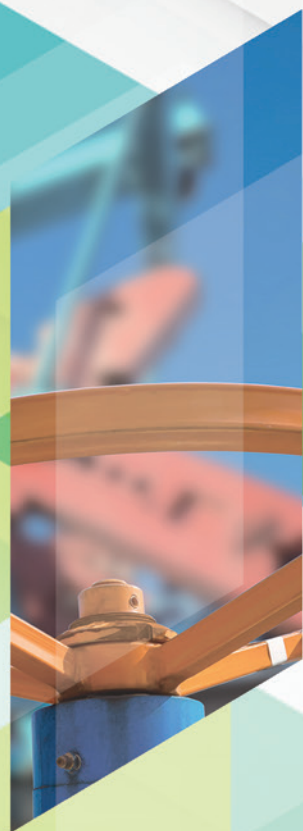




EPI (Holdings) Limited **長盈集團(控股)有限公司***

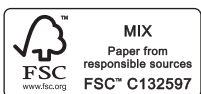
(Incorporated in Bermuda with limited liability)

(Stock Code : 689)



INTERIM REPORT
2023

**For identification purpose only*



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Abbreviations

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

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

The Chinese version of this interim report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

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>

Management Discussion and Outlook

BUSINESS REVIEW

For the six months ended 30 June 2023 (“HY2023”), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2023, international oil prices were trading in a narrower range when compared with 2022. The price of Brent crude oil, one of the benchmarks of international oil prices, raised from around US\$80 per barrel (“/bbl”) in December 2022 to US\$85/bbl in April 2023, and returned back to around US\$80/bbl in July 2023, compared to the US\$80-US\$130/bbl range in 2022. Although international oil prices continue to fluctuate recently, it is general market consensus that current outlook of the industry remains positive, primarily on the ground that global economic activities are returning to their normality, amid that high inflation and interest rate hikes in several major western economies including the US, the ongoing geopolitical tensions, and the Russia-Ukraine war are adding uncertainties to the market.

During HY2023, the Group continued with the business development of its oil field in Windy Lake Region, near Calgary in Alberta Province of Canada (the “**Canadian Oil Assets**”), which was acquired in July 2022. For the interim period, the Canadian Oil Assets contributed a revenue of HK\$32,804,000 and an operating profit of HK\$7,701,000 to the Group’s results, and for the same period, the earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) generated by the Canadian Oil Assets was HK\$18,183,000. 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.

To pursue the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, the Group entered into two agreements in July and August 2021 to invest in solar energy power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the “**FiT Scheme**”), 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. As of 30 June 2023, the Group has invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For HY2023, the Group’s solar energy business contributed a revenue of HK\$3,790,000 and an operating profit of HK\$1,218,000, and for the same period, the EBITDA generated by the business was HK\$3,650,000.

As a whole, for HY2023, the Group’s petroleum exploration and production business contributed a profit of HK\$7,701,000 (30 June 2022: loss of HK\$431,000), the solar energy business contributed a profit of HK\$1,218,000 (30 June 2022: HK\$656,000), the money lending business contributed a profit of HK\$11,351,000 (30 June 2022: HK\$225,000), whilst the Group’s investment in securities recorded a loss of HK\$4,452,000 (30 June 2022: HK\$12,282,000).

For HY2023, the Group recorded a sharp increase in revenue by 434% to HK\$38,618,000 (30 June 2022: HK\$7,232,000), mainly due to the incorporation of the Canadian Oil Assets’ revenue in the Group’s consolidated financial statements, and a turnaround in results by reporting profit attributable to owners of the Company of HK\$16,377,000 (30 June 2022: loss of HK\$24,252,000), that mainly was a combined effect of (i) the reversal of expected credit loss (“**ECL**”) on loan and interest receivables of HK\$9,719,000 (30 June 2022: provision of ECL of HK\$1,964,000); (ii) the decrease in provision of ECL on debt instruments at fair value through other comprehensive income (“**FVTOCI**”) to HK\$3,824,000 (30 June 2022: HK\$13,976,000); (iii) the profit contribution from the petroleum exploration and production business of HK\$7,701,000 (30 June 2022: loss of HK\$431,000); and (iv) the decrease in other expenses to HK\$4,403,000 (30 June 2022: HK\$8,779,000) mainly due to the absence of professional fees incurred for the acquisition of the Canadian Oil Assets.

Management Discussion and Outlook

Petroleum Exploration and Production

As stated in the Company's announcement dated 16 March 2021, the Group's interest in an oil concession in Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina was taken over by a new concessionaire in March 2021, accordingly, the Group's petroleum exploration and production business in Argentina had ceased in 2022.

As above mentioned, the Group completed the acquisition of the Canadian Oil Assets in July 2022, since then, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements. The Canadian Oil Assets represent an operating oil field 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 HY2023, the Group's petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK\$32,804,000, an operating profit of HK\$7,701,000 and an EBITDA of HK\$18,183,000 whilst in prior period (constituted by the oil concession in Argentina), it incurred an operating loss of HK\$431,000 with no revenue generated.

For HY2023, the Canadian Oil Assets produced approximately 91,900 barrel ("**bbl**") and sold approximately 91,300 bbl of crude oil, and generated a revenue of approximately C\$6,632,000 (equivalent to HK\$38,579,000) (before royalties payment) at an average selling price of C\$72.6/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 would largely resell the same to the American importers.

During HY2023, EPR had incurred capital expenditure totalling C\$1,419,000 (equivalent to HK\$8,255,000) for drilling work of four new wells. As at 30 June 2023, there were 38 producing wells in operation, with an average remaining reserve life of more than ten years, compared to 35 producing wells as at 31 December 2022. The addition of three producing wells was a result of the completion of drilling work of three new wells under the Group's 2022 drilling plan, with two wells commenced production in January 2023 and one well commenced production in February 2023. EPR started its drilling plan for 2023 in June, the drilling work for one new well and three new wells had commenced in June 2023 and July 2023 respectively. Subsequent to the period end, the drilling work of all four new wells have completed in August 2023 and their production have commenced accordingly.



The Group's central battery in Windy Lake region



Drilling rig for new wells drilling

Management Discussion and Outlook

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions and it is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy assets, including solar energy projects, which could support the Group's healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into a cooperation agreement with a specialist solar energy total solution and services provider to invest in solar energy power generation projects, from which the electricity generated can be sold to the two power companies and thereby earning the feed-in tariff income under the FiT Scheme. Moreover, for further development of the solar energy business, on 30 August 2021, the Group entered into an acquisition agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 30 June 2023, all the solar energy power generation projects were completed. Further details of the transactions were stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During HY2023, the Group had made further investment of HK\$6,749,000 and bringing the Group's total investment in solar energy power generation projects up to HK\$58,265,000 as of 30 June 2023. As of the period end, the Group had 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt. For HY2023, the solar energy business reported increase in revenue by 44% to HK\$3,790,000 (30 June 2022: HK\$2,629,000), operating profit by 86% to HK\$1,218,000 (30 June 2022: HK\$656,000), and EBITDA of the business by 100% to HK\$3,650,000 (30 June 2022: HK\$1,827,000) which mainly attributed to the addition of solar photovoltaic systems and reduction in operating and maintenance cost during the period.

Money Lending

For HY2023, the Group's money lending business reported decreases in revenue by 30% to HK\$1,526,000 (30 June 2022: HK\$2,193,000) and operating profit (before reversal of ECL) by 25% to HK\$1,632,000 (30 June 2022: HK\$2,189,000), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2023. A reversal of ECL of HK\$9,719,000 (30 June 2022: provision of ECL of HK\$1,964,000) was recognised which primarily related to the repayments of credit-impaired loan and interest receivables from borrowers.

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 collateral are performed by independent professional valuers engaged by the Group, where applicable, at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. At the period end, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collateral pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers (the negative impact of the COVID epidemic on the economy had also been considered).

Management Discussion and Outlook

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

The impairment allowance recognised on loan and interest receivables at the period end represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and factors including the credit history of the borrowers, the realisation value of the collateral pledged to the Group, and the prevailing economic conditions had been considered. 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 21% to HK\$48,114,000 (31 December 2022: HK\$60,852,000) (on a net of impairment allowance basis) was mainly a result of the repayment of certain loans. The Group aims to make loans that could be covered by sufficient collateral, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collateral for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents. At 30 June 2023, the carrying amount of the Group's loan portfolio amounted to HK\$48,114,000 (after impairment allowance of HK\$14,081,000) (31 December 2022: HK\$60,852,000 (after impairment allowance of HK\$23,800,000)) 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	70.6	10.0 - 12.0	Within one year
Individual	29.4	11.0 - 18.0	Within one year
	100.0		

At 30 June 2023, 76% (31 December 2022: 85%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collateral with 24% (31 December 2022: 15%) being unsecured. At the period end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 29% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

Management Discussion and Outlook

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

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

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

Management Discussion and Outlook

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 30 June 2023, the Group's securities investments comprised a financial asset at fair value through profit or loss ("**FVTPL**") portfolio valued at HK\$3,687,000 (31 December 2022: HK\$4,772,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK\$5,176,000 (31 December 2022: HK\$33,739,000), comprising debt securities listed in Singapore (31 December 2022: Hong Kong or Singapore). As a whole, the Group's securities investments recorded a revenue of HK\$498,000 (30 June 2022: HK\$2,410,000) and a loss, after provision of ECL, of HK\$4,452,000 (30 June 2022: HK\$12,282,000).

Financial assets at FVTPL

At 30 June 2023, the Group held a financial asset at FVTPL portfolio amounting to HK\$3,687,000 (31 December 2022: HK\$4,772,000) measured at market/fair value. For HY2023, the portfolio did not generate any revenue (30 June 2022: nil) and recognised a net unrealised loss on financial assets at FVTPL of HK\$1,085,000 (30 June 2022: HK\$795,000) for the period. The net unrealised loss represented the decrease in market value of those equity securities held by the Group at the period end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio and had not acquired any equity securities during the current period.

Management Discussion and Outlook

At 30 June 2023, the Group's financial asset at FVTPL portfolio of HK\$3,687,000 comprised a major investment in ordinary shares of a company principally engaged in property development and investment and hospitality business, the shares of the investee company are listed on the Hong Kong Stock Exchange.

Debt instruments at FVTOCI

At 30 June 2023, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$5,176,000 (31 December 2022: HK\$33,739,000) was measured at market/fair value. During HY2023, the Group's debt instrument at FVTOCI portfolio generated a revenue of HK\$498,000 (30 June 2022: HK\$2,410,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK\$5,037,000 (31 December 2022: HK\$28,041,000) was classified as current assets, with the remaining part of HK\$139,000 (31 December 2022: HK\$5,698,000) being classified as non-current assets. During HY2023, the Group had not acquired any debt securities (30 June 2022: nil), and principal of certain debt securities totalling HK\$23,946,000 were redeemed. At the period end, a net fair value loss on debt instruments at FVTOCI of HK\$3,824,000 (30 June 2022: HK\$12,569,000) 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 prior year.

For HY2023, a provision of ECL on debt instruments at FVTOCI of HK\$3,824,000 (30 June 2022: HK\$13,976,000) 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 HY2023, 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\$3,824,000 was recognised.

Management Discussion and Outlook

At 30 June 2023, the Group invested in debt securities issued by five property companies based in the Mainland, the market/fair value of the portfolio amounted to HK\$5,176,000, with details as below:

Category of companies	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2023	Yield to maturity on acquisition date	Acquisition costs	*Acquisition costs during the period/ carrying amount as at 1 January 2023	Market/fair value at 30 June 2023	Accumulated fair value loss recognised up to 30 June 2023	Fair value loss recognised during the six months ended 30 June 2023
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			A	B	C	D = C - A	E = C - B
Property	1.19	6.01 – 12.50	79,049	11,958	5,176	(73,873)	(6,782)

* The amount represented the costs of the securities acquired during the six months ended 30 June 2023 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 period.

The yield to maturity on acquisition of the debt securities which were held by the Group at the period end ranged from 6.01% to 12.50% per annum.

Overall Results

For HY2023, the Group's petroleum exploration and production business recorded a profit of HK\$7,701,000 (30 June 2022: loss of HK\$431,000), the solar energy business recorded a profit of HK\$1,218,000 (30 June 2022: HK\$656,000), the money lending business recorded a profit of HK\$11,351,000 (30 June 2022: HK\$225,000), whilst the Group's investment in securities recorded a loss of HK\$4,452,000 (30 June 2022: HK\$12,282,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK\$16,377,000 (30 June 2022: loss of HK\$24,252,000), and a total comprehensive income attributable to owners of the Company of HK\$18,109,000 (30 June 2022: total comprehensive expenses of HK\$25,277,000) which included a net fair value loss on debt instruments at FVTOCI of HK\$3,824,000 (30 June 2022: HK\$12,569,000).

Management Discussion and Outlook

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2023, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the period end, the Group had current assets of HK\$193,166,000 (31 December 2022: HK\$191,386,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK\$129,955,000 (31 December 2022: HK\$90,568,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$8,684,000 (31 December 2022: HK\$21,797,000), was at a liquid level of about 22.2 (31 December 2022: 8.8).

At 30 June 2023, the Group's total assets amounted to HK\$436,578,000 (31 December 2022: HK\$433,689,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$42,156,000 (31 December 2022: HK\$57,376,000) divided by total assets, was at a low level of about 10% (31 December 2022: 13%). Finance costs represented the accretion expense on decommissioning obligation and interest on lease liabilities of HK\$941,000 (30 June 2022: nil) and HK\$98,000 (30 June 2022: HK\$67,000) respectively recognised for the current period.

At 30 June 2023, the equity attributable to owners of the Company amounted to HK\$394,422,000 (31 December 2022: HK\$376,313,000) and was equivalent to an amount of approximately HK7.53 cents (31 December 2022: HK7.18 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$18,109,000 was mainly due to the profit earned by the Group for the current period.

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Canadian dollars, Hong Kong dollars and United States dollars. The Group has not experienced any significant foreign exchange exposure to United States dollars as the exchange rate of 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.

Management Discussion and Outlook

Contingent Liability

At 30 June 2023, the Group had no significant contingent liability (31 December 2022: nil).

Pledge of Assets

At 30 June 2023, the Group had not pledged any assets (31 December 2022: nil).

Capital Commitment

At 30 June 2023, the Group had no capital commitment (31 December 2022: a total capital commitment of HK\$6,978,000 for the acquisition of solar photovoltaic systems which was a capital expenditure contracted for but not provided).

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2023, the Group had a total of 22 (30 June 2022: 21) employees including directors of the Company with 14 employees stationed in Hong Kong (30 June 2022: 18 employees in Hong Kong and the PRC), 8 employees in Canada (30 June 2022: nil) and nil employees in Argentina (30 June 2022: 3). Staff costs, including directors' emoluments, amounted to HK\$5,610,000 (30 June 2022: HK\$3,629,000) for the period. The increase in staff costs of HK\$1,981,000 was mainly due to the increase of the Group's headcounts for its operation in Canada. 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.

Management Discussion and Outlook

PROSPECTS

It is the Group's business strategy to continue developing its petroleum exploration and production business, along with expanding and diversifying its 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 a cooperation agreement and an 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 high inflation and interest rate hikes in several major western economies, the ongoing geopolitical tensions, and the war between Russia and Ukraine which bring 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.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	38,618	7,232
Sales of petroleum, net of royalties		32,804	–
Sales of electricity		3,790	2,629
Interest income		2,024	4,603
Purchases, processing and related expenses		(10,151)	(802)
Other income and losses, net	5	7,214	326
Net loss on financial assets at fair value through profit or loss	6	(1,085)	(795)
Reversal (provision) of expected credit loss on loan and interest receivables		9,719	(1,964)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(3,824)	(13,976)
Wages, salaries and other benefits	9	(5,610)	(3,629)
Depreciation	9	(12,611)	(1,882)
(Loss) gain on redemption of debt instruments at fair value through other comprehensive income		(36)	84
Other expenses		(4,403)	(8,779)
Finance costs	7	(1,039)	(67)
Profit (loss) before tax		16,792	(24,252)
Income tax expense	8	(415)	–
Profit (loss) for the period	9	16,377	(24,252)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on debt instruments at fair value through other comprehensive income		(3,824)	(12,569)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		3,824	13,976
Release on redemption of debt instruments at fair value through other comprehensive income		36	(84)
Exchange differences arising on translation of financial statements of foreign operations		1,696	(2,348)
Other comprehensive income (expense) for the period, net of income tax		1,732	(1,025)
Total comprehensive income (expense) for the period attributable to owners of the Company		18,109	(25,277)
Earnings (loss) per share attributable to owners of the Company			
– Basic	11	HK0.31 cent	HK(0.46) cent

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	230,157	218,781
Right-of-use assets	12	4,567	2,590
Deposit paid for decommissioning obligation	13	8,549	8,256
Prepayment for acquisition of non-current assets	13	–	6,978
Debt instruments at fair value through other comprehensive income	14	139	5,698
Total non-current assets		243,412	242,303
Current assets			
Debt instruments at fair value through other comprehensive income	14	5,037	28,041
Inventories		263	312
Loan and interest receivables	15	48,114	60,852
Trade and other receivables and prepayments	13	9,519	10,398
Other tax recoverable		–	204
Income tax recoverable		278	1,011
Financial assets at fair value through profit or loss	16	3,687	4,772
Cash and cash equivalents		126,268	85,796
Total current assets		193,166	191,386
Current liabilities			
Other payables	17	6,023	20,805
Other tax payable		49	–
Income tax payable		1,033	618
Lease liabilities		1,579	374
Total current liabilities		8,684	21,797
Net current assets		184,482	169,589
Total assets less current liabilities		427,894	411,892
Non-current liabilities			
Lease liabilities		3,111	2,351
Decommissioning obligation	18	30,361	33,228
Total non-current liabilities		33,472	35,579
Net assets		394,422	376,313
Capital and reserves			
Share capital	19	52,403	52,403
Reserves		342,019	323,910
Total equity		394,422	376,313

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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	Total HK\$'000
At 1 January 2022 (audited)	52,403	918,270	201,645	(4,234)	(1,429)	(740,665)	425,990
Loss for the period	-	-	-	-	-	(24,252)	(24,252)
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(12,569)	-	-	(12,569)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	13,976	-	-	13,976
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(84)	-	-	(84)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(2,348)	-	(2,348)
Total comprehensive income (expense) for the period	-	-	-	1,323	(2,348)	(24,252)	(25,277)
At 30 June 2022 (unaudited)	52,403	918,270	201,645	(2,911)	(3,777)	(764,917)	400,713
At 1 January 2023 (audited)	52,403	918,270	201,645	(3,938)	(4,656)	(787,411)	376,313
Profit for the period	-	-	-	-	-	16,377	16,377
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(3,824)	-	-	(3,824)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	3,824	-	-	3,824
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	36	-	-	36
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1,696	-	1,696
Total comprehensive income for the period	-	-	-	36	1,696	16,377	18,109
At 30 June 2023 (unaudited)	52,403	918,270	201,645	(3,902)	(2,960)	(771,034)	394,422

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

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 30 June 2023 and 31 December 2022.
- (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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash from (used in) operating activities		31,155	(4,133)
Investing activities			
Proceeds from redemption of debt instruments at fair value through other comprehensive income		23,946	31,200
Bank and other interest received	5	2,136	96
Purchase of property, plant and equipment		(15,968)	(5,230)
Prepayments and deposits paid on acquisition of non-current assets		–	(141,214)
Net cash from (used in) investing activities		10,114	(115,148)
Financing activities			
Repayment of lease liabilities		(777)	(755)
Interest paid	7	(98)	(67)
Net cash used in financing activities		(875)	(822)
Net increase (decrease) in cash and cash equivalents		40,394	(120,103)
Cash and cash equivalents at the beginning of the period		85,796	191,818
Effect of foreign exchange rate changes		78	(12)
Cash and cash equivalents at the end of the period, represented by cash and cash equivalents		126,268	71,703

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – Pillar two model rules

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE

Revenue from major products and services

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of petroleum	38,579	–
Less: Royalties	(5,775)	–
Sales of petroleum, net of royalties	32,804	–
Sales of electricity	3,790	2,629
Interest income from money lending business*	1,526	2,193
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)*	498	2,410
	38,618	7,232

* Under effective interest method

During the six months ended 30 June 2023, revenue from sales of petroleum was recognised at a point in time. Revenue from sales of petroleum was recognised once the control of the crude oil was transferred from the Group to the customer. Revenue was measured based on the oil price agreed with the customers at the point of sales.

During the six months ended 30 June 2023, revenue from sales of electricity was recognised at a point in time when the electricity generated (by solar energy power generation systems) and transmitted was simultaneously received and consumed by the power companies under the Renewable Energy Feed-in Tariff Scheme (the “**FiT Scheme**”), jointly launched by the Hong Kong Government and the two power companies in Hong Kong. The Group has no unsatisfied performance obligations at each reporting date.

Interest income fall outside the scope of HKFRS 15.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on the information provided to the chief operating decision maker representing the Board, for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 "Operating segments" are as follows:

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

Segment revenue and results

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

For the six months ended 30 June 2023

	Petroleum exploration and production HK\$'000 (Unaudited)	Solar energy HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Investment in securities HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
External sales/sources	32,804	3,790	1,526	498	38,618
Results					
Segment results before reversal (provision) of expected credit loss ("ECL")	7,701	1,218	1,632	(628)	9,923
Reversal (provision) of ECL	-	-	9,719	(3,824)	5,895
Segment results	7,701	1,218	11,351	(4,452)	15,818
Other income and losses, net					6,871
Corporate expenses					(5,843)
Finance costs					(54)
Profit before tax					16,792
Income tax expense					(415)
Profit for the period					16,377

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2022

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	199,100	203,649
Solar energy	59,782	50,890
Money lending	71,702	63,662
Investment in securities	8,863	38,511
Total segment assets	339,447	356,712
Unallocated:		
Property, plant and equipment	187	653
Cash and cash equivalents	93,362	73,914
Right-of-use assets	2,075	101
Other assets	1,507	2,309
Consolidated assets	436,578	433,689
Segment liabilities		
Petroleum exploration and production	34,927	51,539
Solar energy	2,486	2,568
Money lending	12	2
Total segment liabilities	37,425	54,109
Unallocated:		
Lease liabilities	2,092	164
Other liabilities	2,639	3,103
Consolidated liabilities	42,156	57,376

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. OTHER INCOME AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank and other interest income	2,136	96
Exchange gain (loss), net	2,417	(959)
Refund of deposit written-off in prior year (Note (i))	3,081	–
Write-off of property, plant and equipment	(609)	–
Reversal of write-off of other receivables and deposits (Note (ii))	–	1,076
Others	189	113
	7,214	326

Notes:

- (i) The amount represented the reversal of write-off of deposit paid for the share subscription of a company as the entire amount had been refunded to the Group during the six months ended 30 June 2023.
- (ii) The amount represented the reversal of write-off of other receivables and deposits paid in relation to the Group's petroleum exploration and production operation in Argentina as the counterparty had refunded the monies to the Group during the six months ended 30 June 2022.

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at fair value through profit or loss ("FVTPL")	1,085	795

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Accretion expense on decommissioning obligation (Note 18)	941	–
Interest on lease liabilities	98	67
	1,039	67

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Withholding tax on interest income	415	–

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 assessment profits above HK\$2 million. There is no assessable profit arising in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. There is no assessable profit arising in the PRC for both periods.

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	11,846	1,133
Depreciation of right-of-use assets	765	749
Total depreciation	12,611	1,882
Staff costs		
– directors' emoluments	654	653
– other staff costs	4,781	2,635
– other staff's retirement benefits schemes contributions (excluding directors)	175	341
Total staff costs	5,610	3,629
Professional and consultancy fees	2,696	7,147

10. DIVIDENDS

No dividend was paid, declared or proposed for the six months ended 30 June 2023 (30 June 2022: nil), nor has any dividend been proposed since the end of the reporting period (30 June 2022: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	16,377	(24,252)
	Six months ended 30 June	
	2023	2022
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	5,240,344	5,240,344

For the six months ended 30 June 2023 and 30 June 2022, the diluted earnings (loss) per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

For the six months ended 30 June 2023, the Group had additions of construction in progress related to oil and gas properties amounted to HK\$9,040,000 and additions of solar photovoltaic systems and leasehold improvements amounted to HK\$13,727,000 and HK\$179,000 respectively (30 June 2022: additions of solar photovoltaic systems and the related construction in progress amounted to HK\$10,767,000 in aggregate), and HK\$17,487,000 was transferred from construction in progress to oil and gas properties (30 June 2022: HK\$3,738,000 was transferred from construction in progress to solar photovoltaic systems).

For the six months ended 30 June 2023, certain leasehold improvements with an aggregate carrying amount of HK\$609,000 (30 June 2022: nil) had been written off, resulting in a loss of HK\$609,000 (30 June 2022: nil).

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

For the six months ended 30 June 2022, the Group had not entered into any new lease agreement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. DEPOSITS AND PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Deposit paid for decommissioning obligation (<i>Note (i)</i>)	8,549	8,256
Prepayment for acquisition of non-current assets (<i>Note (ii)</i>)	–	6,978
Trade receivables (<i>Note (iii)</i>)	6,798	5,232
Deposits and prepayments	2,238	4,826
Others	483	340
	9,519	10,398

Notes:

- (i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's petroleum exploration and production business in Canada.
- (ii) At 31 December 2022, the amount represented prepayment for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business. During the six months ended 30 June 2023, the acquisition had been completed and the entire amount had been utilised and transferred to property, plant and equipment.
- (iii) The Group allows an average credit period of 30 to 60 days (31 December 2022: 30 to 60 days). The trade receivables of HK\$6,798,000 (31 December 2022: HK\$5,232,000) 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 limit by customer. Credit limits and credit quality attributed to customers are reviewed by the management regularly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 5.25% to 11.75% (31 December 2022: 5.25% to 11.75%) per annum and maturity dates ranging from 14 January 2024 to 28 June 2025 (31 December 2022: 23 March 2023 to 28 June 2025)	5,176	33,739
Analysed as:		
Current portion	5,037	28,041
Non-current portion	139	5,698
	5,176	33,739

At 30 June 2023 and 31 December 2022, the fair value of the 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 gross domestic product growth rate and unemployment rate.

Provision of ECL of HK\$3,824,000 (30 June 2022: HK\$13,976,000) was recognised in profit or loss with a corresponding adjustment to other comprehensive income for the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. LOAN AND INTEREST RECEIVABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Fixed-rate loan receivables (<i>Note</i>)	61,500	84,000
Interest receivables	695	652
	62,195	84,652
Less: Impairment allowance	(14,081)	(23,800)
	48,114	60,852
Analysed as:		
Current portion	48,114	60,852
Analysed as:		
Secured	36,426	51,494
Unsecured	11,688	9,358
	48,114	60,852

Note: Included in loan receivables was an unsecured loan of principal amount of HK\$5,000,000 (31 December 2022: HK\$12,500,000) carrying interest at 10.5% (31 December 2022: 8.5%) per annum lent to a related party of the Company. In July 2023, the loan principal of HK\$5,000,000 and the related interest receivables were fully repaid.

The range of interest rates and maturity dates attributed to the Group's performing loan receivables at 30 June 2023 were 10.5% to 18.0% (31 December 2022: 10.5% to 18.0%) per annum and from 19 December 2023 to 4 June 2024 (31 December 2022: from 27 April 2023 to 19 December 2023) respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. LOAN AND INTEREST RECEIVABLES (continued)

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

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Loan and interest receivables: Within one year or on demand	48,114	60,852

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.

Reversal of ECL of HK\$9,719,000 (30 June 2022: provision of ECL of HK\$1,964,000) on loan and interest receivables was recognised in profit or loss for the current interim period.

At 30 June 2023, of the Group's loan and interest receivables with aggregate gross carrying amount of HK\$62,195,000 (31 December 2022: HK\$84,652,000), (i) HK\$13,105,000 (31 December 2022: HK\$15,062,000) were not past due, (ii) HK\$15,000,000 (31 December 2022: HK\$12,500,000) had been past due for more than 30 days but less than 90 days; and (iii) HK\$34,090,000 (31 December 2022: HK\$57,090,000) 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Listed investments, at fair value: – Equity securities listed in Hong Kong	3,687	4,772

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

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For the six months ended 30 June 2023

17. OTHER PAYABLES

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
Accrued professional fees	250	279
Payables for additions of property, plant and equipment (Note (i))	2,443	12,720
Other payables and accruals (Note (ii))	3,330	7,806
	6,023	20,805

Notes:

- (i) At 30 June 2023, the amount of HK\$2,443,000 (31 December 2022: HK\$12,720,000) was related to the additions to oil and gas properties in Canada with credit period of 60 days.
- (ii) At 30 June 2023, the amount included other payables of HK\$1,647,000 (31 December 2022: HK\$3,958,000) for operating expenses, workover costs and abandonment costs in relation to the petroleum exploration and production business in Canada.

18. DECOMMISSIONING OBLIGATION

The movement of the decommissioning obligation is as follows:

	At 30 June 2023 HK\$'000 (Unaudited)	At 31 December 2022 HK\$'000 (Audited)
At the beginning of the period/year	33,228	–
Addition through acquisition of assets and liabilities	–	33,877
Settlement of cost	(699)	–
Change in estimate	(3,970)	(245)
Accretion expense (Note 7)	941	1,127
Exchange realignment	861	(1,531)
At the end of the period/year	30,361	33,228

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2022, 30 June 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2022, 30 June 2022, 31 December 2022, 1 January 2023 and 30 June 2023	<u>5,240,344</u>	<u>52,403</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair values at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)		
Financial assets				
Debt instruments at FVTOCI				
Listed debt securities	5,176	33,739	Level 2	Quoted bid prices with credit risk adjustment
Financial assets at FVTPL				
Listed equity securities	3,687	4,772	Level 1	Quoted bid prices in an active market

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS

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

Relationship	Notes	Nature of transaction/ balance	Six months ended 30 June	
			2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
A related company	(i)	Loan interest income	365	–
		Loan and interest receivables	5,017	–
A related company	(ii)	Rental income	158	–
An individual shareholder	(iii)	Consultancy fee	60	60

Notes:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term employee benefits	1,144	2,004
Retirement benefit schemes contributions	32	216
	1,176	2,220

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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

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

As at 30 June 2023, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the “**Share Option Scheme**”) was adopted by the Company at the annual general meeting of the Company held on 22 June 2016. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to the participants as incentives or rewards for their contribution to the Group or any entity in which the Group holds any equity interest.

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

As at 30 June 2023 and 30 June 2022, there were no outstanding share options.

Further details of the Share Option Scheme were set out in the Company’s 2022 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Option Scheme as mentioned above, at no time during the six months ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2023, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

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

Notes:

- (i) The approximate percentage of the Company's issued shares was calculated on the basis of 5,240,344,044 shares of the Company in issue as at 30 June 2023.
- (ii) These interests were held by Billion Expo, a wholly-owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen and Premier United were deemed to be interested in 862,085,620 shares of the Company under the SFO.
- (iii) The interests of Mr. Suen, Premier United and Billion Expo in 862,085,620 shares of the Company referred to in Note (ii) above related to the same parcel of shares.
- (iv) The interests of China Shipbuilding Capital Limited and China State Shipbuilding Corporation Limited related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2023 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

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

Deviation

The Company had deviated from Code Provision C.2.1 of the CG Code during the six months ended 30 June 2023 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 Chairman of the Board and Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision F.2.2

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

Deviation

As the position of Chairman of the Board 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 29 June 2023 in accordance with Bye-law 70 of the Company’s Bye-laws.



Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2023 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Sue Ka Lok

Executive Director

Hong Kong, 28 August 2023