



**MIX**  
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# 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 (renamed as Appendix C3 since 31 December 2023) 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)
“RMB”	Renminbi
“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  
Mr. Bai Zhifeng

### Independent Non-executive Directors

Mr. Pun Chi Ping  
Ms. Leung Pik Har, Christine  
Mr. Khoo Wun Fat, William

## AUDIT COMMITTEE

Mr. Pun Chi Ping (*Chairman*)  
Ms. Leung Pik Har, Christine  
Mr. Khoo Wun Fat, William

## REMUNERATION COMMITTEE

Mr. Pun Chi Ping (*Chairman*)  
Ms. Leung Pik Har, Christine  
Mr. Khoo Wun Fat, William

## NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine (*Chairlady*)  
Mr. Pun Chi Ping  
Mr. Khoo Wun Fat, William

## CORPORATE GOVERNANCE COMMITTEE

Mr. Khoo Wun Fat, William (*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  
Royal Bank of Canada

## LEGAL ADVISER

Reed Smith Richards Butler

## AUDITOR

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## TRADING OF SHARES

Hong Kong Stock Exchange  
(Stock Code: 689)

## WEBSITE

<https://www.epiholdings.com>

\* The above information is updated to 25 April 2024, being the latest practicable date before printing of this annual report.

# Statement from the Board

On behalf of the Board, I am pleased to present to the shareholders the results of the Group for the year ended 31 December 2023 (“FY2023”).

## RESULTS

For FY2023, the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During FY2023, 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\$94/bbl in September 2023, and dropped back to around US\$78/bbl in December 2023, compared with the US\$80 to US\$130/bbl range in 2022. International oil prices are expected to remain volatile in 2024, driven by the continuous changes in global supply and demand forces, along with the ongoing Russia-Ukraine war and geopolitical tensions adding further uncertainties to the market.

During FY2023, the Group continued with its business development plan of the oil field in Windy Lake region, located near Calgary in Alberta Province of Canada (the “**Canadian Oil Assets**”), which were acquired in July 2022. For FY2023, the Canadian Oil Assets contributed a revenue of HK\$71,597,000 (2022: HK\$30,932,000), earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of HK\$38,568,000 (2022: HK\$13,178,000) and an operating profit of HK\$17,874,000 (2022: HK\$4,078,000) to the Group’s results. The acquisition of the Canadian Oil Assets represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

To pursue the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, the Group entered into two agreements in July and August 2021 to invest in solar power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the “**FIT Scheme**”), being a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. As of 31 December 2023, the Group had invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For FY2023, the Group’s solar energy business contributed a revenue of HK\$8,160,000 (2022: HK\$6,536,000), an EBITDA of HK\$7,735,000 (2022: HK\$5,157,000) and an operating profit of HK\$2,661,000 (2022: HK\$1,403,000) to the Group’s results.

Overall speaking, for FY2023, the Group recorded an 84% increase in revenue to HK\$83,082,000 (2022: HK\$45,102,000), mainly due to the incorporation of the full year results of the Canadian Oil Assets, whereas in 2022, the assets’ results were incorporated by the Group since 16 July 2022, the day the Group completed the acquisition of the Canadian Oil Assets. The Group recorded a turnaround of its results by reporting a profit attributable to owners of the Company of HK\$21,500,000 (2022: loss of HK\$46,746,000), which was mainly the combined effect of (i) the reversal of expected credit loss (“**ECL**”) on loan and interest receivables of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000); (ii) the decrease in provision of ECL on debt instruments at fair value through other comprehensive income to HK\$8,832,000 (2022: HK\$11,081,000); (iii) the increase in profit contribution from the petroleum exploration and production business to HK\$17,874,000 (2022: HK\$4,078,000); (iv) the decrease in other expenses to HK\$10,731,000 (2022: HK\$14,875,000) mainly due to the absence of professional fees incurred for the acquisition of the Canadian Oil Assets; and (v) the increase in bank and other interest income to HK\$5,856,000 (2022: HK\$1,343,000). Earnings per share were HK0.41 cent (2022: loss per share of HK0.89 cent).

In terms of business segment, for FY2023, the Group's petroleum exploration and production business contributed a profit of HK\$17,874,000 (2022: HK\$4,078,000), the solar energy business recorded a profit of HK\$2,661,000 (2022: HK\$1,403,000), the money lending business posted a profit of HK\$13,820,000 (2022: loss of HK\$16,237,000), whilst the Group's investment in securities recorded a loss of HK\$10,038,000 (2022: HK\$9,743,000).

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

The solar energy power generation projects the Group investing in are projects participating in the FiT Scheme. The FiT Scheme is a policy initiative introduced by the Hong Kong Government to encourage the private sector to participate in producing cleaner fuel and developing renewable energy technologies. Under the FiT Scheme, scheme participants who install solar or wind power generation 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 ahead, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses, and will manage its businesses in a disciplined approach in view of the market uncertainties brought by the volatilities of international oil prices, the ongoing geopolitical tensions, and the war between Russia and Ukraine.

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 gratitude 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, 27 March 2024

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year ended 31 December 2023 (“**FY2023**”), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During FY2023, 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\$94/bbl in September 2023, and dropped back to around US\$78/bbl in December 2023, compared with the US\$80 to US\$130/bbl range in 2022. International oil prices are expected to remain volatile in 2024, driven by the continuous changes in global supply and demand forces, along with the ongoing Russia-Ukraine war and geopolitical tensions adding further uncertainties to the market.

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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 power generation projects that are participating in the Renewable Energy Feed-in Tariff Scheme (the “**Fit Scheme**”), being a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. As of 31 December 2023, the Group had invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For FY2023, the Group’s solar energy business contributed a revenue of HK\$8,160,000 (2022: HK\$6,536,000), an EBITDA of HK\$7,735,000 (2022: HK\$5,157,000) and an operating profit of HK\$2,661,000 (2022: HK\$1,403,000) to the Group’s results.



# Management Discussion and Analysis

Overall speaking, for FY2023, the Group recorded an 84% increase in revenue to HK\$83,082,000 (2022: HK\$45,102,000), mainly due to the incorporation of the full year results of the Canadian Oil Assets, whereas in 2022, the assets' results were incorporated by the Group since 16 July 2022, the day the Group completed the acquisition of the Canadian Oil Assets. The Group recorded a turnaround of its results by reporting a profit attributable to owners of the Company of HK\$21,500,000 (2022: loss of HK\$46,746,000), which was mainly the combined effect of (i) the reversal of expected credit loss ("**ECL**") on loan and interest receivables of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000); (ii) the decrease in provision of ECL on debt instruments at fair value through other comprehensive income ("**FVTOCI**") to HK\$8,832,000 (2022: HK\$11,081,000); (iii) the increase in profit contribution from the petroleum exploration and production business to HK\$17,874,000 (2022: HK\$4,078,000); (iv) the decrease in other expenses to HK\$10,731,000 (2022: HK\$14,875,000) mainly due to the absence of professional fees incurred for the acquisition of the Canadian Oil Assets; and (v) the increase in bank and other interest income to HK\$5,856,000 (2022: HK\$1,343,000). Earnings per share were HK0.41 cent (2022: loss per share of HK0.89 cent).

## 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 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 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 span on around 8,800 net acres of land under mineral leases in Windy Lake region, near Calgary in Alberta Province of Canada. The Canadian Oil Assets are managed under EP Resources Corporation ("**EPR**"), a Canadian incorporated wholly-owned subsidiary of the Company, by a team of local management with extensive experience in the oil and gas industry in Calgary, Canada.

For FY2023, the Group's petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK\$71,597,000 (2022: HK\$30,932,000), an EBITDA of HK\$38,568,000 (2022: HK\$13,178,000), and an operating profit of HK\$17,874,000 (2022: HK\$4,078,000).

For FY2023, the Canadian Oil Assets produced approximately 183,900 barrel ("**bbl**") and sold approximately 184,500 bbl of crude oil, and generated a revenue (before royalties payment) of approximately C\$14,427,000 (equivalent to HK\$83,683,000) at an average selling price of C\$78.2/bbl, whilst in 2022 (for the period from 16 July 2022 to 31 December 2022), the Canadian Oil Assets produced and sold 81,300 bbl and 81,100 bbl of crude oil respectively, and generated a revenue (before royalties payment) of approximately C\$6,618,000 (equivalent to HK\$39,821,000) at an average selling price of C\$81.6/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.

# Management Discussion and Analysis

During FY2023, EPR had incurred capital expenditure totalling C\$4,417,000 (equivalent to HK\$26,091,000) for the drilling and completion work of C\$3,499,000 (equivalent to HK\$20,669,000) for four new wells drilled in FY2023, and the completion work of C\$918,000 (equivalent to HK\$5,422,000) for three new wells that commenced drilling in the year ended 31 December 2022. As of 31 December 2023, there were 42 producing wells in operation, with an average remaining reserve life of more than ten years, compared to 35 producing wells as of 31 December 2022. The addition of seven producing wells was a result of (i) the completion of drilling work of three new wells under the Group's 2022 drilling plan with production of two wells commenced in January 2023 and one in February 2023, and (ii) the completion of drilling work of four new wells under the Group's 2023 drilling plan with production of all new wells commenced in August 2023.

As at 31 December 2023, an update of the estimated oil reserves of the Canadian Oil Assets are as follows:

	<b>Gross remaining reserves</b>	
	<b>As at 31 December 2023*</b>	As at 31 December 2022*
	<b>'000 bbl</b>	<b>'000 bbl</b>
Proved		
Developed producing	<b>693.7</b>	502.1
Developed non-producing	<b>9.6</b>	140.8
Undeveloped	<b>939.0</b>	902.0
Total Proved	<b>1,642.3</b>	1,544.9
Probable	<b>1,305.8</b>	1,653.0
Proved plus Probable	<b>2,948.1</b>	3,197.9

\* According to the reserve reports ("**Reserve Reports**") prepared by Trimble Engineering Associates Ltd. ("**Trimble**") on the estimated oil reserves of the Canadian Oil Assets as at 31 December 2023 and 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 Reports. Further details of the Canadian Oil Assets were contained in the Circular.

# Management Discussion and Analysis

Since the Group acquired the Canadian Oil Assets in July 2022 and up to 31 December 2023, seven new wells were drilled by the Group according to the drilling plans of the respective years. For 2024, based on the production data that the Group has collected from the local government authorities for the oil fields located near the target new wells, the updated geological information including seismic data of the target new wells and the oil fields nearby, together with other technical reasons, the Group has planned that three to four new wells will be drilled in 2024. Depending on the market conditions including oil prices and drilling costs, weather conditions and availability of contractors, the Group may revise its drilling plan from time to time in order to maximise the value of each new well to the Group. Set out below are the details of the drilling plans of the respective years since the Group acquired the Canadian Oil Assets in July 2022:

Year of drilling plan	Number of new wells drilled/to be drilled	Capital expenditure		Completion
		C\$'000	HK\$'000 equivalent	
2022	3	3,074 (actual)	17,834 (actual)	Drilling work of two new wells were completed in January 2023 with one in February 2023
2023	4	3,499 (actual)	20,669 (actual)	Drilling work of all new wells were completed in August 2023
2024	3 to 4	2,900 to 3,800 (budgeted)	17,129 to 22,445 (budgeted)	Drilling work of all new wells are scheduled to be completed before the end of September 2024



The Group's central battery in Windy Lake region



Drilling rig for new wells drilling

# Management Discussion and Analysis

## Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions and it is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy assets, including solar energy projects, which could support the Group's healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into a cooperation agreement with a specialist solar energy total solution and services provider to invest in solar energy power generation projects, from which the electricity generated can be sold to the two power companies and thereby earning the feed-in tariff income under the FiT Scheme. Moreover, for further development of the solar energy business, on 30 August 2021, the Group entered into an acquisition agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. By March 2023, all the solar power generation projects had been completed and the Group currently has 50 solar photovoltaic systems in operation. Further details of the transactions were stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During FY2023, 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 31 December 2023. As of the year end, the Group had 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt. For FY2023, the solar energy business reported increases in revenue by 25% to HK\$8,160,000 (2022: HK\$6,536,000), EBITDA by 50% to HK\$7,735,000 (2022: HK\$5,157,000), and operating profit by 90% to HK\$2,661,000 (2022: HK\$1,403,000), which were mainly attributed to the addition of 10 solar photovoltaic systems and savings in certain operating and maintenance costs during the year.

## Money Lending

For FY2023, the Group's money lending business reported decreases in revenue by 36% to HK\$2,490,000 (2022: HK\$3,877,000) and operating profit (before reversal of ECL) by 33% to HK\$2,520,000 (2022: HK\$3,782,000, before provision of ECL), which were mainly due to the lower average amount of performing loans advanced to borrowers during the year. A reversal of ECL of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000) was recognised during the year which primarily related to the repayments of certain credit-impaired loan and interest receivables from borrowers. For FY2023, the Group's money lending business recorded an overall profit of HK\$13,820,000 (2022: loss of HK\$16,237,000).

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default (i.e., the magnitude of the loss after accounting for the value of the collateral if there is a default). The assessment of the 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 year end, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collateral pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers. Further details of the credit risk and impairment assessment on the loan and interest receivables are contained in Note 37 to the consolidated financial statements.

# Management Discussion and Analysis

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

The size of the Group's loan portfolio reduced by 73% to HK\$16,598,000 (2022: HK\$60,852,000) (on a net of impairment allowance basis) was mainly a result of the repayments of certain loan and interest receivables. 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 31 December 2023, the carrying amount of the Group's loan portfolio amounted to HK\$16,598,000 (after impairment allowance of HK\$11,910,000) and was constituted by term loans made to two borrowers with details as follows:

<b>Category of borrowers</b>	<b>Approximate weighting to the carrying amount of the Group's loan portfolio</b> %	<b>Interest rate per annum</b> %	<b>Maturity</b>
Corporate	24.1	12.0	More than one year but within two years
Individual	75.9	11.0 – 18.0	Within one year
	<u>100.0</u>		

At 31 December 2023, 100% of the carrying amount of the loan portfolio (after impairment allowance) was secured by collateral. At the year end, the loans made to all borrowers were term loans of which an amount of HK\$12,591,000 was due within one year and HK\$4,007,000 was due over one year but within two years. The loan made to the largest borrower and the two largest borrowers represented 76% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

# Management Discussion and Analysis

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including (i) due diligence; (ii) credit appraisal; (iii) proper execution of 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.

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



# Management Discussion and Analysis

## Investment in Securities

The Group generally acquires securities listed on the Hong Kong Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or 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 2023, the Group's securities investments comprised a financial asset at fair value through profit or loss ("**FVTPL**") portfolio valued at HK\$2,784,000 (2022: HK\$4,772,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio valued at HK\$3,662,000 (2022: HK\$33,739,000), comprising debt securities listed in Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$835,000 (2022: HK\$3,757,000) and a loss, after provision of ECL, of HK\$10,038,000 (2022: HK\$9,743,000).

### *Financial assets at FVTPL*

At 31 December 2023, the Group held a financial asset at FVTPL portfolio amounting to HK\$2,784,000 (2022: HK\$4,772,000) measured at market/fair value. For FY2023, the portfolio generated a revenue of HK\$43,000 (2022: HK\$152,000), representing dividends from listed equity securities. The Group recognised a net loss on financial assets at FVTPL of HK\$1,988,000 (2022: HK\$1,952,000) for the year, representing the net unrealised loss arising from the decrease in market value of the listed 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 made any new investment during the year.

At 31 December 2023, the Group's financial asset at FVTPL portfolio of HK\$2,784,000 comprised the equity securities of a property company listed on the Hong Kong Stock Exchange.

# Management Discussion and Analysis

## *Debt instruments at FVTOCI*

At 31 December 2023, the Group's debt instrument at FVTOCI portfolio of HK\$3,662,000 (2022: HK\$33,739,000) was measured at market/fair value. During FY2023, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK\$792,000 (2022: HK\$3,605,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, all the debt instruments at FVTOCI of HK\$3,662,000 (after impairment allowance) were classified as current assets (2022: current assets of HK\$28,041,000 and non-current assets of HK\$5,698,000). During FY2023, the Group had not acquired any debt securities, and principals of certain debt securities totalling HK\$24,336,000 were redeemed. For FY2023, a net fair value loss on debt instruments at FVTOCI of HK\$4,931,000 (2022: HK\$11,238,000) was recognised as other comprehensive expense primarily due to the fall in market value of the debt securities and downward adjustment on fair values of certain debt instruments due to their increased credit risks.

The Group had performed 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. In determining the ECL on the Group's debt instruments for the year, the management had 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, and forward-looking information including the future macroeconomic conditions affecting the operations of the bond issuers. There had been no change in the method used in determining the ECL on debt instruments at FVTOCI from the prior financial year. 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 FY2023, a provision of ECL on debt instruments at FVTOCI of HK\$8,832,000 (2022: HK\$11,081,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of the debt instruments held by the Group had further increased since initial recognition. During FY2023, the expected loss given default of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, had significantly increased due to the continued defaults of the bond issuers in making payments of interest and principal 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\$8,832,000 was recognised.

At 31 December 2023, the Group's debt instrument at FVTOCI portfolio of HK\$3,662,000 comprised the debt securities of five Mainland based property companies. The yield to maturity upon initial acquisition of these debt securities ranged from 6.01% to 12.50% per annum.



# Management Discussion and Analysis

## Overall Results

For FY2023, the Group's petroleum exploration and production business contributed a profit of HK\$17,874,000 (2022: HK\$4,078,000), the solar energy business recorded a profit of HK\$2,661,000 (2022: HK\$1,403,000), the money lending business posted a profit of HK\$13,820,000 (2022: loss of HK\$16,237,000), whilst the Group's investment in securities recorded a loss of HK\$10,038,000 (2022: HK\$9,743,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK\$21,500,000 (2022: loss of HK\$46,746,000), and a total comprehensive income attributable to owners of the Company of HK\$27,140,000 (2022: total comprehensive expense of HK\$49,677,000) which included a net fair value loss on debt instruments at FVTOCI of HK\$4,931,000 (2022: HK\$11,238,000).

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

During FY2023, the Group financed its operation mainly by cash generated from operations and shareholders' funds. At the year end, the Group had current assets of HK\$199,209,000 (2022: HK\$191,386,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK\$171,071,000 (2022: HK\$90,568,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$10,237,000 (2022: HK\$21,797,000), was at a very liquid level of about 19.5 (2022: 8.8).

At 31 December 2023, the Group's total assets amounted to HK\$445,095,000 (2022: HK\$433,689,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$41,642,000 (2022: HK\$57,376,000) divided by total assets, was at a low level of about 9% (2022: 13%). Finance costs represented the accretion expense on decommissioning obligation and interest on lease liabilities of HK\$908,000 (2022: HK\$1,127,000) and HK\$191,000 (2022: HK\$119,000) respectively recognised for the year.

The Group's bank and other interest income increased by 336% to HK\$5,856,000 (2022: HK\$1,343,000) over last year, mainly resulted from additional surplus funds on hand and the general rise in bank deposit rates.

At 31 December 2023, the equity attributable to owners of the Company amounted to HK\$403,453,000 (2022: HK\$376,313,000) and was equivalent to an amount of approximately HK7.70 cents (2022: HK7.18 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$27,140,000 was mainly due to the profit earned by the Group during the year.

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

### 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 Analysis

## Contingent Liability

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

## Pledge of Assets

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

## Capital Commitment

At 31 December 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 represented capital expenditure contracted for but not provided).

## HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2023, the Group had a total of 26 (2022: 23) employees including directors of the Company with 18 employees stationed in Hong Kong (2022: 15 employees in Hong Kong and the PRC) and 8 employees (2022: 8 employees) in Canada. Staff costs, including directors' emoluments, amounted to HK\$11,727,000 (2022: HK\$7,300,000) for the year. The increase in staff costs of HK\$4,427,000 was mainly due to full year staff costs of the Canadian petroleum exploration and production operation were included in the Group's current year results whilst only staff costs subsequent to completion of the acquisition of the Canadian Oil Assets were included in last year's results. 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.

# Management Discussion and Analysis

## 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 FY2023, 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 FY2023, 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 the Directors and senior management of the Company as at 25 April 2024, being the latest practicable date before printing of this annual report, are set out below:

## EXECUTIVE DIRECTORS

### Mr. Sue Ka Lok (“Mr. Sue”)

Aged 58, joined the Company as Executive Director and the Chief Executive Officer in October 2016 and stepped down from his position as Chief Executive Officer in January 2018. Mr. Sue is a member of the Corporate Governance Committee and a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, chartered governance professional and 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 (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 ZO Future Group (formerly known as Birmingham Sports Holdings Limited) (“**ZO Future**”) (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 39, 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 ZO Future, a company listed on the Main Board of the Hong Kong Stock Exchange.

### Mr. Chan Shui Yuen (“Mr. Chan”)

Aged 43, 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.

# Biographical Details of Directors and Senior Management

## **Mr. Bai Zhifeng (“Mr. Bai”)**

Aged 46, joined the Group as Business Adviser in March 2024 and was appointed as Executive Director in April 2024. He is a director of a subsidiary of the Company. Mr. Bai holds a Master of Business Administration degree from Capital University of Economics and Business in the PRC. Mr. Bai has extensive experience in the renewable energy and financial investment sectors, and has held executive positions in an investment company and a ventures fund based in North America.

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

### **Mr. Pun Chi Ping (“Mr. Pun”)**

Aged 57, 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 ZO Future 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 54, 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 ZO Future, a company listed on the Main Board of the Hong Kong Stock Exchange.

# Biographical Details of Directors and Senior Management

## **Mr. Khoo Wun Fat, William (“Mr. Khoo”)**

Aged 43, joined the Company as Independent Non-executive Director in April 2024. Mr. Khoo is the Chairman of the Corporate Governance Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a Bachelor of Science degree from The Chinese University of Hong Kong, and a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the City University of Hong Kong. He was admitted as a practising solicitor in Hong Kong in 2009. Mr. Khoo is a partner of Khoo & Co., a law firm specialising in corporate finance and commercial practice. In addition, he is the chairman of the Standing Committee of the Convocation of the City University of Hong Kong, a council member of the City University of Hong Kong, the company secretary of China Regenerative Medicine International Limited (HKEX stock code: 8158), a company listed on the GEM of the Hong Kong Stock Exchange, and the company secretary of the Alumni Association of Raimondi College Hong Kong. Mr. Khoo has extensive experience in the legal industry.

## **SENIOR MANAGEMENT**

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

Aged 53, 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 departments 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 2023.

## 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 18 of this annual report, and the "Corporate Governance Report" set out on pages 29 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 77 of this annual report.

## RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 83.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 172. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment 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 2023, 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 2023, 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 (2022: 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 98% of the total revenue for the year and revenue from the largest customer accounted for approximately 78%. Purchases from the Group's five largest suppliers accounted for 58% of the total purchases for the year and purchases from the largest supplier accounted for 33%.

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



# Report of the Directors

## DIRECTORS

The directors of the Company during the year and up to 25 April 2024, being the latest practicable date before printing of this annual report, were:

### Executive Directors:

Mr. Sue Ka Lok  
Mr. Yiu Chun Kong  
Mr. Chan Shui Yuen  
Mr. Bai Zhifeng (*appointed on 9 April 2024*)

### Independent Non-executive Directors:

Mr. Pun Chi Ping  
Ms. Leung Pik Har, Christine  
Mr. Kwong Tin Lap (*resigned on 18 April 2024*)  
Mr. Khoo Wun Fat, William (*appointed on 18 April 2024*)

In accordance with Bye-law 103(B) of the Company's Bye-laws, Mr. Bai Zhifeng and Mr. Khoo Wun Fat, William will hold office until the forthcoming annual general meeting of the Company (the "2024 AGM") and, being eligible, offer themselves for re-election at the 2024 AGM.

In accordance with Bye-law 100(A) of the Company's Bye-laws, Mr. Chan Shui Yuen and Mr. Pun Chi Ping will retire by rotation at the 2024 AGM and, being eligible, will offer themselves for re-election at the 2024 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 2024 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 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.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save for the "Share Option Scheme" disclosure in Note 31 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

## **SHARE OPTION SCHEME**

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

# Report of the Directors

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 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 31 December 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 31 December 2023 as required to be recorded 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 transactions set out in Note 35 to the consolidated financial statements do 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 2023 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

# Report of the Directors

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by Moore CPA Limited (formerly known as Moore Stephens CPA Limited).

Moore 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 2024 AGM to re-appoint Moore 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, 27 March 2024

# 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 members 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 members 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 members with respect to their roles and responsibilities. In addition, staff members are also encouraged to enroll in external training courses and 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 (renamed as Appendix C1 since 31 December 2023) to the Listing Rules for the year ended 31 December 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.

# Corporate Governance Report

## CORPORATE GOVERNANCE (continued)

### Chairman and chief executive (continued)

#### *Deviation*

The Company had deviated from Code Provision C.2.1 of the CG Code during the year ended 31 December 2023 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

### Shareholders meetings

#### *Code Provision F.2.2*

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

#### *Deviation*

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as the chairman of the annual general meeting of the Company held on 29 June 2023 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 2023.

## 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 25 April 2024, being the latest practicable date before printing of this annual report, the Board comprises seven directors, four are Executive Directors, namely Mr. Sue Ka Lok ("**Mr. Sue**"), Mr. Yiu Chun Kong ("**Mr. Yiu**"), Mr. Chan Shui Yuen and Mr. Bai Zhifeng ("**Mr. Bai**"), and three are Independent Non-executive Directors, namely Mr. Pun Chi Ping ("**Mr. Pun**"), Ms. Leung Pik Har, Christine ("**Ms. Leung**") and Mr. Khoo Wun Fat, William ("**Mr. Khoo**"). 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 Mr. Pun, Ms. Leung and Mr. Kwong Tin Lap ("**Mr. Kwong**", former independent non-executive director resigned on 18 April 2024) an annual confirmation for the year ended 31 December 2023 of his/her independence and a confirmation from Mr. Khoo of his independence upon his appointment, pursuant to Rule 3.13 of the Listing Rules. The Company considers all existing and former independent non-executive directors are/were 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 19 to 21 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 ZO Future Group (formerly known as 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 the 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 the relevant regulatory requirements. Mr. Bai and Mr. Khoo obtained the legal advice on 18 April 2024 referred to in Rule 3.09D of the Listing Rules and each of them has confirmed he understood his obligations as a director of the Company.



# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills, and are continually updated on 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 will be 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. For the year ended 31 December 2023, the directors including the former independent non-executive director, namely 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.

The Board has established the mechanism to ensure independent views and input of independent non-executive directors are made available to the Board. The summary of the mechanism is set out below:

### (a) Composition

The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors, with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. As at 31 December 2023, the Board had a balanced composition of three executive directors and three independent non-executive directors so that there was a strong independent element on the Board, which allowed the effective exercise of independent judgement.

### (b) Independence Assessment

The Board assesses the independence of independent non-executive directors annually with regard to, among others, (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 commitments to the Company's affairs; (v) past and present financial or other interests in the business of the Company; and (vi) connection with other director(s), chief executive or substantial shareholder(s) of the Company.

## BOARD OF DIRECTORS (continued)

### (c) Board Decision Making

Directors (including independent non-executive directors) are entitled to seek further information independently from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense. A director (including independent non-executive director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same. The Chairman shall promote a culture of openness, encourage directors with different views to voice their concerns and allow sufficient time for discussion of matters.

The Board will review the above mechanism annually to ensure it is implemented effectively.

During the year ended 31 December 2023, four regular Board meetings and one general meeting were held and the attendance of each director is set out below:

	Number of attendance	
	Board Meetings	General Meeting
<b>Executive Directors</b>		
Mr. Sue Ka Lok	4/4	1/1
Mr. Yiu Chun Kong	4/4	1/1
Mr. Chan Shui Yuen	4/4	1/1
Mr. Bai Zhifeng ( <i>appointed on 9 April 2024</i> )	0/0	0/0
<b>Independent Non-executive Directors</b>		
Mr. Pun Chi Ping	4/4	1/1
Ms. Leung Pik Har, Christine	4/4	1/1
Mr. Kwong Tin Lap ( <i>resigned on 18 April 2024</i> )	4/4	1/1
Mr. Khoo Wun Fat, William ( <i>appointed on 18 April 2024</i> )	0/0	0/0

# Corporate Governance Report

## 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 2023 as the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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 25 April 2024, being the latest practicable date before printing 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. Khoo Wun Fat, William. 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 and senior management. 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 2023 to review and make recommendations to the Board on the remuneration packages for directors and senior management. 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 ( <i>resigned on 18 April 2024</i> )	1/1
Mr. Khoo Wun Fat, William ( <i>appointed on 18 April 2024</i> )	0/0

Details of the directors' remuneration are set out in Note 14 to the consolidated financial statements. Pursuant to Code Provision 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 25 April 2024, being the latest practicable date before printing 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. Khoo Wun Fat, William. Ms. Leung Pik Har, Christine is the Chairlady of the Nomination Committee.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive directors, identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors. 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 Nomination Committee is also authorised to obtain independent professional advice, at the Company's expense, if it considers necessary. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

# Corporate Governance Report

## NOMINATION COMMITTEE (continued)

The Nomination Committee met once during the year ended 31 December 2023 to review the board diversity policy (the “**Board Diversity Policy**”) and the nomination policy (the “**Nomination Policy**”) of the Company, the independence of independent non-executive directors, the structure, size and composition of the Board; and review and make recommendations to the Board on the 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 ( <i>resigned on 18 April 2024</i> )	1/1
Mr. Khoo Wun Fat, William ( <i>appointed on 18 April 2024</i> )	0/0

## 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 and the Board 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 2023, 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 25 April 2024, being the latest practicable date before printing of this annual report, the Board consists of one female director and six 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 the 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 2023, the male to female ratio in the workforce (including senior management) is approximately 3:2. The Board considered gender diversity in respect of the workforce is achieved.

## NOMINATION POLICY

The Board has adopted the Nomination Policy which setting out the principles that 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 2023 is set out in the "Independent Auditor's Report" on pages 78 to 82 of this annual report.

For the year ended 31 December 2023, the remuneration payable to the Company's auditor, Moore CPA Limited (formerly known as Moore Stephens CPA Limited), for the provision of audit services amounted to HK\$1,450,000. During the year, a sum of HK\$283,000 was paid as remuneration to Moore CPA Limited for the provision of non-audit related services. These non-audit services were engaged solely on the basis that it was more effective or economical than to engage other service providers to provide the same, and that the engagement would not constitute adverse impact on the independence of the external auditor. The nature and ratio of the fees paid to the external auditor for non-audit services and for audit services in 2023 had been scrutinised by the Audit Committee.

# Corporate Governance Report

## AUDIT COMMITTEE

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at 25 April 2024, being the latest practicable date before printing 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. Khoo Wun Fat, William, who among themselves possess a wealth of management experience in the accounting profession, legal and 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 the relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Hong Kong Stock Exchange's website.

The Audit Committee met three times during the year ended 31 December 2023 and the attendance of each member is set out below:

<b>Members</b>	<b>Number of attendance</b>
Mr. Pun Chi Ping	3/3
Ms. Leung Pik Har, Christine	3/3
Mr. Kwong Tin Lap ( <i>resigned on 18 April 2024</i> )	3/3
Mr. Khoo Wun Fat, William ( <i>appointed on 18 April 2024</i> )	0/0

## 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 2022 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 2023 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 2022;
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 the Non-audit Service Policy, Anti-corruption Policy (referred to below) and Whistleblowing Policy (referred to 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. As at 25 April 2024, being the latest practicable date before printing 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. Khoo Wun Fat, William. Mr. Khoo Wun Fat, William is the Chairman of the Corporate Governance Committee.

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



# Corporate Governance Report

## CORPORATE GOVERNANCE COMMITTEE (continued)

The Corporate Governance Committee met once during the year ended 31 December 2023 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 ( <i>resigned on 18 April 2024</i> )	1/1
Mr. Sue Ka Lok	1/1
Mr. Chan Shui Yuen	1/1
Mr. Khoo Wun Fat, William ( <i>appointed on 18 April 2024</i> )	0/0

## DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2023, 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 a 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 the 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 and financial reporting functions.

## RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The process used to identify, evaluate and manage 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 members 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 Group’s business operations for the year ended 31 December 2023. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of the evaluation process. The external consultant had conducted an annual review to identify risks (including ESG risks) that could potentially impact the businesses of the Group, review key operational and financial processes as well as regulatory compliance and information security, and assess the adequacy and effectiveness of the Group’s risk management and internal control systems. The review covered all material controls, including financial, operational and compliance controls. After the review, an Enterprise Risk Management Report (the “**ERM Report**”) and Internal Control Report (the “**IC Report**”) with findings and recommendations for improvement in relation to the systems had been provided to the Audit Committee and the management. The ERM Report and the IC Report had 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 (if any) according to their respective risk level and priorities. Subsequent review, where applicable, 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 ERM Report and the 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 has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and financial reporting functions as well as those relating to the Group’s ESG performance and reporting. The Board is of the opinion that the Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control. Furthermore, the Board is of the opinion that the Group has adequate financial and human resources for its accounting and financial reporting function.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL (continued)

### Anti-corruption Policy

The Board has 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 employees of the Group and all business partners, including customers, suppliers and debtors dealing with the Group. 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](mailto: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 19 to 21 of this annual report. Mr. Chan had taken no less than 15 hours of the relevant professional training during the year ended 31 December 2023.

## SHAREHOLDER RIGHTS

The annual general meeting (“**AGM**”) of the Company provides a forum for communication between the shareholders and the Board. The notice of the AGM is despatched to all shareholders at least twenty-one clear 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 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 Directors or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the “**Companies Act**”), but any meeting so convened shall not be held after the expiration of three months from the said date.

### **Procedures for shareholders to put forward proposals at general meetings**

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

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

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

# Corporate Governance Report

## SHAREHOLDER RIGHTS (continued)

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

According to Bye-law 104 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the board for election, be eligible for election as a director at any general meeting of the Company, unless notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his 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, at least seven days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day immediately after the despatch of the notice of the general meeting appointed for such election and shall be at least seven days in length.

### 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 annual and interim reports; (iii) maintaining a corporate website at [www.epiholdings.com](http://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 2023, the Board had 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 had been properly implemented during the year under review and remains effective.

## INVESTOR RELATIONS

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

Amendments have been made to the Company's constitutional documents during the year ended 31 December 2023. The shareholders of the Company approved the amendments to the old Bye-laws and adopted an amended and restated Bye-laws (the "**New Bye-laws**") at the annual general meeting held on 29 June 2023 in order to (i) bring the old Bye-laws in line with the Core Shareholder Protection Standards set out in Appendix 3 (renamed as Appendix A1 since 31 December 2023) to the Listing Rules; (ii) reflect certain updates in relation to the applicable laws of Bermuda and the Listing Rules; and (iii) make some housekeeping amendments.

A copy of the New Bye-laws has been published on the websites of the Company and the Hong Kong Stock Exchange.

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) the 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 25 April 2024, 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 2023 (the “Reporting Period” or “2023”). 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 during 2023, and the comparative data for the year ended 31 December 2022 (“2022”).

## REPORTING SCOPE

The Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. The Group operates an oil field 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 acquisition of the Canadian Oil Assets in July 2022. 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 (renamed as Appendix C2 since 31 December 2023) to the Listing Rules. Information relating to the Group’s corporate governance practices is set out in the “Corporate Governance Report” on pages 29 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.



# Environmental, Social and Governance Report

## 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 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. The members of the Board possess the appropriate skills, experience, knowledge and perspectives necessary to oversee the Group's ESG matters. The Board holds at least one meeting each year to establish the overall ESG approach, oversee and assess the potential impacts and risks of the ESG issues related to the Group's operations, review the Group's performance against the ESG-related targets and the materiality of the ESG issues, ensure the effectiveness of the Group's risk management and internal control systems and approve the disclosures in the ESG reports.

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 the 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.

# Environmental, Social and Governance Report

## ESG MANAGEMENT (continued)

### 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 the 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 the process of exploring new action plans/initiatives.

<b>The Board</b>	<p>Board members are responsible for:</p> <ul style="list-style-type: none"><li>✧ Develop long-term sustainable development policies and strategies</li><li>✧ Assess and identify risks and opportunities associated with ESG</li><li>✧ Ensure appropriate and effective ESG risk management and internal monitoring systems are in place</li><li>✧ Review and approve policies, objectives and action plans/measures relating to ESG matters</li><li>✧ Approve ESG reports</li></ul>
<b>Management team</b>	<p>Members of the management team are responsible for:</p> <ul style="list-style-type: none"><li>✧ Develop and review ESG-related policies, objectives and action plans/measures</li><li>✧ Monitor and report to the Board on the progress of the implementation of ESG action plans/measures</li><li>✧ Identify ESG risks and opportunities</li><li>✧ Review ESG reports</li></ul>
<b>Functional departments</b>	<p>Functional departments are responsible for:</p> <ul style="list-style-type: none"><li>✧ Identify, assess, define and report to the management on significant ESG issues</li><li>✧ Perform ESG risk management and internal monitoring</li><li>✧ Ensure ESG-related policies, objectives and action plans/measures are integrated into business operations</li><li>✧ Report to the management on the progress and results of ESG action plans/measures</li></ul>

# Environmental, Social and Governance Report

## 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 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	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Fulfil tax obligations</li> </ul>	<ul style="list-style-type: none"> <li>Uphold integrity and compliance in operations</li> <li>Pay tax on time, which in return contributing to the society</li> <li>Establish comprehensive and effective internal control and risk management systems</li> </ul>
Shareholders/ investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Information transparency</li> <li>Corporate governance system</li> </ul>	<ul style="list-style-type: none"> <li>Management possesses experience and professional knowledge in business sustainability</li> <li>Regular information dissemination via publications on the websites of the Hong Kong Stock Exchange and the Company</li> <li>Dedicated to improvement of internal control and risk management systems</li> </ul>

# Environmental, Social and Governance Report

## ESG MANAGEMENT (continued)

### Stakeholder Engagement (continued)

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

# Environmental, Social and Governance Report

## ESG MANAGEMENT (continued)

### Stakeholder Engagement (continued)

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

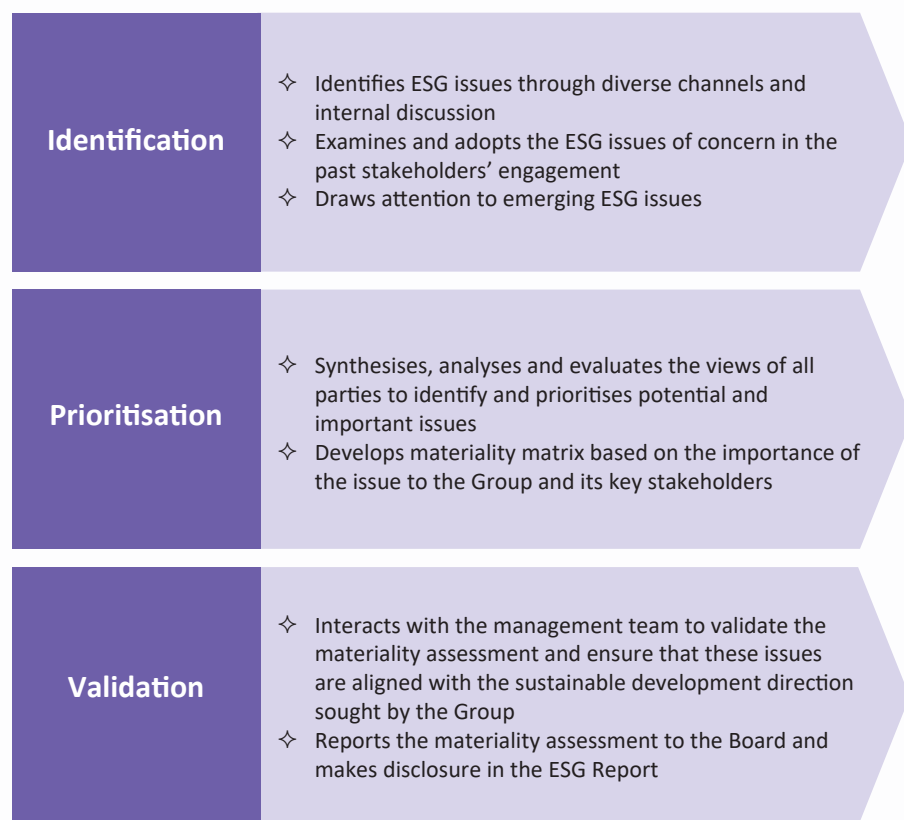
Stakeholders	Communication channels
Government/ regulatory organisations	<ul style="list-style-type: none"> <li>• Written or electronic correspondences</li> <li>• Visits and inspections</li> <li>• Compliance and legal advisor</li> </ul>
Shareholders/investors	<ul style="list-style-type: none"> <li>• General meetings</li> <li>• Interim reports and annual reports</li> <li>• Announcements and circulars</li> <li>• Company website and email</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training activities, seminars and briefings</li> <li>• Internal email</li> <li>• Suggestion boxes</li> <li>• Regular meetings</li> <li>• Performance appraisals</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Customer service hotline</li> <li>• Emails</li> <li>• Customer meetings</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Site visits</li> <li>• Business meetings and discussions</li> </ul>
Community	<ul style="list-style-type: none"> <li>• ESG reports</li> <li>• Company website and email</li> <li>• Reports and announcements</li> </ul>

# Environmental, Social and Governance Report

## 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:



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

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL

During the Reporting Period, the Group continued with its business development of the Canadian Oil Assets and performed drilling and completion work for four new wells drilled in 2023, and completion work for three new wells that commenced drilling in 2022 (2022: drilling work for three new wells), whilst fewer number of well intervention work (including production enhancement work, abandonment work and maintenance work) were performed as compared with 2022. During the Reporting Period, the Canadian Oil Assets produced approximately 183,900 barrels ("**bbl**") (2022: approximately 81,300 bbl) of crude oil.

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. 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 oil field, the drilling of new wells and all 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 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 activities. The consumption of fuel and energy generated Scope 1 GHG emissions, and purchase of 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 daily operations, new wells drilling and other production enhancement activities of the Canadian Oil Assets.



# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

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 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 solar photovoltaic 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 to achieve 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.

### 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 058: 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 the 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 (i) direct GHG emissions arising from fugitive emissions from oil wells, diesel and propane consumption related to daily operations, drilling of new wells and all other production enhancement activities of the Canadian Oil Assets (Scope 1); and (ii) energy indirect GHG emissions from electricity purchased for the daily operations of the Canadian Oil Assets (Scope 2). The Group has set a target in 2022 to gradually reduce the Group’s GHG emissions intensity (tCO<sub>2</sub>e/thousand bbl) 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.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### *Air and GHG Emissions (continued)*

During the Reporting Period, the Group's total GHG emissions intensity (tCO<sub>2</sub>e/thousand bbl) decreased by 4.20% compared to 2022. This is the combined effect of the increase in crude oil production, the use of more efficient diesel utilisation equipment for new wells drilling, and fewer number of well intervention work performed during the Reporting Period, while the increase in crude oil production outpaced the increase in total GHG emissions. The Group is thus on track to achieve its target and will continue to mitigating its GHG emissions in the future.

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

Indicator <sup>1</sup>	Unit	2023	2022 <sup>2</sup>
Scope 1 – Direct GHG emissions	tCO <sub>2</sub> e	469.60	442.51
Scope 2 – Energy indirect GHG emissions	tCO <sub>2</sub> e	3,384.12	1,335.95
<b>Total GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>3,853.72</b>	<b>1,778.46</b>
Intensity	tCO <sub>2</sub> e/employee <sup>3</sup>	148.22	77.32
	tCO <sub>2</sub> e/thousand bbl <sup>4</sup>	20.96	21.88

Notes:

- 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 Standard" 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 "Global Warming Potential Values" from the Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change (IPCC) and the Sustainability Report 2023 published by HK Electric.
- The data of 2022 has been restated due to the revision of the calculation method.
- As at 31 December 2023, the Group had a total of 26 (2022: 23) directors and employees. This data is used for calculating intensity data per employee and employees related data.
- During the Reporting Period, the Group's Canadian Oil Assets produced approximately 183,900 bbl (2022: 81,300 bbl) of crude oil. As a significant portion of the GHG emissions/hazardous wastes/non-hazardous wastes/energy consumption was generated from/produced by the Canadian Oil Assets, crude oil production from the Canadian Oil Assets is used for calculating intensity data per thousand bbl, in addition to intensity per employee.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A1. Emissions (continued)

#### *Air and GHG Emissions (continued)*

During the Reporting Period, the Group did not generate any nitrogen oxides (2022: nil), sulphur oxides (2022: nil) and particulate matter (2022: nil) as its operations currently do not involve in the usage of company vehicles.

#### **Sewage Discharge**

The Group's offices 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 work process and water consumption are set out in the section headed "Water Resource 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.

During the Reporting Period, the Group's total hazardous wastes intensity (tonne/thousand bbl) decreased by 42.11% compared to 2022. This is the combined effect of the increase in the number of new well drilling and completion work performed while the increase in crude oil production outpaced the increase in total hazardous wastes during the Reporting Period.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### Waste Management (continued)

#### Hazardous wastes (continued)

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

Indicator	Unit	2023	2022 <sup>5</sup>
<b>Total hazardous wastes</b>	<b>tonne</b>	<b>140.89</b>	<b>108.47</b>
Intensity	tonne/employee	5.42	4.72
	tonne/thousand bbl	0.77	1.33

Note:

5. The data of 2022 has been restated due to the revision of the calculation method.

#### 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 oil field to licensed third party for compliant disposal.

In order to minimise the environmental impacts from non-hazardous wastes generated from the Group's operations, 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. The Group has set a target in 2022 to conduct annual activities to raise awareness of waste reduction among employees from 2022 onwards.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### Waste Management (continued)

#### Non-hazardous wastes (continued)

During the Reporting Period, the Group's total non-hazardous wastes intensity (tonne/thousand bbl) decreased by 40.54% compared to 2022. This is the combined effect of the increase in the number of new well drilling work performed while the increase in crude oil production outpaced the increase in total non-hazardous wastes during the Reporting Period. The Group had conducted various activities in 2023 including job and office briefings to promote the awareness of waste reduction among its employees. The Group will continue its efforts in promoting waste reduction in the future in order to achieve the target set in 2022.

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

Indicator	Unit	2023	2022
<b>Total non-hazardous wastes</b>	<b>tonne</b>	<b>809.81</b>	<b>601.86</b>
Intensity	tonne/employee	31.15	26.17
	tonne/thousand bbl	4.40	7.40

## 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 of its Canadian Oil Assets.

For the Group office-based operations in Hong Kong and Canada, the Group encourages its employees to change their habits 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. The Group has set a target in 2022 to conduct annual activities to raise awareness of energy conservation among employees from 2022 onwards and gradually reduce the Group's energy consumption intensity (megawatt-hour ("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.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A2. Use of Resources (continued)

#### *Energy Conservation Measures (continued)*

During the Reporting Period, the Group's total energy consumption intensity (MWh/thousand bbl) decreased by 10.77% compared to 2022. This is the combined effect of the use of more efficient diesel utilisation equipment for new wells drilling while the increase in crude oil production outpaced the increase in total energy consumption during the Reporting Period. The Group had conducted various activities in 2023 including job and work briefings to promote the awareness of energy conservation among its employees. The Group will continue its efforts in promoting energy conservation in the future in order to achieve the target set in 2022.

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 operations through the use of natural gas, or other renewable energy generation methods including solar energy or wind energy, for electricity generation.

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

Indicator <sup>6</sup>	Unit	2023	2022
Diesel	MWh	1,042.48	1,046.91
Propane	MWh	789.68	564.81
<b>Direct energy consumption</b>	<b>MWh</b>	<b>1,832.16</b>	<b>1,611.72</b>
Purchased electricity	MWh	6,503.31	2,518.13
<b>Indirect energy consumption</b>	<b>MWh</b>	<b>6,503.31</b>	<b>2,518.13</b>
<b>Total energy consumption</b>	<b>MWh</b>	<b>8,335.47</b>	<b>4,129.85</b>
Intensity	MWh/employee	320.60	179.56
	MWh/thousand bbl	45.33	50.80

Note:

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

#### *Water Resource 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 908,700 cubic meter ("**m<sup>3</sup>**") (2022: 377,000 m<sup>3</sup>) 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.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A2. Use of Resources (continued)

#### *Water Resource 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 from utilities in 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 units. The Group has collected water consumption data that consists of bottled water consumed in the Group's offices in Hong Kong and Canada. As the volume of drinking water is considered as insignificant, the target for water efficiency is therefore not presented.

#### *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 oil field operations. For drilling operations, the local team prepares the drilling plan and completion jobs design and schedule, manages the overall progress, and engages different service providers/vendors to perform the drilling and completion jobs. Although most of the daily operations in the oil field are carried out by service providers and vendors, the Group still strives to minimise the potential environmental impacts arising from its operations through selection of appropriate service providers and vendors and 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 during the Reporting Period.



# Environmental, Social and Governance Report

## 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 the relevant local environmental-related laws and regulations. The Group recognises its responsibility of preserving the oil fields and pursuing sustainable petroleum exploration and production practices. Accordingly, the Group has recognised a decommissioning obligation in its books in accordance with the regulations imposed by Alberta Energy Regulator which represents the costs for the future abandonment of the oil and gas production equipment and facilities of the Canadian Oil Assets. This obligation includes facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation and site restoration. As of 31 December 2023, the Group was responsible for managing about 80 wells, of which 42 wells were active and producing hydrocarbons. 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, the abandonment and the reclamation stages. Upon abandonment of both the downhole and surface components and removal of all the surface equipment, the well is considered as decommissioned, and once the abandonment work is completed on a site, the environmental assessments, remediation (where applicable) and reclamation activities on the site can commence.

During the Reporting Period, the Group had completed abandonment work on four non-producing wells. The abandonment work had been verified and confirmed 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 active in bringing environmental responsibility into its daily operations, and encourages all staff to adopt environmentally responsible behaviour and be aware 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.



# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A3. The Environment and Natural Resources (continued)

#### *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 energy which builds a greener environment. As of 31 December 2023, the Group has 50 solar photovoltaic systems in operation. By expanding its footprints in the 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.

#### *Indoor Air Quality*

The Group is committed to providing its employees with a pleasant working environment to enhance their work efficiency. For the Group's office-based operations in Hong Kong and Canada, the 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 maintained by the utilisation of several measures which include cleaning air-conditioning systems regularly and choosing more environmental friendly cleaning products. 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 risks of climate change are imminent and understanding of these risks 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 its capacity and ability to respond to these risks in the long run. The Group believes that a robust response to climate change requires concerted efforts of all stakeholders. Therefore, the Group 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:

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL (continued)

### A4. Climate Change (continued)

#### *Physical Risks*

For physical risks, increase in severity of extreme weather events such as strong typhoons and floods may interrupt 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 Group's 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 contingency arrangements for extreme weather events to employees in advance. The Group recognises that 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 return or asset devaluation. Related climate change risk might also impose an impact to the Group's investment and financing activities in relation to the affected industries.

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 risks, policies and regulations and where appropriate seek compliance consulting services to reduce its legal risks. Secondly, the Group has gradually incorporated sustainability into its business operations, various measures have been adopted to protect the environment, including measures aimed at reducing GHG emissions as well as resources conservation. Thirdly, 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 the 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 segment 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 the 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, the Canadian Human Rights Act and the Employment Standards Code of the Government of Alberta 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 and offering them attractive and commensurate remuneration packages in order to capture, promote and retain talents, the Group also promotes employees' personal and professional growth by 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.

The Group devotes to protect human rights 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 and development potential.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B1. Employment (continued)

#### *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 culture 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 the employees and the Group.

The distribution of directors and employees by employment type, gender, age and geographical region are as follows:

Category	As at 31 December 2023		As at 31 December 2022	
	Number (Person)	Percentage (%)	Number (Person)	Percentage (%)
<b>By employment type</b>				
Full-time	26	100.00	23	100.00
Part-time	-	-	-	-
<b>By gender</b>				
Male	17	65.38	16	69.57
Female	9	34.62	7	30.43
<b>By age group</b>				
20-30	-	-	-	-
31-40	4	15.38	5	21.74
41-50	8	30.77	6	26.09
> 50	14	53.85	12	52.17
<b>By geographical region</b>				
Hong Kong	18	69.23	15	65.22
Canada	8	30.77	8	34.78

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B1. Employment (continued)

#### *Anti-discrimination Measures (continued)*

During the Reporting Period, the Group had an overall turnover rate<sup>7</sup> of 7.69% (2022: 30.43%). Details of the turnover rate by gender, age group and geographical region<sup>8</sup> are as follows:

Category	Turnover rate (%)	
	2023	2022
<b>By gender</b>		
Male	–	31.25
Female	<b>22.22</b>	28.57
<b>By age group</b>		
20-30	–	–
31-40	–	40.00
41-50	–	33.33
> 50	<b>14.29</b>	25.00
<b>By geographical region</b>		
Hong Kong	<b>11.11</b>	–
Canada	–	12.50

Notes:

- 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.
- 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 total number of directors and employees in the specified category at the end of the Reporting Period.

#### *Staff Compensation and Welfare*

To retain quality staff, the Group offers competitive remuneration package and regularly evaluates their salary levels to make sure that their remuneration packages are competitive. Though remuneration packages for staff vary in different nations where the Group operates, it strives to build a fair, reasonable and competitive remuneration scheme in all its location of operations. 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.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B1. Employment (continued)

#### *Staff Compensation and Welfare (continued)*

Additional allowances that are also available to employees include meal allowance, overseas travelling allowance and education subsidy. Education subsidy covers courses/modules/seminars that are job-related and organised by reputable institutions, other allowances include reimbursement of membership fee to professional institutions which are job-related 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 concerned. 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 employees' job satisfaction, and to enhance the cohesion between employees and help them to build up the 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 to organise various recreational activities for the well-being of employees.

### 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 of the Group's operations 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 fields of operation is checked to verify that it is executed safely so as to minimise incidents and potential risks.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B2. Health and Safety (continued)

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.

#### *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 different business operations (including tools required for eliminating or controlling risks) and aim to 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 to identify, assess and minimise risks by scheduling work and processes performing in the work field.

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

The Group also has insurance policies in place for injuries at work for every employee. The Group is concerned 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 a 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 person is designated for coordinating and supervising the work necessary during and after the incident.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B2. Health and Safety (continued)

#### *Occupational Health and Workplace Safety (continued)*

The Group also establishes and optimises its occupational health management system to protect workers and their rights. The Group provides all site workers in oil fields with safety protective equipment such as protective gloves, shock-proof glasses, hearing protectors, fire resistant jackets, helmets, boots with toes and ankles protection, working clothes, etc. in sufficient quantity and quality and the use of 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 the location is conducted to give knowledge of the involved maneuvers, identified risks and scope or needs that are required to complete the task.

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

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 enabling staff to familiarise with the Group's operational procedures by business, the risk assessment and management policies, and the operational 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 and organisational structure, industry knowledge, operational safety, etc. The latest industry information and related legislation updates in connection with the Group's operations are also dispatched to staff from time to time.



# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B3. Development and Training (continued)

During the Reporting Period, approximately 34.62%<sup>9</sup> (2022: 43.48%) of the Group's employees were trained and with an average of approximately 0.65 training hour (2022: approximately 0.87 hour) per employee<sup>10</sup> was recorded. The average training hour(s) per employee and percentage of trained employees, by gender and employee category, are as follows:

Category	Average training hour(s) per employee <sup>11</sup> (hour(s))		Percentage of trained employees <sup>12</sup> (%)	
	2023	2022	2023	2022
<b>By gender</b>				
Male	<b>0.65</b>	0.88	<b>35.29</b>	43.75
Female	<b>0.67</b>	0.86	<b>33.33</b>	42.86
<b>By employee category</b>				
Directors	<b>2.00</b>	2.00	<b>100.00</b>	100.00
Senior management	–	2.00	–	100.00
Management	<b>0.21</b>	2.00	<b>14.29</b>	100.00
Ordinary staff	<b>0.29</b>	0.14	<b>16.67</b>	7.14

Notes:

9. 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.
10. 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.
11. 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.
12. 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, of the employees who participated in the aforementioned training, approximately 66.67% were male and 33.33% were female; approximately 66.67%, 11.11% and 22.22% were directors, management and ordinary staff respectively. The Directors also 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.

# Environmental, Social and Governance Report

## 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.

#### *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 employment contract of 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 business 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 provide environmentally preferable products and services.

## B. SOCIAL (continued)

### B5. Supply Chain Management (continued)

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.

#### *Suppliers Management*

The Group endeavours to source locally, to minimise its logistical carbon footprint, reduce shipping costs and benefit local economy. During the Reporting Period, the Group had engaged approximately 150 (2022: 100) suppliers and service providers to support its daily operations, new wells drilling and other production enhancement activities in the oil field in Canada, and all of the suppliers and service providers have gone through the Group's supplier management procedures.

The Group also strives 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 in order to achieve a win-win situation. Such bases are used in selecting suppliers and service providers to establish an efficient and green supply chain system, and in conducting regular performance reviews on them 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 of its organisation, 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 of Canada.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B6. Product Responsibility (continued)

#### *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 their collection facility, 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.

#### *Client's Privacy Measures and Protection*

For the money lending business, the Group handles confidential information of clients with integrity and in accordance with the 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 usage of IP rights. Nonetheless, the Group respects IP rights such that 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, inquiries 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.

## B. SOCIAL (continued)

### 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 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 (2022: 6 directors) and 3 employees (2022: 4 employees) received a total of approximately 12 hours (2022: approximately 12 hours) and 5 hours (2022: approximately 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 Criminal Code of Canada.

#### *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. Any employee or third party who wishes to report a concern should inform the Chairman of the Audit Committee. 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.

# Environmental, Social and Governance Report

## B. SOCIAL (continued)

### B8. Community Investment

#### *Community Contribution*

The Group views sustainable development and community contribution as corporate goals. The Group believes in people-oriented management principle, it carries out a variety of activities in fulfilling its social responsibilities, actively pursues social contribution initiatives and strives 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. The Group believes 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 the 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 promotes energy saving and environmental friendly concepts with a hope to be one of the good corporate citizens within the industry. The Group endeavours to contribute positively to social stability and building a harmonious community. During the Reporting Period, the Group participated in a beach clean-up activity organised by Green Hope, aiming to promote a cleaner and healthier natural environment. The Group endeavours to continuously expand community contributions in the future.

# Environmental, Social and Governance Report

## SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

Indicator	Unit	2023	2022
<b>GHG emissions:</b>			
<b>Scope 1 – Direct GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>469.60</b>	<b>442.51</b>
Intensity	tCO <sub>2</sub> e/employee	18.06	19.24
	tCO <sub>2</sub> e/thousand bbl	2.55	5.44
<b>Scope 2 – Energy indirect GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>3,384.12</b>	<b>1,335.95</b>
Intensity	tCO <sub>2</sub> e/employee	130.16	58.08
	tCO <sub>2</sub> e/thousand bbl	18.40	16.43
<b>Total GHG emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>3,853.72</b>	<b>1,778.46</b>
Intensity	tCO <sub>2</sub> e/employee	148.22	77.32
	tCO <sub>2</sub> e/thousand bbl	20.96	21.88
<b>Hazardous wastes:</b>			
<b>Total hazardous wastes</b>	<b>tonne</b>	<b>140.89</b>	<b>108.47</b>
Intensity	tonne/employee	5.42	4.72
	tonne/thousand bbl	0.77	1.33
<b>Non-hazardous wastes:</b>			
<b>Total non-hazardous wastes</b>	<b>tonne</b>	<b>809.81</b>	<b>601.86</b>
Intensity	tonne/employee	31.15	26.17
	tonne/thousand bbl	4.40	7.40
<b>Energy consumption:</b>			
Diesel	MWh	1,042.48	1,046.91
Propane	MWh	789.68	564.81
<b>Direct energy consumption</b>	<b>MWh</b>	<b>1,832.16</b>	<b>1,611.72</b>
Electricity	MWh	6,503.31	2,518.13
<b>Indirect energy consumption</b>	<b>MWh</b>	<b>6,503.31</b>	<b>2,518.13</b>
<b>Total energy consumption</b>	<b>MWh</b>	<b>8,335.47</b>	<b>4,129.85</b>
Intensity	MWh/employee	320.60	179.56
	MWh/thousand bbl	45.33	50.80

# Independent Auditor's Report



## Moore CPA Limited

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## 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 83 to 171, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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



# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### ***Impairment assessment of property, plant and equipment related to petroleum exploration and production business ("OGP")***

We identified the impairment assessment of OGP as a key audit matter due to the significance of the balances to the Group's consolidated financial position and the involvement of significant management judgment in estimating the value in use ("VIU") of the OGP when assessing impairment.

As detailed in Note 4 to the consolidated financial statements, in estimating the VIU, the net present value of future cash flows is estimated based upon the continued use of the assets and the application of key assumptions in cash flow projections and determination of discount rate.

The management estimates the VIU of the OGP based on the cashflow projections of the petroleum exploration and production business, taking into account the oil reserves in Canada as at the year end, management's future business development plan, crude oil selling prices, royalties rate, operating costs and discount rate. The management also worked closely with the independent qualified valuer and the oil and gas reserves specialist to establish and determine the appropriate basis, methodology and assumptions.

At 31 December 2023, the carrying amount of the OGP amounted to HK\$179,312,000 (comprising oil and gas properties of HK\$177,135,000 and construction in progress of HK\$2,177,000 as set out in Note 18 to the consolidated financial statements). No impairment on the OGP had been provided during the year.

Our procedures in relation to management's impairment assessment of the OGP included:

- Understanding and evaluating the design and implementation of the entity's key controls on the process of impairment assessment of the OGP;
- Reviewing the valuation report from the independent qualified valuer together with the oil reserve report from the oil and gas reserves specialist, and having discussions with the management, independent qualified valuer and the oil and gas reserves specialist to understand the valuation basis, methodology used and underlying assumptions applied;
- Evaluating the competence, capabilities and objectivity of the independent qualified valuer and the oil and gas reserves specialist;
- Evaluating the reasonableness of assumptions underpinning the discounted cash flow models, including management's future business development plan, crude oil selling prices, royalties rate and operating costs. For the oil reserve estimation, perform retrospective review on the estimated proved and probable reserves of oil assets to assess the reliability of the estimation; and
- Involving our internal valuation experts to assess the reasonableness of the discount rates applied in determining the VIU of the OGP.

# Independent Auditor's Report

## OTHER INFORMATION

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

### **Moore CPA Limited**

*Certified Public Accountants*

Registered Public Interest Entity Auditors

### **Kong Shao Fung**

Practising Certificate Number: P07996

Hong Kong

27 March 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	5	<b>83,082</b>	45,102
Sales of petroleum, net of royalties		<b>71,597</b>	30,932
Sales of electricity		<b>8,160</b>	6,536
Interest income		<b>3,282</b>	7,482
Dividend income		<b>43</b>	152
Purchases, processing and related expenses	7	<b>(23,202)</b>	(13,952)
Other income and losses, net	8	<b>11,696</b>	(8,210)
Net loss on financial assets at fair value through profit or loss	9	<b>(1,988)</b>	(1,952)
Reversal (provision) of expected credit loss on loan and interest receivables		<b>11,300</b>	(20,019)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		<b>(8,832)</b>	(11,081)
Wages, salaries and other benefits	13	<b>(11,727)</b>	(7,300)
Depreciation	13	<b>(26,129)</b>	(13,130)
Loss on redemption of debt instruments at fair value through other comprehensive income		<b>(37)</b>	(453)
Other expenses		<b>(10,731)</b>	(14,875)
Gain on disposal of subsidiaries	10	<b>1</b>	159
Finance costs	11	<b>(1,099)</b>	(1,246)
Profit (loss) before tax		<b>22,334</b>	(46,957)
Income tax (expense) credit	12	<b>(834)</b>	211
<b>Profit (loss) for the year</b>	13	<b>21,500</b>	(46,746)
<b>Other comprehensive (expense) income</b>			
<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		<b>(4,931)</b>	(11,238)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		<b>8,832</b>	11,081
Release on redemption of debt instruments at fair value through other comprehensive income		<b>37</b>	453
Reclassification of cumulative translation reserve upon disposal of foreign operations	10	<b>–</b>	1,312
Exchange differences arising on translation of financial statements of foreign operations		<b>1,702</b>	(4,539)
<b>Other comprehensive income (expense) for the year, net of income tax</b>		<b>5,640</b>	(2,931)
<b>Total comprehensive income (expense) for the year attributable to owners of the Company</b>		<b>27,140</b>	(49,677)
<b>Earnings (loss) per share attributable to owners of the Company</b>			
– Basic	17	<b>HK0.41 cent</b>	HK(0.89) cent

# Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	229,212	218,781
Right-of-use assets	19	3,770	2,590
Deposit paid for decommissioning obligation	20	8,897	8,256
Prepayment for acquisition of non-current assets	20	–	6,978
Debt instruments at fair value through other comprehensive income	21	–	5,698
Loan and interest receivables	22	4,007	–
<b>Total non-current assets</b>		<b>245,886</b>	242,303
<b>Current assets</b>			
Debt instruments at fair value through other comprehensive income	21	3,662	28,041
Inventories		149	312
Loan and interest receivables	22	12,591	60,852
Trade and other receivables and prepayments	20	11,736	10,398
Other tax recoverable	23	–	204
Income tax recoverable		–	1,011
Financial assets at fair value through profit or loss	24	2,784	4,772
Cash and cash equivalents	25	168,287	85,796
<b>Total current assets</b>		<b>199,209</b>	191,386
<b>Current liabilities</b>			
Other payables	26	6,485	20,805
Income tax payable		1,457	618
Other tax payable		674	–
Lease liabilities	27	1,621	374
<b>Total current liabilities</b>		<b>10,237</b>	21,797
<b>Net current assets</b>		<b>188,972</b>	169,589
<b>Total assets less current liabilities</b>		<b>434,858</b>	411,892

# Consolidated Statement of Financial Position

At 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Non-current liabilities</b>			
Lease liabilities	27	<b>2,298</b>	2,351
Decommissioning obligation	29	<b>29,107</b>	33,228
<b>Total non-current liabilities</b>		<b>31,405</b>	35,579
<b>Net assets</b>		<b>403,453</b>	376,313
<b>Capital and reserves</b>			
Share capital	30	<b>52,403</b>	52,403
Reserves		<b>351,050</b>	323,910
<b>Total equity</b>		<b>403,453</b>	376,313

The consolidated financial statements on pages 83 to 171 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 27 March 2024 and are signed on its behalf by:

**Sue Ka Lok**  
*Director*

**Chan Shui Yuen**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000 <i>(Note (i))</i>	Investment revaluation reserve HK\$'000 <i>(Note (ii))</i>	Translation reserve HK\$'000 <i>(Note (iii))</i>	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022	52,403	918,270	201,645	(4,234)	(1,429)	(740,665)	425,990
Loss for the year	-	-	-	-	-	(46,746)	(46,746)
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(11,238)	-	-	(11,238)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	11,081	-	-	11,081
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	453	-	-	453
Reclassification of cumulative translation reserve upon disposal of foreign operations	-	-	-	-	1,312	-	1,312
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(4,539)	-	(4,539)
Total comprehensive income (expense) for the year	-	-	-	296	(3,227)	(46,746)	(49,677)
At 31 December 2022	52,403	918,270	201,645	(3,938)	(4,656)	(787,411)	376,313
Profit for the year	-	-	-	-	-	21,500	21,500
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(4,931)	-	-	(4,931)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	8,832	-	-	8,832
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	37	-	-	37
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1,702	-	1,702
Total comprehensive income for the year	-	-	-	3,938	1,702	21,500	27,140
At 31 December 2023	52,403	918,270	201,645	-	(2,954)	(765,911)	403,453



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

*Notes:*

- (i) The share options reserve represents the cumulative expenses on the share options granted recognised over the vesting period. All the expenses in relation to the share options forfeited after the vesting date or were not exercised at the expiry date would continue to be held in this reserve. All the outstanding share options were lapsed and there were no outstanding share options as at 31 December 2023 and 2022.
- (ii) The investment revaluation reserve represents cumulative gains and losses arising from revaluation of debt instruments at fair value through other comprehensive income that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those debt instruments at fair value through other comprehensive income are disposed of or are determined to be impaired.
- (iii) The translation reserve represents exchange differences arising from the translation of financial statements of the Group's foreign operations into the presentation currency of the Group.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Operating activities</b>			
Profit (loss) before tax		22,334	(46,957)
Adjustments for:			
Depreciation of property, plant and equipment		24,567	11,692
Depreciation of right-of-use assets		1,562	1,438
Loss on redemption of debt instruments at fair value through other comprehensive income		37	453
(Reversal) provision of expected credit loss on loan and interest receivables		(11,300)	20,019
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		8,832	11,081
Write-off of property, plant and equipment		609	9
Bank and other interest income	8	(5,856)	(1,343)
Modification loss on debt instruments at fair value through other comprehensive income	8	–	79
Net loss on financial assets at fair value through profit or loss	9	1,988	1,952
Accretion expense on decommissioning obligation	11	908	1,127
Interest expense	11	191	119
Dividend income		(43)	(152)
Interest income from money lending business		(2,490)	(3,877)
Interest income from debt instruments at fair value through other comprehensive income		(792)	(3,605)
Gain on disposal of property, plant and equipment		(21)	–
Gain on disposal of subsidiaries	10	(1)	(159)
<b>Operating cash flows before movements in working capital</b>		<b>40,525</b>	<b>(8,124)</b>
Decrease (increase) in inventories		160	(326)
Increase in trade and other receivables and prepayments		(1,332)	(9,134)
Decrease in loan and interest receivables		55,499	22,881
Decrease in other tax recoverable		175	457
(Decrease) increase in other payables		(16,331)	11,859
Increase in deposit paid for decommissioning obligation		(633)	(8,628)
Decrease in decommissioning obligation		(767)	–
Increase in other tax payable		662	–
<b>Cash generated from operations</b>		<b>77,958</b>	<b>8,985</b>
Dividend received		43	152
Income tax refunded (paid)		1,011	(158)
Interest received from money lending business		2,545	7,245
Interest received from debt instruments at fair value through other comprehensive income		1,602	4,378
<b>Net cash from operating activities</b>		<b>83,159</b>	<b>20,602</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Investing Activities</b>			
Acquisition of assets and liabilities	32	–	(135,461)
Purchase of property, plant and equipment		(29,795)	(29,760)
Prepayment paid on acquisition of non-current assets		–	(2,454)
Proceed from disposal of property, plant and equipment		712	–
Proceeds from redemption of debt instruments at fair value through other comprehensive income		24,336	32,370
Consent fee received from modification of debt instruments at fair value through other comprehensive income		–	197
Bank and other interest received	8	5,856	1,343
Net cash inflow on disposal of subsidiaries	10	1	8,751
<b>Net cash from (used in) investing activities</b>		<b>1,110</b>	<b>(125,014)</b>
<b>Financing Activities</b>			
Repayment of principal amount of lease liabilities		(1,548)	(1,497)
Interest paid		(191)	(119)
<b>Net cash used in financing activities</b>		<b>(1,739)</b>	<b>(1,616)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>82,530</b>	<b>(106,028)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>85,796</b>	<b>191,824</b>
<b>Effect of foreign exchange rate changes</b>		<b>(39)</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the year, represented by cash and cash equivalents</b>		<b>168,287</b>	<b>85,796</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standard (“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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

### *Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

#### *Impacts on application of Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”*

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 “Income Taxes” so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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

#### *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”*

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

#### *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” (continued)*

The application of the amendments in current year has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3.2 to the consolidated financial statements.

The application of the other new and 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 the consolidated financial statements.

#### *Changes in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong*

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (continued)

### New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

*Changes in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong (continued)*

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2022, and the cash flows amounts for the year ended 31 December 2022. The application of amendments to HKFRS does not have any significant impact on the Group’s financial positions and performance and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGES IN OTHER ACCOUNTING POLICIES (continued)

### Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenant <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 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 "Leases", 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".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (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.

### 3.2 Material accounting policy information

#### Basis of consolidation

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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.

#### 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.

##### *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).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Revenue from contracts with customers (continued)

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.

#### *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 consideration from a customer for an amount represents and corresponds directly with the value of performance completed and transferred to the customers, the Group recognises revenue in the amount to which the Group has a right to invoice.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Leases (continued)

#### *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.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Leases (continued)

##### *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.

#### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 and right-of-use 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).

The recoverable amount of property, plant and equipment and right-of-use 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

#### Impairment of property, plant and equipment and right-of-use 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 income 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, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Impairment of financial assets 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; and
- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)*

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Impairment of financial assets 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 businesses 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Impairment of financial assets 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 by 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.

For trade receivables and loan and interest receivables, the ECL is recognised through a loss allowance account. For debt instruments at FVTOCI, the ECL is recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of the debt instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (continued)

Financial instruments (continued)

#### *Financial assets (continued)*

##### *Derecognition/Modification 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.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 at amortised cost*

Financial liabilities including 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

#### *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 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.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group’s MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Material accounting policy information (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.

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.

#### Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. MATERIAL 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.

### Material judgments in applying accounting policies

The following are the material 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 result of quantitative modelling supported by reasonable and supportable forward-looking information available without undue cost or effort with significant judgments involved. The Group determines individually whether the loan and interest receivables and debt instruments at FVTOCI have been credit-impaired when one or more events that having detrimental impacts on the estimated future cash flows 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 (i) an increase in credit risk; and (ii) 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

### Key sources of estimation uncertainty

The following are the key assumptions 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.

#### *Estimated impairment of property, plant and equipment related to petroleum exploration and production business ("OGP")*

Property, plant and equipment are stated at costs less accumulated depreciation (where applicable) 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 ("VIU"), the net present value of future cash flows is estimated based upon the continued use of the asset and the application of key assumptions in cash flow projections and determination of discount rate. When it is not possible to estimate the recoverable amount of an individual asset, 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.

The OGP comprising oil and gas properties and construction in progress, the management estimates the VIU based on the cash flow projections of the petroleum exploration and production business, taking into account the oil reserves in Canada as at the year end, management's future business development plan, crude oil selling prices, royalties rate, operating costs and discount rate. Changing the assumptions and estimates could materially affect the recoverable amounts.

The management worked closely with the independent qualified valuer and the oil and gas reserves specialist to establish and determine the appropriate basis, methodology and assumptions.

At 31 December 2023, the carrying amounts of the OGP amounted to HK\$179,312,000 (2022: HK\$177,359,000) (comprising oil and gas properties of HK\$177,135,000 (2022: HK\$159,358,000) and construction in progress of HK\$2,177,000 (2022: HK\$18,001,000)) and no impairment had been provided for the year ended 31 December 2023 (2022: nil).

#### *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 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 (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

### Key sources of estimation uncertainty (continued)

#### *Provision of ECL for loan and interest receivables (continued)*

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 the estimates of probability of default and the amount and timing of cash flows that are expected from foreclosure on the collateral (if any) less the costs of selling the collateral. At every reporting date, the financial background, financial condition and historical settlement records of each borrower are reassessed and changes in the forward-looking information are considered.

The management further assesses the amount of exposure of default by assessing the potential loss in view of the credit risk on credit-impaired loan and interest receivables to which the Group is exposed and enables the Group to take appropriate corrective actions promptly. 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 collateral less the costs of selling the collateral. The provision of ECL is sensitive to changes in estimates.

The information about the ECL and the Group's loan and interest receivables are disclosed in Notes 37 and 22 respectively.

#### *Debt instrument at FVTOCI*

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

#### *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 agencies.

The Group determines individually whether the debt instruments at FVTOCI have been credit-impaired when one or more events that having detrimental impacts on the estimated future cash flows occurred. Evidence that 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, and incorporation of forward looking information. The information about the ECL and the Group's debt instruments at FVTOCI are disclosed in Notes 37 and 21 respectively.

At 31 December 2023, the carrying amounts of debt instruments at FVTOCI was HK\$3,662,000 (2022: HK\$33,739,000) with provision of ECL of HK\$8,832,000 (2022: HK\$11,081,000) recognised during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of petroleum	<b>83,683</b>	39,821
Less: Royalties	<b>(12,086)</b>	(8,889)
Sales of petroleum, net of royalties	<b>71,597</b>	30,932
Sales of electricity	<b>8,160</b>	6,536
Interest income from money lending business*	<b>2,490</b>	3,877
Interest income from debt instruments at FVTOCI*	<b>792</b>	3,605
Dividend income from financial assets at FVTPL	<b>43</b>	152
	<b>83,082</b>	45,102

\* Under effective interest method

During the years ended 31 December 2023 and 2022, 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 years ended 31 December 2023 and 2022, 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 the end of each reporting date.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2023

	Petroleum exploration and production <i>HK\$'000</i>	Solar energy <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>					
External sales/sources	71,597	8,160	2,490	835	83,082
<b>Results</b>					
Segment results before reversal (provision) of ECL	17,874	2,661	2,520	(1,206)	21,849
Reversal (provision) of ECL	-	-	11,300	(8,832)	2,468
Segment results	17,874	2,661	13,820	(10,038)	24,317
Other income and losses, net					10,744
Corporate expenses					(12,626)
Gain on disposal of subsidiaries					1
Finance costs					(102)
Profit before tax					22,334
Income tax expense					(834)
Profit for the year					21,500
<b>Other information</b>					
Depreciation of property, plant and equipment	(19,748)	(4,762)	-	-	(24,510)
Depreciation of right-of-use assets	(33)	(226)	-	-	(259)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 31 December 2022

	Petroleum exploration and production <i>HK\$'000</i>	Solar energy <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>					
External sales/sources	30,932	6,536	3,877	3,757	45,102
<b>Results</b>					
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)
<b>Other information</b>					
Depreciation of property, plant and equipment	(7,973)	(3,528)	–	–	(11,501)
Depreciation of right-of-use assets	–	(226)	–	–	(226)

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 on disposal of subsidiaries, certain finance costs and income tax (expense) credit.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Segment assets</b>		
Petroleum exploration and production	<b>208,918</b>	203,649
Solar energy	<b>59,255</b>	50,890
Money lending	<b>17,666</b>	63,662
Investment in securities	<b>6,483</b>	38,511
<b>Total segment assets</b>	<b>292,322</b>	356,712
Unallocated:		
Property, plant and equipment	<b>166</b>	653
Cash and cash equivalents	<b>149,158</b>	73,914
Right-of-use assets	<b>1,419</b>	101
Other assets	<b>2,030</b>	2,309
<b>Consolidated assets</b>	<b>445,095</b>	433,689
<b>Segment liabilities</b>		
Petroleum exploration and production	<b>35,671</b>	51,539
Solar energy	<b>2,388</b>	2,568
Money lending	<b>–</b>	2
<b>Total segment liabilities</b>	<b>38,059</b>	54,109
Unallocated:		
Lease liabilities	<b>1,447</b>	164
Other liabilities	<b>2,136</b>	3,103
<b>Consolidated liabilities</b>	<b>41,642</b>	57,376

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. SEGMENT INFORMATION (continued)

### Geographical information

The Group's operations are located in Canada and Hong Kong. The Group's operation in Argentina ceased in the previous 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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Canada	71,597	30,932	188,297	185,615
Hong Kong	11,485	14,170	57,589	50,990
	<b>83,082</b>	45,102	<b>245,886</b>	236,605

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:

	2023	2022
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	64,818	30,166
Customer B <sup>2</sup>	N/A <sup>3</sup>	6,536

Notes:

- 1 Revenue from petroleum exploration and production business
- 2 Revenue from solar energy business
- 3 The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant year



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 7. PURCHASES, PROCESSING AND RELATED EXPENSES

	2023 HK\$'000	2022 HK\$'000
Operating costs for petroleum exploration and production business	22,800	12,703
Operating and maintenance costs for solar energy business	402	1,249
	<b>23,202</b>	<b>13,952</b>

## 8. OTHER INCOME AND LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Bank and other interest income	5,856	1,343
Refund of deposit written-off in prior year (Note (i))	3,081	–
Exchange gain (loss), net	2,580	(10,332)
Write-off of property, plant and equipment	(609)	(9)
Gain on disposal of property, plant and equipment	21	–
Government grants (Note (ii))	–	228
Modification loss on debt instrument at FVTOCI	–	(79)
Others	767	639
	<b>11,696</b>	<b>(8,210)</b>

### Notes:

- (i) The amount represented the reversal of write-off of deposit paid for the share subscription of a company in the prior year as the entire amount had been refunded to the Group during the year ended 31 December 2023.
- (ii) During the year ended 31 December 2022, the Group received government grants of HK\$228,000 in respect of COVID-19-related subsidies which were related to the Employment Support Scheme provided by the Hong Kong Government.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Net unrealised loss on financial assets at FVTPL ( <i>Note</i> )	<b>1,988</b>	1,952

*Note:*

The amount represented the change in the fair values 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 values of the financial assets at FVTPL held by the Group at 31 December 2023 and 2022 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 10. GAIN ON DISPOSAL OF SUBSIDIARIES

During the years ended 31 December 2023 and 2022, the Group disposed of its entire equity interests in seven (2022: four) subsidiaries to independent third parties.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Consideration received:</b>		
Consideration received in cash	1	8,800
<b>Assets and liabilities of the disposed subsidiaries at the date of disposal:</b>		
Loan and interest receivables	–	7,881
Other receivables	–	4
Cash and cash equivalents	–	49
Other payables	–	(6)
Income tax payable	–	(599)
Net assets disposed of	–	7,329
<b>Gain on disposal of subsidiaries:</b>		
Consideration received	1	8,800
Net assets disposed of	–	(7,329)
Reclassification of cumulative translation reserve upon disposal of foreign operations to profit or loss	–	(1,312)
Gain on disposal	1	159
<b>Net cash inflow arising on disposal:</b>		
Cash consideration	1	8,800
Less: cash and cash equivalents disposed of	–	(49)
	1	8,751

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 11. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Accretion expense on decommissioning obligation (Note 29)	908	1,127
Interest on lease liabilities	191	119
	<b>1,099</b>	<b>1,246</b>

## 12. INCOME TAX (EXPENSE) CREDIT

	2023 HK\$'000	2022 HK\$'000
Overprovision in prior years		
Hong Kong Profits Tax	–	830
Canada withholding tax	(834)	(619)
Income tax (expense) credit recognised in profit or loss	<b>(834)</b>	<b>211</b>

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

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 years.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. INCOME TAX (EXPENSE) CREDIT (continued)

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

	2023 HK\$'000	2022 HK\$'000
(Profit) loss before tax	<b>(22,334)</b>	46,957
Tax at the applicable rates of 16.5% (2022: 16.5%)	<b>(3,685)</b>	7,748
Tax effect of income not taxable for tax purpose	<b>3,247</b>	2,404
Tax effect of expenses not deductible for tax purpose	<b>(316)</b>	(2,528)
Utilisation of deductible temporary difference previously not recognised	<b>1,378</b>	517
Overprovision in prior years	–	830
Tax effect of tax losses not recognised	<b>(2,765)</b>	(8,279)
Utilisation of tax losses previously not recognised	<b>2,761</b>	–
Withholding tax on interest income from a subsidiary	<b>(834)</b>	(619)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(620)</b>	138
Income tax (expense) credit for the year	<b>(834)</b>	211

## 13. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	<b>24,567</b>	11,692
Depreciation of right-of-use assets	<b>1,562</b>	1,438
Total depreciation	<b>26,129</b>	13,130
Staff costs		
– directors' emoluments (Note 14)	<b>1,389</b>	1,385
– other staff costs	<b>10,042</b>	5,710
– other staff's retirement benefits schemes contributions (excluding directors)	<b>296</b>	205
Total staff costs	<b>11,727</b>	7,300
Auditor's remuneration	<b>2,157</b>	2,332

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2022: six) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Name	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>2023</b>				
<b>Executive Directors</b>				
Mr. Sue Ka Lok	-	390	20	410
Mr. Yiu Chun Kong	-	130	7	137
Mr. Chan Shui Yuen	-	459	23	482
<b>Independent Non-executive Directors</b>				
Mr. Pun Chi Ping	120	-	-	120
Ms. Leung Pik Har, Christine	120	-	-	120
Mr. Kwong Tin Lap	120	-	-	120
<b>Total</b>	<b>360</b>	<b>979</b>	<b>50</b>	<b>1,389</b>
<b>2022</b>				
<b>Executive Directors</b>				
Mr. Sue Ka Lok	-	390	20	410
Mr. Yiu Chun Kong	-	130	7	137
Mr. Chan Shui Yuen	-	455	23	478
<b>Independent Non-executive Directors</b>				
Mr. Pun Chi Ping	120	-	-	120
Ms. Leung Pik Har, Christine	120	-	-	120
Mr. Kwong Tin Lap	120	-	-	120
<b>Total</b>	<b>360</b>	<b>975</b>	<b>50</b>	<b>1,385</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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, none (2022: one) of them was a director whose emoluments is included in the disclosure in Note 14. The emoluments of the remaining five (2022: four) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	5,156	2,745
Retirement benefits schemes contributions	84	79
	<b>5,240</b>	<b>2,824</b>

Their emoluments were within the following bands:

	Number of employees	
	2023	2022
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	2	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 16. DIVIDENDS

No dividend was paid, declared or proposed for the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

## 17. EARNINGS (LOSS) PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
<b>Earnings (loss):</b>		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<b>21,500</b>	(46,746)
	<b>2023 '000</b>	2022 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<b>5,240,344</b>	5,240,344

For the years ended 31 December 2023 and 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 Consolidated Financial Statements

For the year ended 31 December 2023

## 18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties <i>HK\$'000</i> <i>(Note (i))</i>	Solar photovoltaic systems <i>HK\$'000</i> <i>(Note (ii))</i>	Construction in progress <i>HK\$'000</i> <i>(Note (iii))</i>	Others <i>HK\$'000</i> <i>(Note (iv))</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
At 1 January 2022	–	30,220	3,551	3,073	36,844
Additions	2,538	10,580	21,992	–	35,110
Acquired on acquisition of assets and liabilities <i>(Note 32)</i>	169,338	–	–	–	169,338
Reclassification	2,992	3,738	(6,730)	–	–
Change in estimate in decommissioning obligation <i>(Note 29)</i>	(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
Additions	–	13,727	22,867	179	36,773
Reclassification	38,175	–	(38,175)	–	–
Change in estimate in decommissioning obligation <i>(Note 29)</i>	(5,036)	–	–	–	(5,036)
Eliminated on disposal	–	–	(691)	–	(691)
Written-off	–	–	–	(1,144)	(1,144)
Exchange adjustment	4,947	–	175	–	5,122
<b>At 31 December 2023</b>	<b>205,072</b>	<b>58,265</b>	<b>2,177</b>	<b>886</b>	<b>266,400</b>
<b>Depreciation and impairment</b>					
At 1 January 2022	–	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
Provided for the year	19,748	4,762	–	57	24,567
Written-off	–	–	–	(535)	(535)
Exchange adjustment	561	–	–	–	561
<b>At 31 December 2023</b>	<b>27,937</b>	<b>8,533</b>	<b>–</b>	<b>718</b>	<b>37,188</b>
<b>Carrying values</b>					
<b>At 31 December 2023</b>	<b>177,135</b>	<b>49,732</b>	<b>2,177</b>	<b>168</b>	<b>229,212</b>
At 31 December 2022	159,358	40,767	18,001	655	218,781

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 18. PROPERTY, PLANT AND EQUIPMENT (continued)

*Notes:*

- (i) The oil and gas properties were depreciated on a unit-of-production basis.
- (ii) The solar photovoltaic systems were depreciated on a straight-line basis until the end of the validity period of the FiT scheme, i.e., 31 December 2033.
- (iii) At 31 December 2023, the amount represented the construction in progress of new oil wells and other production enhancement work on oil wells in Canada, which are expected to be completed within a year.
- (iv) The remaining items of property, plant and equipment were depreciated on a straight-line basis at 20% to 33 <sup>1</sup>/<sub>3</sub>% per annum after taking into account their estimated residual values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. RIGHT-OF-USE ASSETS

	<b>Offices and Buildings HK\$'000</b>
<b>Carrying amount</b>	
<b>At 31 December 2023</b>	<b>3,770</b>
At 31 December 2022	2,590
<b>For the year ended 31 December 2023</b>	
Depreciation charge	<b>1,562</b>
Additions to right-of-use assets	<b>2,742</b>
Total cash outflow for leases	<b>1,753</b>
Less: expenses relating to short-term leases	<b>(14)</b>
Net cash outflow for leases in financing activities	<b>1,739</b>
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. RIGHT-OF-USE ASSETS (continued)

The Group leases offices and buildings for its operations for a fixed term of six months to twelve years. 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 2023, there was no short-term lease.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 20. DEPOSITS AND PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Deposit paid for decommissioning obligation ( <i>Note (i)</i> )	8,897	8,256
Prepayment for acquisition of non-current assets ( <i>Note (ii)</i> )	–	6,978
Trade receivables ( <i>Note (iii)</i> )	7,001	5,232
Deposits and prepayments	3,987	4,826
Others	748	340
	<b>11,736</b>	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 year ended 31 December 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 (2022: 30 to 60 days). The trade receivables of HK\$7,001,000 (2022: HK\$5,232,000) were aged within 30 days from the customers' statement date and were neither past due nor impaired.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 21. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK\$'000	2022 HK\$'000
Listed investments, at fair value:		
– Debt securities listed in Singapore (2022: Hong Kong or Singapore) with fixed interests ranging from 5.25% to 11.75% (2022: 5.25% to 11.75%) per annum and contractual maturity dates ranging from 23 March 2022 to 28 June 2025 (2022: 23 March 2022 to 28 June 2025)	<b>3,662</b>	33,739
Analysed as:		
Current portion	<b>3,662</b>	28,041
Non-current portion	–	5,698
	<b>3,662</b>	33,739

At 31 December 2023 and 2022, the fair values of debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

For the current year, provision of ECL of HK\$8,832,000 (2022: HK\$11,081,000) on debt instruments at FVTOCI was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

Details of impairment assessment of debt instruments at FVTOCI are set out in Note 37. All debt instruments at FVTOCI were denominated in US\$.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. LOAN AND INTEREST RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Fixed-rate loan receivables ( <i>Note</i> )	28,500	84,000
Interest receivables	8	652
	<b>28,508</b>	84,652
Less: Impairment allowance	<b>(11,910)</b>	(23,800)
	<b>16,598</b>	60,852
Analysed as:		
Current portion	12,591	60,852
Non-current portion	4,007	–
	<b>16,598</b>	60,852
Analysed as:		
Secured	16,598	51,494
Unsecured	–	9,358
	<b>16,598</b>	60,852

*Note:* At 31 December 2022, included in loan receivables was an unsecured loan of principal amount of HK\$12,500,000 carrying interest at 8.5% per annum lent to a related party of the Company (*Note 35*). During the current year, the loan principal and the related interest receivables had been fully repaid.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. LOAN AND INTEREST RECEIVABLES (continued)

The interest rate and maturity date attributed to the Group's performing loan receivable at 31 December 2023 was 12% (2022: range of 10.5% to 18.0%) per annum and 26 April 2025 (2022: from 27 April 2023 to 19 December 2023) respectively.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan and interest receivables:		
Within one year or on demand	12,591	60,852
In more than one year but not more than two years	4,007	–
	<b>16,598</b>	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.

### Impairment assessment

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment (continued)

At 31 December 2023, included in the Group's loan and interest receivables were debtors with aggregate gross carrying amount of HK\$28,508,000 (2022: HK\$84,652,000), of which (i) HK\$23,500,000 (2022: HK\$23,500,000) was secured by the borrower's pledged properties, the market value of such properties less the estimated costs to sell amounted to HK\$12,591,000 (2022: HK\$14,169,000), and the market value of the pledged properties was determined using direct comparison method and was categorised into Level 2 of the fair value hierarchy, the related cumulative ECL of HK\$10,908,000 (2022: HK\$9,473,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collateral; and (ii) HK\$5,008,000 (2022: HK\$15,025,000) was secured by the borrower's own unlisted debt instrument, the related cumulative ECL of HK\$1,002,000 (2022: HK\$1,365,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation value of the collateral. At 31 December 2023, loans were granted to a Hong Kong resident and a company incorporated in Hong Kong.

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

At 31 December 2023, of the Group's loan and interest receivables with aggregate gross carrying amount of HK\$28,508,000 (2022: HK\$84,652,000), (i) HK\$5,008,000 (2022: HK\$15,062,000) were not past due; (ii) nil (2022: HK\$12,500,000) had been past due for more than 30 days but less than 90 days; and (iii) HK\$23,500,000 (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, details of the cumulative ECL provided are set out above.

For the current year, reversal of ECL of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000) on loan and interest receivables was recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment (continued)

The Group is not permitted to sell or repledge the collateral in the absence of default by the borrowers. There had not been any significant changes in the quality of the collateral held for the loan and interest receivables outstanding as at 31 December 2023.

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

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2022	416	–	34,499	34,915
Changes due to loan and interest receivables recognised at 1 January 2022:				
– Impairment allowance recognised ( <i>Note (i)</i> )	949	–	15,890	16,839
– Disposal of subsidiaries ( <i>Note (ii)</i> )	–	–	(10,928)	(10,928)
– Write-off of impairment allowance ( <i>Note (iii)</i> )	–	–	(20,206)	(20,206)
New loan granted during the year	–	–	3,180	3,180
At 31 December 2022	1,365	–	22,435	23,800
Changes due to loan and interest receivables recognised at 1 January 2023:				
– Transferred to lifetime ECL (not credit-impaired) ( <i>Note (iv)</i> )	<b>(1,365)</b>	<b>1,365</b>	–	–
– Impairment allowance recognised ( <i>Note (v)</i> )	–	–	<b>1,435</b>	<b>1,435</b>
– Impairment allowance reversed ( <i>Note (vi)</i> )	–	<b>(1,761)</b>	<b>(12,372)</b>	<b>(14,133)</b>
– Write-off of impairment allowance ( <i>Note (vii)</i> )	–	–	<b>(590)</b>	<b>(590)</b>
New loan granted during the year	–	<b>1,398</b>	–	<b>1,398</b>
<b>At 31 December 2023</b>	<b>–</b>	<b>1,002</b>	<b>10,908</b>	<b>11,910</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment (continued)

Notes:

- (i) 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.
- (ii) The impairment allowance reversed of HK\$10,928,000 was related to the disposal of subsidiaries with loan and interest receivables of gross carrying amount of HK\$18,809,000 as of the disposal date.
- (iii) 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).
- (iv) The impairment allowance of HK\$1,365,000 was related to loan and interest receivables with gross carrying amount of HK\$5,008,000 transferred from 12m ECL to lifetime ECL (not credit-impaired).
- (v) The impairment loss of HK\$1,435,000 was mainly related to loan and interest receivables with gross carrying amount of HK\$23,500,000 assessed under life-time ECL (credit-impaired).
- (vi) The impairment allowance reversed of HK\$1,761,000 was related to settlement of loan and interest receivables with gross carrying amount of HK\$8,069,000 and partial settlement of loan and interest receivables with gross carrying amount of HK\$5,008,000 under lifetime ECL (not credit-impaired). The impairment allowance reversed of HK\$12,372,000 was related to settlement of loan and interest receivables with gross carrying amount of HK\$46,127,000.
- (vii) The impairment allowance written off of HK\$590,000 was related to loan and interest receivables with gross carrying amount of HK\$33,590,000 assessed under life-time ECL (credit-impaired).

Further details of ECL assessment are set out in Note 37.

## 23. OTHER TAX RECOVERABLE

At 31 December 2022, other tax recoverable of HK\$204,000 represented goods and services tax receivables in Canada.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<b>2,784</b>	4,772

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 5.50% (2022: 0.01% to 5.00%) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
US\$	<b>28,891</b>	1,862
RMB	<b>10</b>	11
C\$	<b>14</b>	31

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 26. OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Accrued professional fees	273	279
Payables for additions of property, plant and equipment (Note (i))	–	12,720
Other payables and accruals (Note (ii))	6,212	7,806
	<b>6,485</b>	<b>20,805</b>

Notes:

- (i) At 31 December 2022, the amount of HK\$12,720,000 was related to the additions of oil and gas properties in Canada with credit period of 60 days.
- (ii) At 31 December 2023, the amount included other payables of HK\$2,982,000 (2022: HK\$3,958,000) for operating expenses, workover costs and abandonment costs in relation to the Group's petroleum exploration and production business in Canada.

## 27. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Lease liabilities payable:		
Within one year	1,621	374
More than one year but not exceeding two years	354	200
More than two years but not exceeding five years	666	643
More than five years	1,278	1,508
	<b>3,919</b>	<b>2,725</b>
Less: Amount due within one year shown under current liabilities	(1,621)	(374)
Amount due after one year	<b>2,298</b>	<b>2,351</b>

The weighted average incremental borrowing rate applied to lease liabilities was 4.37% (2022: 3.41%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 28. DEFERRED TAX ASSETS/LIABILITIES

The following is the major deferred tax liabilities (assets) recognised during the year:

	Tax losses HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–
(Credited) charged to profit or loss	<b>(8,206)</b>	<b>8,206</b>	–
<b>At 31 December 2023</b>	<b>(8,206)</b>	<b>8,206</b>	–

At 31 December 2023, the Group had unused tax losses of HK\$126,907,000 (2022: HK\$102,077,000) available for offsetting against future taxable profits. Deferred tax asset had been recognised in respect of tax losses of HK\$49,732,000 (2022: nil) of a group entity while it was fully offset by the deferred tax liabilities resulted from accelerated tax depreciation of the same entity. No deferred tax asset had been recognised in respect of the remaining tax losses of HK\$77,175,000 (2022: HK\$102,077,000) due to the unpredictability of future profit streams.

Included in the unused tax losses of HK\$126,907,000 (2022: HK\$102,077,000), tax losses of HK\$19,612,000 (2022: HK\$16,159,000) were incurred by the Company's Canadian subsidiary which could be carried forward for twenty years upon the incurrence of tax losses and would be expired by 31 December 2042 (2022: by 31 December 2042). All other tax losses of HK\$107,295,000 (2022: HK\$85,918,000) may be carried forward indefinitely.

At 31 December 2023, the Group had deductible temporary differences of approximately HK\$1,002,000 (2022: HK\$1,365,000) arising from impairment allowance of loan and interest receivables; and HK\$76,264,000 (2022: HK\$67,432,000) arising from impairment allowance of debt instruments at FVTOCI, no deferred tax assets had been recognised due to the unpredictability of future profits streams.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 29. DECOMMISSIONING OBLIGATION

The movement of decommissioning obligation is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	33,228	–
Addition through acquisition of assets and liabilities (Note 32)	–	33,877
Settlement of costs	(767)	–
Change in estimate (Note 18)	(5,036)	(245)
Accretion expenses (Note 11)	908	1,127
Exchange realignment	774	(1,531)
<b>At the end of the year</b>	<b>29,107</b>	<b>33,228</b>

## 30. SHARE CAPITAL

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 31. SHARE OPTION SCHEME (continued)

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 as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**") or as 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 as at the date of this annual report.

At 31 December 2023 and 31 December 2022, there were no outstanding share options.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 oil field which comprised 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**”). On 16 July 2022, the acquisition of the Canadian Oil Assets was completed. The directors of the Company had 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 were concentrated in a group of similar identifiable assets of similar nature. In addition, the directors of the Company were also of the opinion that the Canadian Oil Assets were the smallest identifiable group of assets that generated cash flows.

Details of the acquisition are summarised as follows:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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.

	<b>Lease liabilities HK\$'000</b>
At 1 January 2022	4,394
Financing cash flows	(1,616)
Interest expense	119
Written-off	(172)
At 31 December 2022	2,725
New leases entered	<b>2,742</b>
Financing cash flows	<b>(1,739)</b>
Interest expense	<b>191</b>
<b>At 31 December 2023</b>	<b>3,919</b>

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 34. RETIREMENT BENEFIT SCHEMES (continued)

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\$346,000 (2022: HK\$255,000) represented contributions paid/payable to these schemes by the Group at rates specified in the rules of the schemes.

### LSP obligation

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Group has the obligation to pay LSP to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment)  $\times$  2/3  $\times$  years of service

Last monthly wages are capped at HK\$22,500 while the amount of long service payment shall not exceed HK\$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee (the "**Offsetting Arrangement**").

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has no significant impact on the Group's LSP liability with respect to employees that participate in MPF Scheme.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 35. RELATED PARTY TRANSACTIONS

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

Relationship	Notes	Nature of transaction/balance	2023 HK\$'000	2022 HK\$'000
A related company	(i)	Loan interest income	389	483
		Loan and interest receivables	–	12,538
A related company	(ii)	Rental income	347	–
An individual shareholder	(iii)	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 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.

### Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Short-term employee benefits	2,446	2,441
Retirement benefit schemes contributions	67	67
	<b>2,513</b>	<b>2,508</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 ways including payment of dividends, new share issues as well as new debts raising.

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 other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. FINANCIAL INSTRUMENTS (continued)

### Categories of financial instruments

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at FVTPL	2,784	4,772
Financial assets at amortised cost	203,139	162,594
Debt instruments at FVTOCI	3,662	33,739
<b>Financial liabilities</b>		
Amortised cost	4,653	17,624
Lease liabilities	3,919	2,725

### 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest revenue		
Financial assets at amortised cost	2,490	3,877
Debt instruments at FVTOCI	792	3,605
Other income and losses, net		
Financial assets at amortised cost	5,856	1,343
Revenue/interest income under effective interest method	9,138	8,825

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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, profit after tax for the year ended 31 December 2023 would increase/decrease by HK\$841,000 (2022: loss after tax decrease/increase by HK\$429,000).

### 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. The Group currently does not have a formal foreign currency hedging policy for C\$ and RMB, however, the management regularly monitors foreign exchange exposure of C\$ and RMB 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	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
C\$	14	31	–	–
US\$	32,553	35,601	–	–
RMB	10	11	–	–



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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\$ is immaterial as 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, other payables and lease liabilities that are denominated in RMB and C\$, the Group's major foreign currency items. A positive number below indicates a decrease in profit after tax (2022: increase in loss after tax) whereas a negative number below indicates an increase in profit after tax (2022: decrease in loss after tax) where Hong Kong dollars strengthen 10% against the relevant currencies. For a 10% (2022: 10%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit (loss) after tax.

	2023 HK\$'000	2022 HK\$'000
<b>C\$ impact</b>		
Decrease in profit after tax (2022: Increase in loss after tax)	1	2
<b>RMB impact</b>		
Decrease in profit after tax (2022: 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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, profit after tax for the year ended 31 December 2023 would increase/decrease by HK\$465,000 (2022: loss after tax would decrease/increase by HK\$797,000) 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 collateral.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade Receivables</b>	<b>Financial assets other than trade receivables</b>
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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	2023 Gross carrying amount/ fair value HK\$'000	2022 Gross carrying amount/ fair value HK\$'000
<b>Debt instruments at FVTOCI</b>						
Investments in listed bonds	21	B- (2022: B- to RD)	High risk	Lifetime ECL – not credit-impaired	1,633	31,558
		WD (2022: WD)	Loss	Lifetime ECL – credit-impaired	2,029	2,181
<b>Financial assets at amortised cost</b>						
Loan and interest receivables	22	N/A	Medium risk	12m ECL	–	15,025
			High risk	Lifetime ECL – not credit-impaired	5,008	–
			Loss	Lifetime ECL – credit-impaired	23,500	69,627
Other receivables and deposits	20	N/A	(Note (i))	12m ECL	11,253	10,713
Trade receivables	20	N/A	(Note (ii))	Lifetime ECL (simplified approach)	7,001	5,232
Cash and cash equivalents	25	BBB- to AA (2022: BBB- to AA)	N/A	12m ECL	168,258	85,750

Notes:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### *Trade receivables*

At 31 December 2023, the Group had concentration of credit risk for its trade receivables as 100% (2022: 100%) of the amount was attributable to the Group's one trading customer in Canada (2022: two trading customers in Canada) and one customer in Hong Kong (2022: one customer in Hong Kong) and they contributed 18% (2022: 86%) of the Group's revenue. However, since the trade receivables were due from a reputable oil distributor in Canada with good settlement history and a major electrical power company (2022: two oil distributors in Canada and a major electrical power company in Hong Kong) in Hong Kong of good creditability, the management considered that the Group's credit risk was low and ECL was minimal at 31 December 2023 and 2022.

#### *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 including reasonable and supportive forward-looking information. The management believed that there was no significant increase in credit risk of other receivables and deposits of HK\$11,253,000 (2022: HK\$10,713,000) since initial recognition and the Group performed the impairment assessment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for these other receivables and deposits as insignificant and thus no loss allowance was recognised.

#### *Loan and interest receivables*

At 31 December 2023, the carrying amount of loan and interest receivables was HK\$16,598,000 (2022: HK\$60,852,000). The Group had concentration of credit risk for its loan and interest receivables as 100% (2022: 100%) of the carrying amount of such receivables at 31 December 2023 was due from two (2022: four) borrowers which amounted to HK\$16,598,000 (2022: HK\$60,852,000) in aggregate at 31 December 2023, and the loan made to the largest borrower amounted to HK\$12,591,000 (2022: HK\$23,808,000) which accounted for 76% (2022: 39%) 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 credit risk are monitored on an ongoing basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 borrowers' 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 the estimates of probability of default and expected loss given default, including taking into account the amount and timing of cash flows that are expected from foreclosure on the collateral (if any) less the costs of selling the collateral.

At 31 December 2023, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK\$23,500,000 (2022: HK\$69,590,000) which were past due as at the reporting date, of which (i) nil (2022: HK\$12,500,000) had been past due for more than 30 days but less than 90 days; and (ii) HK\$23,500,000 (2022: HK\$57,090,000) 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 2023, the carrying amount of debt instruments at FVTOCI was HK\$3,662,000 (2022: HK\$33,739,000). The Group had concentration of credit risk for its debt instruments at FVTOCI as 99% (2022: 94%) of the carrying amount at 31 December 2023 was attributed to three (2022: four) debt instruments at FVTOCI which amounted to HK\$3,619,000 (2022: HK\$31,557,000) at 31 December 2023.

For the year ended 31 December 2023, provision of ECL on debt instruments at FVTOCI amounting to HK\$8,832,000 (2022: HK\$11,081,000) was recognised in profit or loss with a corresponding adjustment to other comprehensive income. At 31 December 2023, the cumulative impairment allowance for debt instruments at FVTOCI amounted to HK\$76,264,000 (2022: HK\$67,432,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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. 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 2023, included in the Group's debt instruments of carrying amount of HK\$3,662,000 (2022: HK\$33,739,000), debt instruments of (i) HK\$1,633,000 (2022: HK\$31,558,000) 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 (ii) HK\$2,029,000 (2022: HK\$2,181,000) were assessed under lifetime ECL (credit-impaired), as the issuers were engaging in businesses that were unstable and were in significant financial difficulties.

The Group assessed the ECL for debt instruments at FVTOCI by reference to credit ratings of the debt instruments announced by recognised rating agencies (i.e., Moody's, Fitch), the macroeconomic factors affecting each issuer, and the probability of default and loss given default of each debt instrument. The Group also took into account forward-looking information that was reasonably and supportably available to the Group without undue cost or effort, including information such as GDP growth rate and unemployment rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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 2022	82	19,248	37,021	56,351
Changes due to debt instruments at FVTOCI recognised at 1 January 2022:				
– Impairment allowance reversed (Note (i))	(82)	(3,229)	–	(3,311)
– Impairment allowance recognised (Note (ii))	–	11,492	2,900	14,392
At 31 December 2022	–	27,511	39,921	67,432
Changes due to debt instruments at FVTOCI recognised at 1 January 2023:				
– Transferred to lifetime ECL (credit-impaired) (Note (iii))	–	(22,679)	22,679	–
– Impairment allowance recognised (Note (iv))	–	1,500	7,332	8,832
<b>At 31 December 2023</b>	<b>–</b>	<b>6,332</b>	<b>69,932</b>	<b>76,264</b>

#### Notes:

- (i) Impairment allowance reversed of HK\$82,000 and HK\$3,229,000 were attributed to the derecognition of debt instruments with carrying amount of HK\$15,675,000 and HK\$12,763,000 respectively.
- (ii) Impairment allowance of HK\$11,492,000 was recognised under lifetime ECL (not credit-impaired) as the issuer of the corresponding debt instruments suffered 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 were unstable and were in significant financial difficulties.
- (iii) Impairment loss of HK\$22,679,000 was transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired) for debt instruments with carrying amount of HK\$1,030,000 and HK\$955,000.
- (iv) Impairment allowance of HK\$1,500,000 was recognised under lifetime ECL (not credit-impaired) as the issuer of the corresponding debt instruments suffered from further deterioration in business conditions during the year, and impairment allowance of HK\$7,332,000 was recognised under lifetime ECL (credit-impaired) as the issuer of the corresponding debt instruments continued to engage in businesses that were unstable and were in significant financial difficulties.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 37. FINANCIAL INSTRUMENTS (continued)

### Liquidity risk

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

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

For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities, and on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate 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
<b>At 31 December 2023</b>							
<b>Non-derivative financial liabilities</b>							
Other payables	-	4,653	-	-	-	4,653	4,653
<b>Lease liabilities</b>	<b>4.37</b>	<b>144</b>	<b>720</b>	<b>864</b>	<b>2,651</b>	<b>4,379</b>	<b>3,919</b>
<b>At 31 December 2022</b>							
<b>Non-derivative financial liabilities</b>							
Other payables	-	17,624	-	-	-	17,624	17,624
<b>Lease liabilities</b>	<b>3.41</b>	<b>187</b>	<b>116</b>	<b>139</b>	<b>2,782</b>	<b>3,224</b>	<b>2,725</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 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)
	2023 HK\$'000	2022 HK\$'000		
<b>Financial assets</b>				
<b>Debt instruments at FVTOCI</b>				
Listed debt securities	<b>3,662</b>	33,739	Level 2	Quoted bid prices with credit risk adjustments
<b>Financial assets at FVTPL</b>				
Listed equity securities	<b>2,784</b>	4,772	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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, as at 31 December 2023 and 2022, 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 (2022: HK\$1)	-	100% (2022: 100%)	Sales of electricity
Have Result Finance Limited	Hong Kong	HK\$100 (2022: HK\$100)	-	100% (2022: 100%)	Money lending
EPI Management Limited	Hong Kong	HK\$1 (2022: HK\$1)	-	100% (2022: 100%)	Investment in securities and management
EP Resources Corporation	Canada	C\$10,560,001 (2022: C\$10,560,001)	-	100% (2022: 100%)	Petroleum exploration and production

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 39. CAPITAL COMMITMENTS

At 31 December 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 represented capital expenditure contracted for but not provided).

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>		
Unlisted interests in subsidiaries	_*	_*
Loan to a subsidiary	105,434	99,571
Amounts due from subsidiaries	815	48,408
<b>Total non-current assets</b>	<b>106,249</b>	147,979
<b>Current assets</b>		
Other receivables, prepayment and deposits	1,342	7,000
Tax recoverable	–	146
Amounts due from subsidiaries	113,051	111,037
Cash and cash equivalents	111,573	58,715
<b>Total current assets</b>	<b>225,966</b>	176,898
<b>Current liabilities</b>		
Other payables	2,075	2,028
Amounts due to subsidiaries	–	6,221
Tax payable	–	618
<b>Total current liabilities</b>	<b>2,075</b>	8,867
<b>Net current assets</b>	<b>223,891</b>	168,031
<b>Total assets less current liabilities</b>	<b>330,140</b>	316,010
<b>Capital and reserves</b>		
Share capital	52,403	52,403
Reserves ( <i>Note</i> )	277,737	263,607
<b>Total equity</b>	<b>330,140</b>	316,010

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

Movements of the Company's reserves are as follows:

	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022	918,270	201,645	(775,384)	344,531
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(80,924)</u>	<u>(80,924)</u>
At 31 December 2022	918,270	201,645	(856,308)	263,607
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>14,130</u>	<u>14,130</u>
<b>At 31 December 2023</b>	<b><u>918,270</u></b>	<b><u>201,645</u></b>	<b><u>(842,178)</u></b>	<b><u>277,737</u></b>

# Five-Year Financial Summary

For the year ended 31 December 2023

## RESULTS

	For the year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<b>83,082</b>	45,102	24,496	42,449	60,560
Profit (loss) before tax	<b>22,334</b>	(46,957)	(31,626)	8,578	(137,327)
Income tax (expense) credit	<b>(834)</b>	211	2,255	(440)	(772)
Profit (loss) for the year	<b>21,500</b>	(46,746)	(29,371)	8,138	(138,099)
Attributable to:					
Owners of the Company	<b>21,500</b>	(46,746)	(29,371)	8,519	(138,099)
Non-controlling interests	–	–	–	(381)	–
	<b>21,500</b>	(46,746)	(29,371)	8,138	(138,099)

## ASSETS AND LIABILITIES

	At 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	<b>445,095</b>	433,689	442,915	475,763	469,264
Total liabilities	<b>(41,642)</b>	(57,376)	(16,925)	(16,265)	(25,368)
Equity attributable to owners of the Company	<b>403,453</b>	376,313	425,990	459,498	443,896
Attributable to:					
Owners of the Company	<b>403,453</b>	376,313	425,990	459,879	443,896
Non-controlling interests	–	–	–	(381)	–
	<b>403,453</b>	376,313	425,990	459,498	443,896