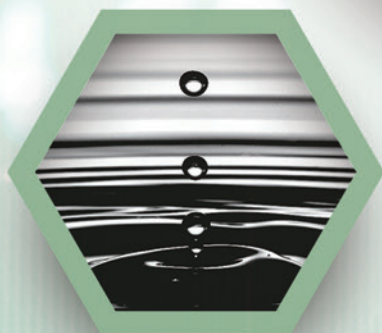




# EPI (Holdings) Limited 長盈集團(控股)有限公司

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



Annual Report  
**2020**





**MIX**  
Paper from  
responsible sources  
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# Abbreviations

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

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

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

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Sue Ka Lok  
Mr. Yiu Chun Kong  
Mr. Chan Shui Yuen  
Mr. Liang Weijie

### Independent Non-executive Directors

Mr. Pun Chi Ping  
Ms. Leung Pik Har, Christine  
Mr. Kwong Tin Lap

## AUDIT COMMITTEE

Mr. Pun Chi Ping (*Chairman*)  
Ms. Leung Pik Har, Christine  
Mr. Kwong Tin Lap

## REMUNERATION COMMITTEE

Mr. Pun Chi Ping (*Chairman*)  
Ms. Leung Pik Har, Christine  
Mr. Kwong Tin Lap

## NOMINATION COMMITTEE

Ms. Leung Pik Har, Christine (*Chairlady*)  
Mr. Pun Chi Ping  
Mr. Kwong Tin Lap

## CORPORATE GOVERNANCE COMMITTEE

Mr. Kwong Tin Lap (*Chairman*)  
Mr. Sue Ka Lok  
Mr. Chan Shui Yuen

## COMPANY SECRETARY

Mr. Chan Shui Yuen

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2107, 21st Floor  
Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong

## PRINCIPAL BANKERS

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

## LEGAL ADVISERS

Reed Smith Richards Butler  
Stevenson, Wong & Co.

## AUDITOR

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## TRADING OF SHARES

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

## WEBSITE

<http://www.epiholdings.com>

\* The above information is updated to 23 April 2021, 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 2020 (“FY2020”).

## RESULTS

For FY2020, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

The continuation of health crises brought by the COVID-19 pandemic on a global scale had posed negative impact to many nations and their economies, and had caused significant uncertainties in the global and local investment markets and volatilities of international oil prices. During the year, the fluctuations of international oil prices were further escalated owing to the disagreement between major oil producing countries on their production cut, and different counter measures adopted by major oil buying countries on their inventory level. Against this macroeconomic background, together with the unsettled disputes between China and the US and the social events took place in Hong Kong, the Group was faced with some unprecedented market challenges. For FY2020, the Group had managed to report a profit attributable to owners of the Company of HK\$8,519,000, in contrast to the loss of HK\$138,099,000 incurred last year, that was mainly attributed to the reversal of expected credit loss on loan and interest receivables of HK\$12,232,000, though partly offset by the provision of expected credit loss on debt instruments of HK\$4,574,000, and the increase in other expenses that mainly relating to the professional fees incurred for the evaluation and preparation of documentations for the bidding process of an oilfield concession in Argentina, known as the Chañares Concession. The Company reported a basic earnings per share of HK0.16 cent for the year, versus loss per share of HK2.64 cents in the prior year.

For FY2020, the Group reported a decline in revenue by 30% to HK\$42,449,000 (2019: HK\$60,560,000) mainly due to the drop in revenue of the petroleum operation to HK\$14,097,000 (2019: HK\$24,171,000) and of the money lending business to HK\$17,870,000 (2019: HK\$25,971,000).

Overall speaking, the Group’s petroleum exploration and production business recorded a loss of HK\$2,647,000 (2019: HK\$46,610,000 which comprised operating loss of HK\$4,233,000 and provision of impairment loss of HK\$42,377,000), the money lending business recorded a profit of HK\$29,518,000 (2019: loss of HK\$35,740,000) which comprised operating profit of HK\$17,286,000 (2019: HK\$25,963,000) and reversal of expected credit loss of HK\$12,232,000 (2019: provision of expected credit loss of HK\$61,703,000), and the investment in securities business recorded a loss of HK\$3,383,000 (2019: HK\$21,460,000) which comprised profit of HK\$1,191,000 (2019: loss of HK\$21,516,000) and provision of expected credit loss of HK\$4,574,000 (2019: reversal of expected credit loss of HK\$56,000).

## PROSPECTS

As disclosed in the Company’s circular dated 12 March 2020, after due evaluation of the data and information relating to the Chañares Concession (of which the Group’s interest in an oilfield concession formed part), the Company intended, through its indirect wholly owned subsidiary in Argentina, to submit a bid offer for the Chañares Concession under a bidding process. Further, as referred to in the Company’s announcements dated 27 March 2020, 29 March 2020, 30 June 2020 and 7 September 2020, for various reasons, the Company’s shareholders’ meeting to approve the submission of the bid offer had been adjourned and the timeline of the bidding process had been delayed.

## Statement from the Board

As disclosed in the Company's announcement dated 7 October 2020, after due evaluation of the prevailing market conditions including the international oil price of Brent crude oil and the latest information of the Chañares Concession, the Company intended, through its indirect wholly owned subsidiary in Argentina, to submit a revised bid offer for the Chañares Concession under the revised timeline of the bidding process. The proposed submission of the revised bid offer and the transactions contemplated thereunder, as set out in the Company's circular dated 8 October 2020, were duly approved by the Company's shareholders on 27 October 2020 and the revised bid offer was submitted by the Group accordingly on 28 October 2020 (Argentina time).

References are made to the Company's announcements dated 14 December 2020, 22 December 2020, 12 March 2021, 15 March 2021 and 16 March 2021, on 11 March 2021 (Argentina time), for various reasons, the Group received a decree which stated that the Chañares Concession would be awarded to a new concessionaire other than the Company's indirect wholly owned subsidiary in Argentina, and on 15 March 2021 (Argentina time), the Company was informed by Chañares Energía S.A. (the previous concessionaire of the Chañares Concession and the joint venture partner of the Group's interest in an oilfield concession in Argentina) that a new concessionaire took over the Chañares Concession on 13 March 2021 (Argentina time).

The Group has been seeking legal advice and the possible legal actions to protect its interest in this matter. Announcement(s) will be made to inform shareholders of any updates of this matter as and when appropriate.

In spite of the issues above, the Group has been actively exploring other investment opportunities in natural resources exploration and production, including an oilfield project in Canada. Announcement(s) will be made to inform shareholders as and when there is further material development of this project.

On a macroeconomic basis, there are signs that the recent launch of vaccination program in Hong Kong and many countries including the US, the UK, Japan and Korea have eased the global pandemic situation and pave the way for the economies to fully reactivate. In particular, there are indicators that the China's economy is on the recovery path with notable improvements in economic and market conditions following the stabilisation of its pandemic situation. China achieved a positive GDP growth in 2020 and Hong Kong is well positioned to continue to benefit from the nation's sustainable economic growth. Nevertheless, it is difficult to predict the evolution and duration of the pandemic, the Group's management will thus continue to adopt a prudent approach in managing the Group's businesses and in seizing business and investment opportunities.

### APPRECIATION

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

**Sue Ka Lok**

*Executive Director*

Hong Kong, 30 March 2021

# Management Discussion and Analysis

## BUSINESS REVIEW

For the year ended 31 December 2020 (“FY2020”), the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

The health crises brought by the continuation of the COVID-19 pandemic on global scale had posed negative impact to many nations and their economies, and had caused significant uncertainties in the global and local investment markets and volatilities of international oil prices. During the year, the fluctuations of international oil prices were further escalated owing to the disagreement between major oil producing countries on their production cut, and different counter measures adopted by major oil buying countries on their inventory level. Against this macroeconomic backdrop, coupled with the effects of the unsettled trade disputes between China and the US and the social events took place in Hong Kong, the Group had been operating under some unprecedented market conditions.

For FY2020, the Group had managed to report a profit attributable to owners of the Company of HK\$8,519,000 (2019: loss of HK\$138,099,000), mainly due to the absence of provision of impairment loss on oil and gas properties in the current year (2019: HK\$42,333,000), the reversal of expected credit loss (“ECL”) on loan and interest receivables of HK\$12,232,000 (2019: provision of ECL of HK\$61,703,000), and the decrease in net loss on financial assets at fair value through profit or loss (“FVTPL”) to HK\$9,183,000 (2019: HK\$32,736,000). Basic earnings per share were HK0.16 cent, versus the loss per share of HK2.64 cents in the prior year. For the year under review, the Group’s revenue declined by 30% to HK\$42,449,000 (2019: HK\$60,560,000), mainly due to the drop in revenue of the petroleum and money lending businesses.

### Petroleum Exploration and Production

During FY2020, the Group continued to engage in petroleum exploration and production in the Chañares Herrados area (the “CHE Concession”) located in the Cuyana Basin, Mendoza Province of Argentina. Chañares Energía S.A. (“Chañares”) was the concessionaire of the CHE Concession.

On 2 December 2010, Southstart Limited (“Southstart”), a wholly owned subsidiary of the Company, and Chañares entered into a joint venture agreement (“2010 JV Agreement”). Pursuant to the 2010 JV Agreement, among others, EP Energy S.A. (“EP Energy”), a wholly owned subsidiary of the Company, had the right to drill and invest in the CHE Concession and was entitled to share 72% of the hydrocarbon production from the wells drilled by EP Energy in the current and future years until the end of the CHE Concession.

On 5 June 2012, EP Energy, Have Result Investments Limited (“Have Result”), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the “Operation Agreement”). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retained the right to drill and invest in the CHE Concession during the life of the CHE Concession. The Operation Agreement confirmed that Have Result was entitled to 51% interest on the production of five oil wells and EP Energy was entitled to 72% interest on the production of the other five oil wells.



## Management Discussion and Analysis

For FY2020, the Group's petroleum exploration and production business generated a revenue of HK\$14,097,000 (2019: HK\$24,171,000) and recorded an operating loss before provision of impairment loss of HK\$2,647,000 (2019: HK\$4,233,000). The decrease in the operation's revenue was the combined effect of the reduction in oil produced and sold by about 28% and the drop in average crude oil selling price offered by YPF Sociedad Anonima ("YPF S.A."), an Argentina state-owned oil company and the major buyer of the operation's output, from an average of US\$50.7 per barrel in the prior year to US\$41.0 per barrel in the current year, which largely followed the downward trend of international oil prices during FY2020.

As disclosed in the Company's announcement dated 7 April 2020, as a result of the situation brought by the outbreak of COVID-19, and the measures adopted by the national and provincial authorities in Argentina, there was a drastic reduction on the demand for fuels. Accordingly, YPF S.A. had been forced to stop and/or reduce production at their refineries and to temporarily suspend the purchase of crude oil, which thereby led to the decision of Chañares to suspend the operations in the whole Chañares Herrados concession area (the "Chañares Concession") since mid April 2020, and henceforth the decrease of oil production from the CHE Concession which formed part of the Chañares Concession.

In early July 2020, following the ease off of the pandemic, the Hydrocarbons Department of Mendoza Province (the "Hydrocarbons Department") advised the Group that YPF S.A. would restart the purchase of crude oil during July 2020, and as advised by Chañares, YPF S.A. had resumed the purchase of crude oil after mid July 2020 and the oil production in the Chañares Concession, including the CHE Concession, had recommenced accordingly.

As disclosed in the Company's circulars dated 12 March 2020 and 8 October 2020, the Executive of the Province of Mendoza had issued a decree in respect of the termination of the CHE Concession as Chañares had not fulfilled its investment commitment, subsequently, the Chañares Concession, of which the CHE Concession area formed part, had been made available for other investors to bid under the bidding process. The Group understood that before the successful bidder took over the Chañares Concession, Chañares could continue to operate in the CHE Concession and paid the same fees, royalties and other payments to the government under the same contractual conditions previously granted and should be able to extract and sell oil and should continue to pay fees, royalties and other payments, which logically were only payable in a context where the concessionaire was allowed to extract and sell oil. Accordingly, Chañares had continued to send to the Group the daily production reports which contained daily production and sales quantity, and monthly reports which contained production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and Chañares under the Operation Agreement (except for the period when Chañares suspended the operation of the Chañares Concession referred to above). It was expected that the Group would continue to be entitled to its share of production under the Operation Agreement until the Chañares Concession was delivered to the successful bidder under the bidding process. The Group has received the daily reports up to 13 March 2021 and the monthly report up to February 2021.

## Management Discussion and Analysis

As disclosed in the Company's circular dated 8 October 2020, after due evaluation of the data and information relating to the Chañares Concession, the Company intended, through its indirect wholly owned subsidiary, to submit a bid offer (the "Bid") for the Chañares Concession under the bidding process and the Bid was submitted on 28 October 2020 (Argentina time). The decision on winner of the bid was expected to be announced in the period from 29 November 2020 to 11 December 2020 (Argentina time).

As disclosed in the Company's announcement dated 14 December 2020, on 27 November 2020 (Argentina time), the Hydrocarbons Department issued a notice of suspension for the opening of the commercial bid of the bidders (the "Opening") and stated that the Opening was suspended temporarily until the finalization of the revision of the additional information provided by the Group after the submission of the Bid.

As disclosed in the Company's announcement on 22 December 2020, on 21 December 2020 (Argentina time), the Hydrocarbons Department issued a letter to the Group and stated that it had made the decision (the "Decision") that the indirect wholly owned subsidiary of the Company which submitted the Bid failed to be eligible as one of the bidders for the Opening mainly due to its historical earning performance could not meet the requirement of the bidding process, and the Opening would be held on 23 December 2020 at noon (Argentina time). On the same day, the Group submitted an appeal letter (the "Appeal Letter") to the Hydrocarbons Department objecting against the Decision and requested for the suspension of the Opening.

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

It was stated in the Decree that the Appeal Letter objecting against the Decision was denied. The Group has been seeking legal advice on this matter and the possible legal actions to set aside the Decree.

The Group has been informed by Chañares that it will continue to take legal actions against the Mendoza Government regarding the termination of the concession and intends to take further legal actions to seek monetary compensation payable to it. The Group intends to seek legal advice on the possible legal actions to protect the interest of the Company in this regard.

The Company will publish announcement(s) to inform shareholders of any further update(s) on these matters as and when appropriate.

# Management Discussion and Analysis

## Money Lending

For FY2020, the Group's money lending business reported decreases in revenue and operating profit (before reversal or provision of ECL) by 31% to HK\$17,870,000 (2019: HK\$25,971,000) and 33% to HK\$17,286,000 (2019: HK\$25,963,000) respectively. Such decreases were mainly due to the lower average amount of loans advanced to borrowers during the current year. Before granting loans to potential borrowers, the management performs internal credit assessment process to assess the borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During FY2020, the management has adopted a prudent approach in granting new loans in view of the negative impact on the Hong Kong economy owing to the continuation of COVID-19.

For the year under review, a reversal of ECL of HK\$12,232,000 (2019: provision of ECL of HK\$61,703,000) was recognised which represented the net sum of the recovery from certain credit-impaired loans of HK\$33,958,000 and the provision of ECL of HK\$21,726,000 during the year. At the year end, the balance of impairment allowance was HK\$49,701,000 (2019: HK\$68,755,000), which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans.

At 31 December 2020, the loans portfolio held by the Group amounted to HK\$161,382,000 (after impairment allowance of HK\$49,701,000) (2019: HK\$185,688,000 (after impairment allowance of HK\$68,755,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Interest rate per annum	Maturity
	Secured %	Unsecured %	Total %		
Corporate	16.88	-	16.88	10 – 18	Within one year
Corporate	20.45	0.26	20.71	8 – 10	More than one year but within two years
Individual	50.46	11.95	62.41	10 – 18	Within one year
	<u>87.79</u>	<u>12.21</u>	<u>100.00</u>		

At 31 December 2020, 87.79% (2019: 85.42%) of the carrying amount of the loan portfolio (after impairment allowance) was collateral loans with the remaining 12.21% (2019: 14.58%) being unsecured.

# Management Discussion and Analysis

## Investment in Securities

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

At 31 December 2020, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$25,097,000 (2019: HK\$37,059,000), comprising equity securities listed in Hong Kong, and debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio (constituted by non-current and current portions) valued at HK\$132,198,000 (2019: HK\$141,826,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$10,482,000 (2019: HK\$10,418,000) and a loss of HK\$3,383,000 (2019: HK\$21,460,000).

### *Financial assets at FVTPL*

At 31 December 2020, the Group held a financial asset at FVTPL portfolio amounting to HK\$25,097,000 (2019: HK\$37,059,000) measured at market/fair value. For FY2020, the portfolio generated revenue of HK\$340,000 representing dividends from equity securities (2019: HK\$1,102,000, representing dividends from equity securities of HK\$935,000 and interest income from debt securities of HK\$167,000). The Group recognised a net loss on financial assets at FVTPL of HK\$9,183,000 (2019: HK\$32,736,000) for the year, which comprised net unrealised loss and net realised loss of HK\$1,751,000 and HK\$7,432,000 (2019: HK\$27,876,000 and HK\$4,860,000) respectively.

The realised loss recorded during the year represented the loss on disposal of equity securities in open market and the unrealised loss represented the decrease in market value of those equity securities held by the Group at the year end. The losses incurred were largely related to the volatile conditions of the Hong Kong stock market subsisting during FY2020, which in turn related to the continuation of the COVID-19 pandemic, the unsettled trade disputes between China and the US, the social events took place in Hong Kong, and the declining financial performance of some of the investee companies. The Group had adopted a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market volatilities during the year.

# Management Discussion and Analysis

At 31 December 2020, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$25,097,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Conglomerate	3.98
Pharmaceutical	52.62
Property	31.69
Others	11.71
	100.00

At 31 December 2020, the weightings of the Group's top three and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$25,097,000 (together with other information) are as below:

Investee company's name and its principal activities <sup>1</sup>	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020 %	% of shareholding interest	*Acquisition costs during the year/ carrying amount at 1 January 2020 HK\$'000	Market/ fair value at 31 December 2020 HK\$'000	Accumulated unrealised gain (loss) recognised up to 31 December 2020 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2020 HK\$'000	Dividend income recognised during the year ended 31 December 2020 HK\$'000	<sup>1</sup> Investee company's financial performance	<sup>2</sup> Future prospects of the investee company
				A	B	C	D = C - A	E = C - B		
<b>Austar Lifesciences Limited (HKEX stock code: 6118)</b>										
Technology-based application solution provider in the life-science industry focusing on pharmaceutical, biologics, bulk pharmaceutical chemical sectors	51.44	2.71	0.41	10,106	10,311	12,911	2,805	2,600	- For the year ended 31 December 2020, revenue increased by 24% to RMB1,295,980,000 and profit for the year increased by 323% to RMB31,605,000 as compared with the prior year.	The investee company has been developing its technology applications in its competence and knowledge model and its technology application teams have been established in order to provide more up-to-date technology solutions to its clients.

# Management Discussion and Analysis

Investee company's name and its principal activities <sup>#</sup>	Approximate weighting to the market/ fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020	% of shareholding interest	Acquisition costs	*Acquisition costs during the year/ carrying amount at 1 January 2020	Market/ fair value at 31 December 2020	Accumulated unrealised gain (loss) recognised up to 31 December 2020	Unrealised gain (loss) recognised during the year ended 31 December 2020	Dividend income recognised during the year ended 31 December 2020	<sup>#</sup> Investee company's financial performance	<sup>#</sup> Future prospects of the investee company
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
				A	B	C	D = C - A	E = C - B			
<b>Emperor International Holdings Limited</b> (HKEX stock code: 163) Lease of properties, properties development and hotel and hotel related operations	31.69	1.67	0.20	17,667	12,508	7,953	(9,714)	(4,555)	339	For the six months ended 30 September 2020, revenue decreased by 49% to HK\$637,503,000 and loss for the period increased by 143% to HK\$1,067,484,000 as compared with the same period in 2019.	For property investment business, the investee company possesses a geographically balanced property portfolio which focuses on commercial buildings and quality street-level retail spaces in prominent locations. For property sales business, it pursues a strategy of providing quality residential properties with convenient access to transportation networks.
<b>Elegance Optical International Holdings Limited</b> (HKEX stock code: 907) Manufacture and trading of optical frames and sunglasses, property investment, debts and securities investment and film investment and distribution	9.47	0.50	1.09	10,159	1,241	2,376	(7,783)	1,135	-	For the six months ended 30 September 2020, revenue decreased by 5% to HK\$43,337,000 and loss for the period decreased by 78% to HK\$4,499,000 as compared with the same period in 2019.	The investee company keeps the view that the film market in the PRC is facing crisis as well as opportunities. With the ease of the COVID-19 pandemic in the PRC, the film industry, especially film production and distribution, has gradually picked up. The investee company will continue to operate the business in a steady manner to navigate through challenging market.
Others	7.40	0.39	-	4,414	2,788	1,857	(2,557)	(931)	1		
	100.00	5.27		42,346	26,848	25,097	(17,249)	(1,751)	340		

<sup>#</sup> Extracted from published financial information of the investee companies.

<sup>\*</sup> The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# Management Discussion and Analysis

## Debt instruments at FVTOCI

At 31 December 2020, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$132,198,000 (2019: HK\$141,826,000) was measured at market/fair value. During FY2020, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$10,142,000 (2019: HK\$9,316,000) representing interest income from debt securities. According to the maturity of the debt instruments, part of the debt instruments at FVTOCI of HK\$2,213,000 (2019: HK\$18,804,000) was classified as current assets.

During FY2020, the Group invested HK\$7,903,000 for acquiring debt securities issued by a property company listed on the Stock Exchange. At the year end, a net fair value loss on debt instruments at FVTOCI amounting to HK\$885,000 was recognised as other comprehensive expense (2019: fair value gain on debt instruments at FVTOCI of HK\$9,340,000 as other comprehensive income) and provision of ECL on debt instruments at FVTOCI of HK\$4,574,000 was recognised in profit or loss (2019: reversal of ECL on debt instruments at FVTOCI of HK\$56,000). The fair value loss was primarily due to fluctuations of market conditions. The provision of ECL was determined by reference to credit rating, probability of default and loss given default of the debt instruments, the macroeconomic factors affecting each issuer, and the forward-looking information that is reasonably and supportably available to the Group.

At 31 December 2020, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$132,198,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2020 %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	*Acquisition costs during the year/ carrying amount at 1 January 2020 HK\$'000	Market/ fair value at 31 December 2020 HK\$'000	Accumulated fair value loss recognised up to 31 December 2020 HK\$'000	Fair value loss recognised during the year ended 31 December 2020 HK\$'000
				A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or Singapore</i>								
Aircraft leasing	10.93	3.04	4.93	15,444	14,744	14,455	(989)	(289)
Property	89.07	24.75	5.26 - 12.50	120,497	118,935	117,743	(2,754)	(1,192)
	100.00	27.79		135,941	133,679	132,198	(3,743)	(1,481)

\* The amount represented the costs of the securities acquired during the year ended 31 December 2020 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

# Management Discussion and Analysis

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

## Overall Results

For FY2020, the Group reported a profit attributable to owners of the Company of HK\$8,519,000 (2019: loss of HK\$138,099,000) that was mainly due to the reversal of ECL on loan and interest receivables of HK\$12,232,000, though partly offset by the provision of ECL on debt instruments at FVTOCI of HK\$4,574,000, and the increase in other expenses that mainly relating to the professional fees incurred for the evaluation and preparation of documentations for the bidding process of the Chañares Concession. The Group recorded a total comprehensive income attributable to owners of the Company of HK\$15,983,000 (2019: total comprehensive expense of HK\$131,157,000) which included an exchange gain of HK\$3,886,000 on translation of foreign operations (2019: loss of HK\$2,014,000).

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

During FY2020, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the year end, the Group had current assets of HK\$308,845,000 (2019: HK\$312,217,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$159,724,000 (2019: HK\$129,459,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$14,196,000 (2019: HK\$25,321,000), was at a liquid level of about 21.8 (2019: 12.3). The Group has been actively exploring investment opportunities in natural resources exploration and production, and is preserving its cash resources for the potential investment opportunities.

At 31 December 2020, the Group's total assets increased to HK\$475,763,000 (2019: HK\$469,264,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$16,265,000 (2019: HK\$25,368,000) divided by total assets, was at a low level of about 3% (2019: 5%). Finance costs represented the imputed interest on lease liabilities of HK\$166,000 for the year (2019: HK\$239,000).

At 31 December 2020, the equity attributable to owners of the Company amounted to HK\$459,879,000 (2019: HK\$443,896,000) and was equivalent to an amount of approximately HK8.78 cents (2019: HK8.47 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$15,983,000 was mainly due to profit earned during the year and the exchange gain arising on translation of foreign operations.

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



# Management Discussion and Analysis

## Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK\$, US\$, RMB and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US\$ as HK\$ and US\$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of RMB and will consider a formal foreign currency hedging policy for RMB should the needs arise. As for the Group's petroleum operations in Argentina, the oil selling proceeds are quoted at US\$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US\$ and converted into ARS for payments. Any surplus funds in ARS are converted into US\$ and will be remitted back to Hong Kong. As such, the ARS converted from the US\$ denominated sales receipts and expenditures of the Argentinean operation are largely matched and the devaluation of ARS during the current year does not have a significant impact on the foreign currency exposure of the operation. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors the foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

## Contingent Liability

At 31 December 2020, the Group had no significant contingent liability (31 December 2019: nil).

## Pledge of Assets

At 31 December 2020, the Group had no pledged assets (31 December 2019: nil).

## Capital Commitment

At 31 December 2020, the Group had no significant capital commitment (31 December 2019: nil).

## Events after the Reporting Period

As disclosed in the Company's announcements dated 12 March 2021, 15 March 2021 and 16 March 2021 and as referred to above, on 11 March 2021 (Argentina time), the Group received the Decree which stated that the Chañares Concession would be awarded to the New Concessionaire other than the Company's indirect wholly owned subsidiary, and on 15 March 2021 (Argentina time), the Company was informed by Chañares that the New Concessionaire took over the Chañares Concession on 13 March 2021 (Argentina time).

It was stated in the Decree that the Appeal Letter submitted by the Group objecting against the Decision of the Hydrocarbons Department was denied. The Group has been seeking legal advice on this matter and the possible legal actions to set aside the Decree.

The Group has been informed by Chañares that it will continue to take legal actions against the Mendoza Government regarding the termination of the concession and intends to take further legal actions to seek monetary compensation payable to it. The Group intends to seek legal advice on the possible legal actions to protect the interest of the Company in this regard.

# Management Discussion and Analysis

## HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2020, the Group had a total of 30 (2019: 49) employees including directors of the Company with 23 (2019: 42) employees in Hong Kong and the PRC and 7 (2019: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK\$14,214,000 (2019: HK\$16,573,000) for the year. The drop in staff costs of HK\$2,359,000 was mainly due to the decrease of the Group's headcounts for its operation in the PRC. 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 for employees in Hong Kong and operates employees' pension schemes for employees in the PRC and Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

## PRINCIPAL RISK AND UNCERTAINTIES

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

### Business Risk

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

### Market Risk

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

### Environmental Risk

The Group's petroleum exploration and production business is constantly exposed to inherent risks such as pollution, mechanical breakdown of machineries, adverse weather conditions, earthquake, fire or other calamity. 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 38 to the consolidated financial statements.

# Management Discussion and Analysis

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, 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 a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 December 2020, there were no significant dispute between the Group and its employees, customers and suppliers.

# Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management as at 23 April 2021, the latest practicable date before printing of this annual report, are set out below:

## EXECUTIVE DIRECTORS

### **Mr. Sue Ka Lok (“Mr. Sue”)**

Aged 55, joined the Company as Executive Director and the Chief Executive Officer in October 2016 and stepped down from his position as the Chief Executive Officer in January 2018. Mr. Sue is a member of the Corporate Governance Committee. He is also a director of certain subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of the Hong Kong Securities and Investment Institute, and a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of China Strategic Holdings Limited (HKEX stock code: 235); an executive director of PT International Development Corporation Limited (HKEX stock code: 372); and a non-executive director of Birmingham Sports Holdings Limited (“Birmingham Sports”) (HKEX stock code: 2309). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

### **Mr. Yiu Chun Kong (“Mr. Yiu”)**

Aged 36, joined the Company as Executive Director in October 2016. Mr. Yiu is also a director of certain subsidiaries of the Company. He holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University. Mr. Yiu is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He has rich experience in auditing, accounting and finance. Mr. Yiu is an executive director of Birmingham Sports.

### **Mr. Chan Shui Yuen (“Mr. Chan”)**

Aged 40, 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 a subsidiary 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.

### **Mr. Liang Weijie (“Mr. Liang”)**

Aged 28, joined the Company as Executive Director in April 2021. Mr. Liang holds an Executive Master of Business Administration degree from the Institut Prima Bestari in Malaysia. Mr. Liang was a management member of a property management company in the PRC and is currently the director of a cultural media company in the PRC and the president of South China region of a financial holdings company in Hong Kong. He has extensive experience in the areas of property management, cultural and media, and financial and investment management in the PRC.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Mr. Pun Chi Ping (“Mr. Pun”)**

Aged 54, joined the Company as Independent Non-executive Director in October 2016. Mr. Pun is the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He holds a Master of Science in Finance degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Pun is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in corporate finance, accounting and auditing. Mr. Pun is an independent non-executive director of Birmingham Sports and China Huajun Group Limited (formerly known as Huajun International Group Limited) (HKEX stock code: 377) and the financial controller of Poly Property Group Co., Limited (HKEX stock code: 119). All the aforementioned companies are listed on the Main Board of the Stock Exchange.

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

Aged 51, joined the Company as Independent Non-executive Director in October 2016. Ms. Leung is the Chairlady of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Ms. Leung has extensive experience in banking and financial services industries and had worked at several international financial institutions including Citibank, N.A. Hong Kong, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited. She is an independent non-executive director of Birmingham Sports.

### **Mr. Kwong Tin Lap (“Mr. Kwong”)**

Aged 56, joined the Company as Independent Non-executive Director in December 2018. Mr. Kwong is the Chairman of the Corporate Governance Committee, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He holds a Professional Diploma in Accountancy from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and a Master of Science in Information Systems degree from The Hong Kong Polytechnic University. Mr. Kwong is a Certified Public Accountants (Practising) in Hong Kong, an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has extensive experience in accounting, finance, auditing and corporate management. Mr. Kwong had been a director of certain Hong Kong listed companies and is currently a director of CCTH CPA Limited.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

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

Aged 50, joined the Company as Financial Controller in November 2009. Mr. Pak graduated from the City University of Hong Kong with a Bachelor of Arts in Accounting degree. Mr. Pak has extensive experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, he had worked for Ernst & Young, an international accounting firm, and TCL Multimedia Technology Holdings Limited (now known as TCL Electronics Holdings Limited) in its finance department in Hong Kong, emerging markets and Europe as deputy internal control director and deputy financial controller.

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

Aged 56, joined the Company as Operation Manager of the Group’s Argentina operation in December 2010 and was appointed as General Manager of the Argentina operation in late 2012. Mr. Quiroga oversees the Company’s oil projects in Argentina. He has extensive experience in operations, exploration and production management of oil field projects in Argentina and Mexico. Mr. Quiroga had been employed by Tecpetrol S.A. since 1991 and the last position held by Mr. Quiroga in 2000 was the head of secondary recovery division. During his work in Tecpetrol S.A., Mr. Quiroga was appointed as operation engineer, production manager, field operation manager and had gained experiences in operations, production management for various oil fields in Argentina. During 2002 to 2006, Mr. Quiroga was the operation superintendent and field manager who was in charge of field operations in oil fields located in Neuquina Basin and S.J. Gulf Basin, Argentina for Pioneer NRA S.A. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol. Before joining the Company, Mr. Quiroga had worked for Weatherford Regional Mexico as the operation coordinator. He was in charge of field operations for oil field in Mexico. Mr. Quiroga graduated from the National University of Cuyo in Mendoza Province, Argentina majoring in Petroleum Engineer in 1991. Mr. Quiroga was a postgraduate in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

# Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

## 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 39 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 principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's businesses, can be found in the "Statement from the Board" and "Management Discussion and Analysis" sections set out on pages 4 to 17 of this annual report. In addition, discussions on the Group's environmental policies and performance are contained in the Environmental, Social and Governance Report on pages 40 to 57 of this annual report.

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 65.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 156. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movement in the property, plant and equipment of the Group during the year are set out in Note 19 to the consolidated financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 31 and 32 to the consolidated financial statements, respectively.

# Report of the Directors

## 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 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## RESERVES

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

## DISTRIBUTABLE RESERVES

At 31 December 2020, the Company had no reserve available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of approximately HK\$918,270,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, revenue from the Group's five largest customers/sources accounted for approximately 62% of the total revenue for the year and revenue from the largest customer accounted for approximately 32%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier accounted for 100%.

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



## DIRECTORS

The directors of the Company during the year and up to 23 April 2021, being the latest practicable date prior to the printing of this annual report were:

### Executive Directors:

Mr. Sue Ka Lok  
Mr. Yiu Chun Kong  
Mr. Chan Shui Yuen  
Mr. Liang Weijie (*appointed on 8 April 2021*)  
Mr. Liu Zhiyi (*resigned on 30 June 2020*)

### Non-executive Director:

Mr. Suen Cho Hung, Paul (*retired on 26 June 2020*)

### Independent Non-executive Directors:

Mr. Pun Chi Ping  
Ms. Leung Pik Har, Christine  
Mr. Kwong Tin Lap

In accordance with bye-law 103(B) of the Company's Bye-laws, Mr. Liang Weijie will hold office until the forthcoming annual general meeting of the Company (the "2021 AGM") and, being eligible, will offer himself for re-election in the 2021 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 2021 AGM and, being eligible, will offer themselves for re-election in the 2021 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 insurance 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 2021 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.

# Report of the Directors

## DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in Note 14 to the consolidated financial statements.

## UPDATE ON DIRECTOR'S INFORMATION

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

- Mr. Sue Ka Lok resigned as a non-executive director and the chairman of Courage Investment Group Limited (HKEX stock code: 1145) (a company listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited) on 12 January 2021; and resigned as an executive director of PYI Corporation Limited (HKEX stock code: 498) (a company listed on the Main Board of the Stock Exchange) on 3 February 2021.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the related party transactions as disclosed in Note 36 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 2020, 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 Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the "Share Option Scheme" disclosure in Note 32 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 32 to the consolidated financial statements.

# Report of the Directors

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

As at 31 December 2020, 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 (Note (ii))	16.45%
Premier United Group Limited ("Premier United")	Interests of controlled corporation	862,085,620 (Note (ii))	16.45%
Billion Expo International Limited ("Billion Expo")	Beneficial owner	862,085,620 (Note (ii))	16.45%
China Shipbuilding Capital Limited	Beneficial owner	700,170,000	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 2020.
- (ii) These interests were held by Billion Expo, which was a wholly owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 shares of the Company under the SFO.

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.

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 2020 as required pursuant to section 336 of the SFO.

# Report of the Directors

## CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 36 to the consolidated financial statements fall under the scope of “Connected Transactions” or “Continuing Connected Transactions” under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders’ approval requirements.

## REMUNERATION POLICY

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

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in Note 32 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.

## 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 the date of this report.

## AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

## AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by Moore Stephens CPA Limited.

Moore Stephens CPA Limited has been appointed as the auditor of the Company with effect from 4 January 2021 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 4 January 2021 and to hold office until conclusion of the next annual general meeting of the Company.

A resolution will be proposed at the 2021 AGM to re-appoint Moore Stephens CPA Limited as the auditor of the Company.

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

On behalf of the Board

**Sue Ka Lok**

*Executive Director*

Hong Kong, 30 March 2021

# Corporate Governance Report

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

## CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the year ended 31 December 2020, except for the following deviations with reasons as explained:

### Chairman and chief executive

#### *Code Provision A.2.1*

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

#### *Deviation*

The Company had deviated from Code Provision A.2.1 of the CG Code during the year ended 31 December 2020. Mr. Liu Zhiyi (“Mr. Liu”), a former Executive Director of the Company, had served both roles of the chairman and chief executive officer until 30 June 2020. Following the resignation of Mr. Liu on 30 June 2020, 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.

### Effective communication

#### *Code Provision E.1.2*

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

#### *Deviation*

The former Chairman of the Board, Mr. Liu, was unable to attend the annual general meeting of the Company held on 26 June 2020 (the “2020 AGM”) as he had other important business engagement. However, Mr. Sue Ka Lok, an Executive Director of the Company, had chaired the meeting in accordance with bye-law 70 of the Company’s Bye-laws.

# Corporate Governance Report

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2020.

## BOARD OF DIRECTORS

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

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on a 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 23 April 2021, 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. Liang Weijie, and three are Independent Non-executive Directors, namely Mr. Pun Chi Ping ("Mr. Pun"), Ms. Leung Pik Har, Christine ("Ms. Leung") and Mr. Kwong Tin Lap. The directors are considered to have a balance of skill and experience appropriate for the requirements of the businesses of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 18 to 20 of this annual report.

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

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

# Corporate Governance Report

## BOARD OF DIRECTORS (continued)

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

The directors have participated in continuous professional development by attending seminars, in-house briefings and reading materials on the related areas to develop and refresh their knowledge and skills. During the year ended 31 December 2020, directors including Mr. Sue Ka Lok, Mr. Yiu Chun Kong, Mr. Chan Shui Yuen, Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap had complied with Code Provision A.6.5 of the CG Code and had provided the Company with their respective training records pursuant to the CG Code.

During the year ended 31 December 2020, four regular Board meetings and 2020 AGM were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	2020 AGM
<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. Liang Weijie ( <i>appointed on 8 April 2021</i> )	N/A	N/A
Mr. Liu Zhiyi ( <i>resigned on 30 June 2020</i> )	3/3	0/1
<b>Non-executive Director</b>		
Mr. Suen Cho Hung, Paul ( <i>retired on 26 June 2020</i> )	3/3	0/1
<b>Independent Non-executive Directors</b>		
Mr. Pun Chi Ping	4/4	0/1
Ms. Leung Pik Har, Christine	4/4	0/1
Mr. Kwong Tin Lap	4/4	0/1



# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code 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 2020. Mr. Liu Zhiyi (“Mr. Liu”), a former Executive Director of the Company, had served both roles of the chairman and chief executive officer until 30 June 2020. Following the resignation of Mr. Liu on 30 June 2020, 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 such positions. Currently, the day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

## REMUNERATION COMMITTEE

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

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

# Corporate Governance Report

## REMUNERATION COMMITTEE (continued)

The Remuneration Committee met once during the year ended 31 December 2020 to review the remuneration packages for directors. The attendance of each member is set out as follows:

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

## NOMINATION COMMITTEE

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

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

The Nomination Committee met once during the year ended 31 December 2020 to review the independence of independent non-executive directors, review 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 as follows:

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

## BOARD DIVERSITY POLICY

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and has adopted the board diversity policy (the “Board Diversity Policy”). 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 of the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company’s own circumstances.

## NOMINATION POLICY

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

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

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

# Corporate Governance Report

## AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 December 2020 is set out in the "Independent Auditor's Report" on pages 58 to 64 of this annual report.

For the year ended 31 December 2020, remuneration payable to the Company's auditor, Moore Stephens CPA Limited, for the provision of audit services was HK\$850,000. During the year, HK\$178,000 was paid as remuneration to Moore Stephens CPA Limited for the provision of non-audit related services.

## AUDIT COMMITTEE

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

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

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

The Audit Committee met twice during the year ended 31 December 2020 and the attendance of each member is set out as follows:

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

# Corporate Governance Report

## AUDIT COMMITTEE (continued)

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

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 December 2019 and recommended 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 2020 and recommended to the Board for approval;
3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group 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 2019;
5. reviewed the effectiveness of the risk management and internal control systems of the Group; and
6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

## CORPORATE GOVERNANCE COMMITTEE

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

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

# Corporate Governance Report

## CORPORATE GOVERNANCE COMMITTEE (continued)

The Corporate Governance Committee met once during the year ended 31 December 2020 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 as follows:

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

## DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2020, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The systems are designed to identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of the operation 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. It has evaluated and determined the nature and extent of the risks it is willing to take in achieving the strategic objectives. An annual review of effectiveness of the Group's risk management and internal control systems has been conducted. The annual review ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The process used to identify, evaluate and manage the significant 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 associated with their respective units regularly. The results of 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 and effectiveness of the Group's risk management and internal controls have been reported to the Audit Committee.

## RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Guidelines are provided to the directors, officers, management and relevant staff in handling and disseminating sensitive and confidential inside information with due care. Only personnel at appropriate level can get reach of the sensitive and confidential inside information.

The Group does not have an internal audit function due to the size of the Group and consideration for cost effectiveness. Instead, the Company has engaged an external consultant to conduct review on the Group's risk management and internal control systems to identify and evaluate significant risks of the business operations. The Board believes that the involvement of the external consultant could enhance the objectivity and transparency of evaluation process. The external consultant has conducted an annual review to identify risks that potentially impact the businesses, key operational and financial processes, regulatory compliance and information security of the Group, and assess the adequacy and effectiveness of the risk management and internal control systems for the year ended 31 December 2020. The review covered all material controls, including financial, operational and compliance controls. After the review, a report of findings and recommendations for improvement in relation to the systems has been provided to the Audit Committee and the management. The internal audit report has been endorsed by the Audit Committee and the management is required to establish remedial plans and take required actions to rectify those internal control deficiencies identified (which are all at low to medium risk level) according to the respective risk level and priorities. Subsequent review will be performed by the external consultant to monitor the implementation of those agreed recommendations and to report the results of the follow-up review to the Audit Committee.

The Board is not aware of any significant internal control and risk management weaknesses or inconsistencies with the risk management policies of the Group, and considers the existing risk management and internal control systems effective and adequate for the year ended 31 December 2020. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

## COMPANY SECRETARY

Mr. Chan Shui Yuen ("Mr. Chan"), an 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 18 to 20 of this annual report. Mr. Chan has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2020.

# Corporate Governance Report

## SHAREHOLDER RIGHTS

### Procedures for shareholders to convene a special general meeting

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

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

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

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

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



## SHAREHOLDER RIGHTS (continued)

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

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

### Procedures for directing shareholders' enquiries to the Board

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

## INVESTOR RELATIONS

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

## DIVIDEND POLICY

According to the dividend policy adopted by the Company, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account among other things, the following factors: (i) the actual and expected financial performance of the Group; (ii) the retained earnings and distributable reserves of the Group; (iii) the expected working capital requirements and future expansion plans of the Group; (iv) 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.

# Environmental, Social and Governance Report

## OVERVIEW

The Board of EPI (Holdings) Limited is pleased to present this Environmental, Social and Governance (the “ESG”) report of the Company and its subsidiaries (hereinafter referred to as the “Group” or “we” or “our”) which summarises the efforts and achievements made by the Group in corporate responsibility and sustainable development.

The Board is responsible for the Group’s ESG strategy and reporting, evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. In order to determine the ESG reporting scopes, the key management personnel has discussed internally and identified the environmental, social and operating items, and assessed their importance to the stakeholders and the Group. The summary of material ESG items are listed out in this report.

## REPORT SCOPE AND BOUNDARIES

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide and complied under the “comply or explain” provision set out in Appendix 27 to the Listing Rules. Information relating to the Group’s corporate governance aspect is set out in the “Corporate Governance Report” on pages 28 to 39 of this annual report. This ESG Report mainly covers the petroleum exploration and production, money lending and investment in securities businesses of the Group for the year ended 31 December 2020.

### A. STAKEHOLDERS’ ENGAGEMENT

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

The following table contains the main 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>➤ Fulfill tax obligation</li><li>➤ Joint efforts in combating the coronavirus disease (“COVID-19”)</li></ul>	<ul style="list-style-type: none"><li>➤ Uphold integrity and compliance in operations</li><li>➤ Pay tax on time in return contributing to the society</li><li>➤ Establish comprehensive and effective internal control system</li><li>➤ Follow the government’s COVID-19 prevention measures and guidelines to prevent the spread of COVID-19</li></ul>

# Environmental, Social and Governance Report

Stakeholders	Expectations and Concerns	Management Response
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 Stock Exchange and the Company</li> <li>➤ Dedicated to improvement of internal control system and focus on risk management</li> </ul>
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> <li>➤ Joint efforts in combating COVID-19</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> <li>➤ Provide epidemic prevention materials</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 greenhouse gas emissions</li> <li>➤ Effective resources utilisation</li> <li>➤ Community contribution</li> <li>➤ Economic development</li> <li>➤ Joint efforts in combating COVID-19</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> <li>➤ Follow the government's COVID-19 prevention measures and guidelines to prevent the spread of COVID-19</li> </ul>

# Environmental, Social and Governance Report

## B. MATERIALITY MATRIX

During the reporting period, the Group has evaluated a number of environmental, social and operating items, and assessed their importance to stakeholders and the Group through various channels. This assessment helps to ensure that the Group’s business objectives and development direction are in line with the stakeholders’ expectations and requirements. The Group’s and stakeholders’ matters of concern are presented in the following materiality matrix:

		Materiality Matrix		
		Low	Medium	High
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>➤ Customers’ 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 greenhouse gas emissions</li> <li>◇ Energy conservation measures</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 resources utilisation</li> <li>◇ Generation of non-hazardous wastes</li> </ul>		
		Low	Medium	High
		Importance to the Group		
		◇ Environmental	◆ Employee	➤ Operation

# Environmental, Social and Governance Report

## C. ENVIRONMENTAL

The Group has commenced its petroleum exploration and production business since the end of 2009. Save for the matters in relation to the termination of the CHE Concession in March 2021 as detailed in the “Management Discussion and Analysis” on pages 6 to 17 of this annual report, during the reporting period, the Group continued to engage in petroleum exploration and production in the CHE Concession situated at the Cuyana Basin, Mendoza Province of Argentina. Chañares Energía S.A. (“Chañares”) was the concessionaire of the CHE Concession (the “Concessionaire”). According to the agreements signed between the Group and Chañares, the Group had the right to drill new wells and performed workover on its existing oil wells. Chañares also acted as the operator of the CHE Concession. Once the Group completed drilling a well which was ready for production, Chañares would check to confirm the conditions and be responsible for the crude oil production and field operation.

As the Concessionaire and operator of the CHE Concession, Chañares was responsible to comply with rules and regulations relating to environmental protection, labour, hydrocarbon and oil industry in Argentina.

During the reporting period, crude oil after processing was delivered to the collection point and sold to our major customer, YPF S.A. (a state-owned petroleum company) and a small quantity of crude oil was sold to the local refining companies. Chañares had been handling the above sales process for the Group and charging the Group for handling fees.

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

During the reporting period, the daily production and sales processes of the Group’s petroleum exploration and production operation were handled by Chañares, and the Group had not drilled any new well and performed any workover on existing wells during the period. Accordingly, the Group did not directly produce any air emissions and hazardous wastes, and had not directly caused any significant impact on the environment where the oil field was located.

# Environmental, Social and Governance Report

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

## Emissions and Energy Consumption

The Group has always been committed to assessing and reporting its carbon footprint to the public. As the Group's other operations mainly operate in an office setting, the major environmental impact are greenhouse gas and air emissions generated by electricity, natural gas and fuel consumption of office vehicles. The Group's operating initiatives are to reduce the emission of carbon dioxide generated in its business activities. Therefore, the Group focuses on carrying out various energy saving measures to minimise the impact on the environment resulted from the emissions. During the reporting period, the Group produced 40.14 Carbon Dioxide Equivalent ("CO<sub>2e</sub>") tonnes of greenhouse gas ("GHG") emission, including 13.60 CO<sub>2e</sub> tonnes of Scope 1 GHG emissions and 26.54 CO<sub>2e</sub> tonnes of Scope 2 GHG emissions.

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

	2020		2019	
	Consumption	Carbon Dioxide Equivalent Emission (in tonne)	Consumption	Carbon Dioxide Equivalent Emission (in tonne)
<b>Scope 1 – Direct Emission</b>				
Gasoline and diesel	5,010 Liters	13.60	10,198 Liters	30.53
<b>Intensity (per employee):</b>	167 Liters	0.45	208 Liters	0.62

# Environmental, Social and Governance Report

## Emissions and Energy Consumption (continued)

Scope 2 – Indirect Emission	2020		2019	
	Consumption	Carbon Dioxide Equivalent Emission (in tonne)	Consumption	Carbon Dioxide Equivalent Emission (in tonne)
Electricity	29,224 kWh	20.76	35,702 kWh	27.07
Natural gas	2,689,776 Liters	5.78	2,943,744 Liters	6.98
		<u>26.54</u>		<u>34.05</u>
<b>Intensity (per employee):</b>				
Electricity	974 kWh	0.69	729 kWh	0.55
Natural gas	89,659 Liters	0.19	60,076 Liters	0.14
		<u>0.88</u>		<u>0.69</u>

### Fuel Consumption

The Group has established policies relating to business vehicles such as restricting their use, eliminating excessive fuel consumption, and regular vehicle inspection and maintenance. Owing to the COVID-19 pandemic, the Group's offices in Argentina and the PRC had been temporarily closed and the use of the Group's vehicles had been greatly reduced, coupled with the fact that there were much less business travellings when employees were required to work from home, there was a significant drop of the Group's fuel consumption by 5,188 liters or 50.87% when compared to the consumption in 2019, and that CO<sub>2e</sub> emissions also decreased. During the reporting period, the Nitrogen Oxides ("NO<sub>x</sub>"), Sulphur Oxides ("SO<sub>x</sub>") and Particulate Matters ("PM") emitted by vehicles used by the Group accounted for 8.83 kilograms, 0.07 kilograms, 0.76 kilograms respectively, compared to 18.34 kilograms, 0.15 kilograms, 1.61 kilograms in 2019.

# Environmental, Social and Governance Report

## Emissions and Energy Consumption (Continued)

### *Natural Gas Consumption*

The Group's office in Argentina mainly uses natural gas for heating. To minimise gas consumption, the Group reminds its employees to turn off the heater after work; conducts regular inspection and carries out corrective repairs and maintenance for the equipment and pipelines to enhance thermal efficiency of natural gas. In 2020, mainly due to the adoption of remote work policy, natural gas consumption decreased by 8.63% to 2,689,776 liters when compared to 2019, and that CO<sub>2e</sub> emission also decreased.

### *Electricity Consumption*

The Group encourages its employees to change their habit of using electrical appliances; and introduced control measures include switching off lightings, air-conditioners, computers, personal electronic devices and office equipment after work and/or when they are idle; as well as turning on power saving mode for all appliances. The Group also aims to keep all electronic appliances well-maintained so as to extend the life of the equipment. The Group also focuses on nurturing and strengthening its employee's awareness of environmental protection in their daily work and participating in energy-saving and emission-reduction activities. During the year, mainly resulting from the temporary closure of the Group's office in the PRC due to the pandemic, the Group's electricity consumption decreased by 6,478 kilowatt hours ("kWh") or 18.14% when compared to 2019, and consumed electricity of 29,224 kWh during the reporting period.

### **Water Consumption**

The Group does not face any water supply problem as it is provided by the municipals to the office buildings where the Group's offices are located; and regularly orders drinking water from external suppliers to eliminate the use of electricity in running water supply systems. Although the Group does not have full controls over water supply, it recognises the scarcity of resources the environment could offer and always encourages its staff members to cherish water usage, such as putting up "save water" sign in the prominent places in the pantry and toilets as a reminder. The amount of water consumption was 99 tonnes in 2020, decreased by 50 tonnes or 33.56% as compared to 149 tonnes in 2019. The decrease in water consumption was mainly due to the "work from home" policy in Argentina and the PRC during the pandemic period.

### **Waste Reduction**

The Group does not generate any hazardous waste. Waste management mainly involves recycling waste papers and collection of domestic wastes. During the reporting period, the Group consumed 0.64 tonne of paper, representing a decrease of 29.67% from consumption of 0.91 tonne in 2019, mainly resulting from the "work from home" policy in Argentina and the PRC during the pandemic period. In addition to our energy conservation practices, the Group has introduced measures to reduce wastes production. The Group encourages its employees to read documents in electronic format, to consider the environment before printing, to despatch memos and announcements via emails, to preview document layout, to print documents on both sides of the papers, and to use recycled papers for financial reports printing and promoting "green office" concepts in the office. Clearly labelled recycling bins are provided to collect waste papers, plastic bottles, ink cartridges, etc. The Group also encourages its employees to reduce use of non-recyclable materials to minimise the adverse impact on the environment.



# Environmental, Social and Governance Report

## The Environment and Natural Resources

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

## Compliance

During the reporting period, the Group did not involve in any non-compliance incidents relating to environmental protection. In addition, the Group did not involve in any non-compliance in relation to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.

## D. SOCIAL

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

### Employment and Labour Practices

#### *Employment*

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

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

### Employment (continued)

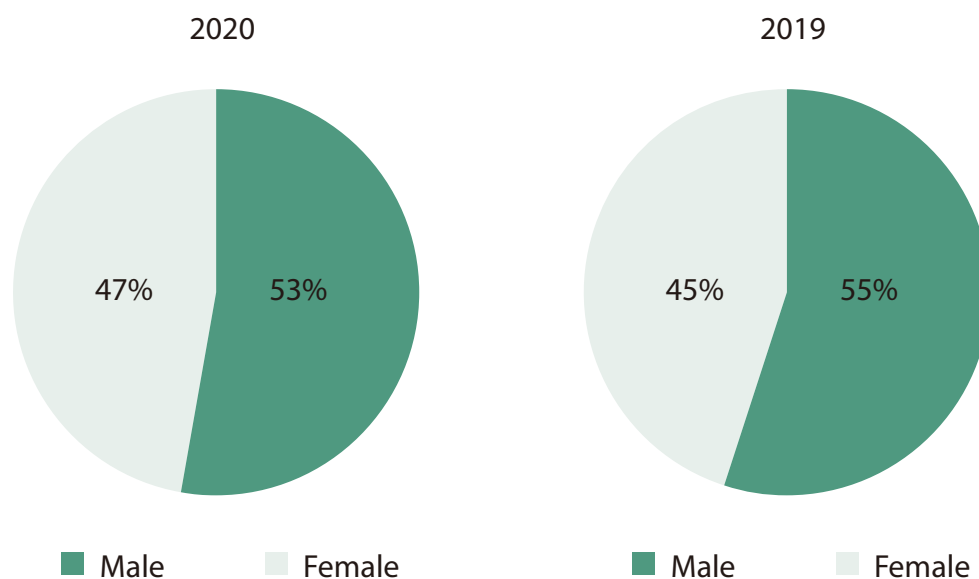
The Group has observed the applicable laws and regulations of each business location relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, and always follows the principles of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

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

### Workforce

The composition of the Group's directors and employees is analysed by gender, employment type, age group and geographical region as follows:

#### (i) Percentage of Directors and Full-time Employees by Gender



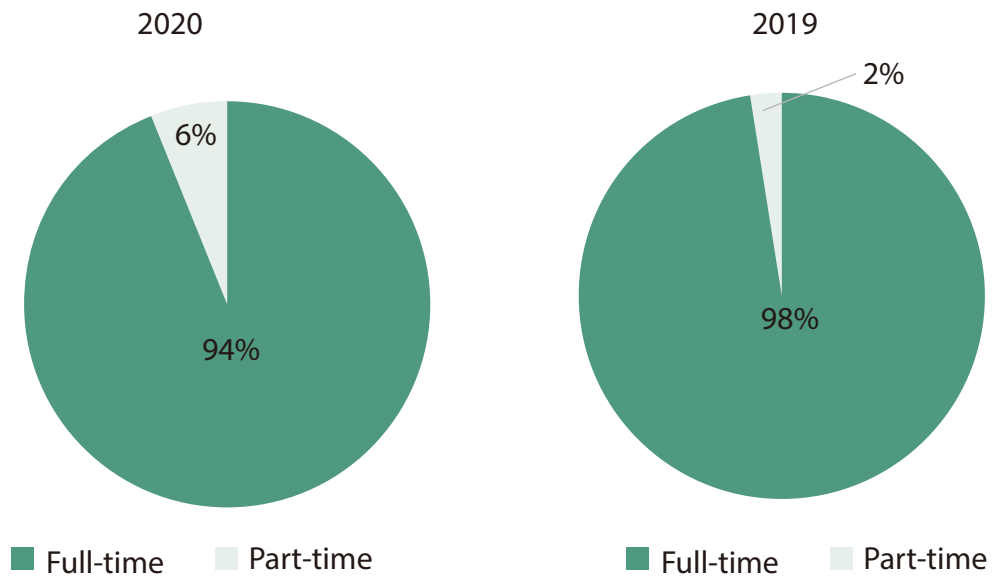
Note: The analysis for Percentage of Directors and Full-time Employees by Gender was based on the number of directors and full-time employees.

# Environmental, Social and Governance Report

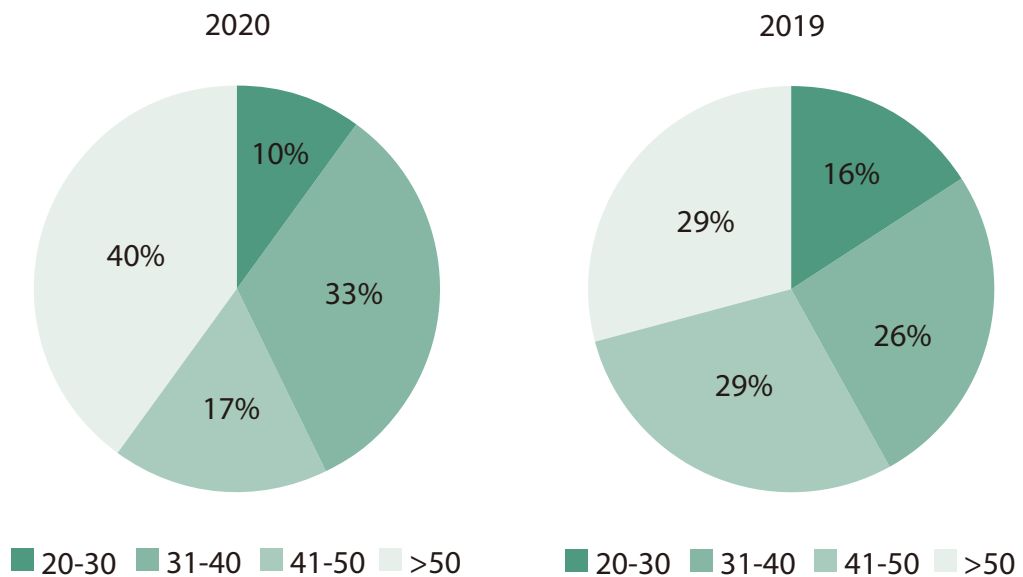
## Employment and Labour Practices (continued)

Workforce (continued)

### (ii) Percentage of Directors and Employees by Employment Type



### (iii) Percentage of Directors and Full-time Employees by Age Group



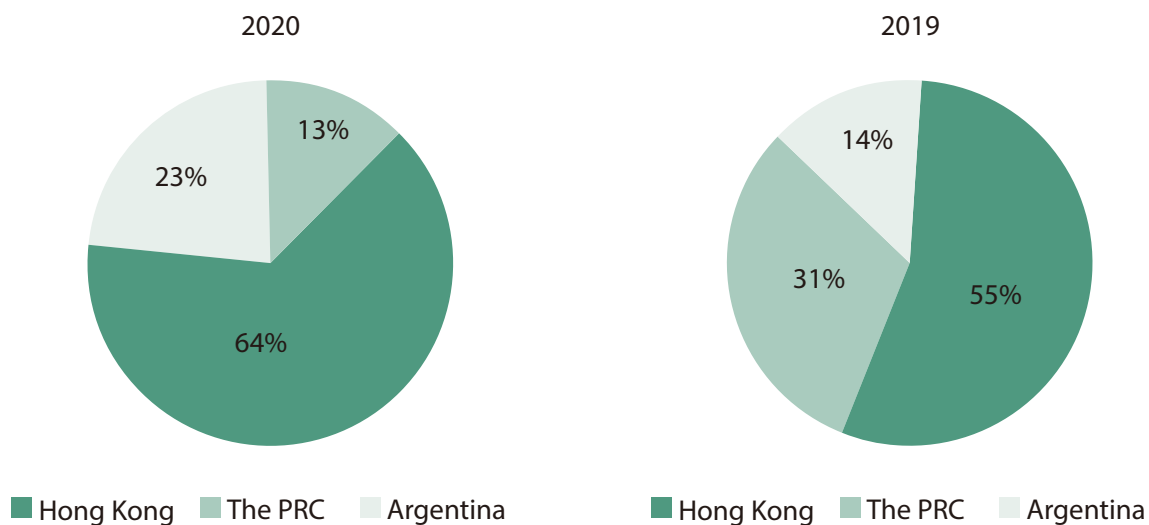
Note: The analysis for Percentage of Directors and Full-time Employees by Age Group was based on the number of directors and full-time employees.

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

Workforce (continued)

### (iv) Percentage of Directors and Full-time Employees by Geographical Region



Note: The analysis for Percentage of Directors and Full-time Employees by Geographical Region was based on the number of directors and full-time employees.

The difference between the two years in respect of the employee composition analysis by gender, age group and geographical region was mainly due to the decrease in headcount of the Group's operation in the PRC during the reporting period.

At 31 December 2020, the Group had 30 (2019: 49) employees in total; 19 (2019: 27) in Hong Kong, 4 (2019: 15) in the PRC and 7 (2019: 7) in Argentina. The employee turnover rate of the Group for 2020 is about 38.8% (2019: 26.5%).

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

### *Working Hours, Promotion, Termination, Compensation and Other Benefits*

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

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

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

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

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

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

The Group did not lay off any employees because of the COVID-19 pandemic in 2020 (except for the voluntary resignation of employees of the Group's operation in the PRC) and with the compensation and welfare of the employees remain unchanged during the reporting period. In order to reduce the risk of infection, the Group has adopted various preventive measures for the health and safety of its employees as detailed in the section headed "Health and Safety" below.

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

### *Health and Safety*

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

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

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

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

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

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

### *Health and Safety (continued)*

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

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

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

### *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 provide a reasonable assurance that the employees have the necessary technical knowledge, professional skills and business ethics to discharge their duties efficiently and with integrity. The Group organises internal and external trainings in explaining the operational procedures by business, risk assessment and management policies and contingency plan; and subsidises employees to attend training courses whenever necessary. New hires are required to participate in induction orientation which introduces the Group's corporate culture, industry knowledge, organisational structure, operational safety etc. The latest industry information and related legislation updates in connection with the operations of the Group are also despatched to staff from time to time.

# Environmental, Social and Governance Report

## Employment and Labour Practices (continued)

### *Labour Standards*

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

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

### *Compliance*

During the reporting period, the Group did not involve in any non-compliance incidents relating to employment, human rights and labour practices, and occupational health and safety.

## Operating Practices

### *Supply Chain Management*

Strengthening our relationships with suppliers depend on our determination for conducting all aspects of our businesses in a way that is mutually beneficial as well as open. The Group aims to develop relationships with its suppliers based on honesty, fairness and mutual trust. Suppliers are selected according to the quality of their product and service, their reliability and their competence of price. Each of the qualified suppliers is given a fair chance to supply quality products and provide services to the Group. We have established policies and procedures in supply chain management and provided various reporting channels for employees, suppliers, customers and other business partners to report any violations of laws or regulations when people are performing their duties for the Group. During the reporting period, the Group did not have significant issues relating to violations in this respect.

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



# Environmental, Social and Governance Report

## Operating Practices (continued)

### *Supply Chain Management (continued)*

The Group also serves to maintain long-term, stable and strategic cooperative relationships with suppliers with good credit history, high product or service quality, proven track records of environmental compliance and sound commitment to social responsibility based on equality to achieve a win-win situation. Such bases are used to establish an efficient and green supply chain system in selecting suppliers and service providers; and to conduct regular performance reviews with an aim to effectively control its product and service quality.

### *Supplier/Service Provider Responsibility*

American Petroleum Institute (“API”) gravity is a measure to determine the grade of the crude oil. Crude oil extracted underground is treated through oil/water separation process before selling to the customer. Our customers check the API gravity before oil is delivered and thus no after-sale quality problem exists.

For the money lending business, we handle confidential information of our clients with integrity and in accordance with applicable laws and regulations. Employees respect the confidentiality of information acquired as a result of business relationship and do 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 may be subject to disclosure requirements according to the applicable laws and regulations and shall be exchanged internally and exclusively on a “need-to-know” basis. Such information is also not used for personal advantage by any employee of the Group.

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

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

### *Anti-corruption*

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

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

# Environmental, Social and Governance Report

## Operating Practices (continued)

### *Anti-corruption (Continued)*

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

During the reporting period, the Group and our employees did not involve in any litigation of corruption.

## Community Involvement

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

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

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

# Environmental, Social and Governance Report

## E. SUMMARY OF ENVIRONMENTAL DATA AND PERFORMANCE

	Unit	2020	2019
<b>Greenhouse gas emissions:</b>			
<b>Scope 1:</b>			
Total	Tonne	13.60	30.53
Intensity	Tonne (per employee)	0.45	0.62
<b>Scope 2:</b>			
Total	Tonne	26.54	34.05
Intensity	Tonne (per employee)	0.88	0.69
<b>Air emissions:</b>			
Nitrogen Oxides	Kilogram	8.83	18.34
Sulfur Oxides	Kilogram	0.07	0.15
Particulate Matters	Kilogram	0.76	1.61
<b>Energy and water consumption:</b>			
<b>Electricity:</b>			
Total	kWh	29,224	35,702
Intensity	kWh (per employee)	974	729
<b>Diesel:</b>			
Total	Liter	559	1,214
Intensity	Liter (per employee)	19	25
<b>Gasoline:</b>			
Total	Liter	4,451	8,984
Intensity	Liter (per employee)	148	183
<b>Natural gas:</b>			
Total	Liter	2,689,776	2,943,744
Intensity	Liter (per employee)	89,659	60,076
<b>Water:</b>			
Total	Tonne	99	149
Intensity	Tonne (per employee)	3	3

# Independent Auditor's Report



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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 65 to 155, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

### Key audit matter

### How our audit addressed the key audit matter

#### ***Impairment assessment of loan and interest receivables***

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

As detailed in Note 4 to the consolidated financial statements, in making the assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including the past due dates and default rates, of each borrower and reasonable and supportable forward-looking information that is available without undue cost or effort. Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls. At every reporting date, the financial background, financial condition and historical settlement records are reassessed and changes in the forward-looking information are considered.

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

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

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### *Impairment assessment of loan and interest receivables (continued)*

The management further assess whether there has been a significant increase in credit risk for exposures since initial recognition. 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 and quantitative reasonable and supportable forward-looking information with significant judgments involved.

The carrying amount of the loan and interest receivables is HK\$161,382,000 in aggregate and the impairment allowance on loan and interest receivables is HK\$49,701,000 in aggregate as at 31 December 2020 as set out in Note 23 to the consolidated financial statements.

- Evaluating the reasonableness and appropriateness on the management's basis and judgment in determining credit loss allowance on loan receivables as at 31 December 2020, including the identification of credit-impaired loan receivables, the estimated loss rates applied to each borrower, and the estimated cash flow from the realisation of collaterals pledged to the Group; and
- Evaluating the disclosures regarding the impairment assessment of loan receivables in Notes 23 and 38 to the consolidated financial statements.

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

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

We identified ECL for debt instruments at FVTOCI as a key audit matter because the determination of loss allowances for debt instruments at FVTOCI using the ECL model involves significant estimates and judgments, including determination of whether there is significant increase in credit risk since initial recognition, use of assumptions in determination of probability of default and loss given default, and incorporation of forward looking information. As disclosed in Note 22 to the consolidated financial statements, the fair value of debt instruments at FVTOCI is HK\$132,198,000 at 31 December 2020 and the impairment allowance of HK\$4,574,000 is recognised in profit or loss with corresponding adjustment to other comprehensive income for the current year. The determination of the loss allowances is dependent on the external macro environment and the credit rating of each debt security. The management also takes into consideration of historical data from the international rating agency. The Group had engaged an independent professional valuer to perform the ECL assessment.

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

- Understanding and assessing the design and implementation of key internal controls of the credit rating process and measurement of loss allowances;
- Evaluating methodology and assumptions used by the management in determining ECL;
- Engaging our internal specialists to review the significant management judgments and assumptions, including (i) the criteria for significant increase in credit risk made by assessing credit rating migration between origination date and reporting date; (ii) reasonableness of probability of default, recovery rate and loss given default; and (iii) the use of economic variables and relative weighting for forward-looking scenarios; and
- Evaluating the disclosures regarding the impairment assessment of debt instruments at FVTOCI in Notes 22 and 38 to the consolidated financial statements.

# Independent Auditor's Report

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 3 April 2020.

## OTHER INFORMATION

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

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

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

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

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

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

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



# Independent Auditor's Report

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

### **Moore Stephens CPA Limited**

*Certified Public Accountants*

*Registered Public Interest Entity Auditors*

### **Lai Hung Wai**

Practising Certificate Number: P06995

Hong Kong

30 March 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Revenue</b>	5	<b>42,449</b>	60,560
Sales of petroleum		<b>14,097</b>	24,171
Interest income		<b>28,012</b>	35,287
Others		<b>340</b>	1,102
Purchases, processing and related expenses		<b>(11,758)</b>	(18,858)
Other income and losses, net	7	<b>10,160</b>	(1,609)
Net loss on financial assets at fair value through profit or loss	8	<b>(9,183)</b>	(32,736)
Reversal (provision) of expected credit loss on loan and interest receivables		<b>12,232</b>	(61,703)
(Provision) reversal of expected credit loss on debt instruments at fair value through other comprehensive income		<b>(4,574)</b>	56
Provision of impairment loss of property, plant and equipment and right-of-use assets	9	–	(47,306)
Wages, salaries and other benefits		<b>(14,214)</b>	(16,573)
Depreciation		<b>(1,417)</b>	(8,555)
Gain on redemption of debt instruments at fair value through other comprehensive income		<b>111</b>	328
Other expenses		<b>(14,547)</b>	(10,692)
Loss on disposal of subsidiaries	10	<b>(515)</b>	–
Finance costs	11	<b>(166)</b>	(239)
Profit (loss) before tax		<b>8,578</b>	(137,327)
Income tax expense	12	<b>(440)</b>	(772)
<b>Profit (loss) for the year</b>	13	<b>8,138</b>	(138,099)
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value (loss) gain on debt instruments at fair value through other comprehensive income		<b>(885)</b>	9,340
Provision (reversal) of expected credit loss on debt instruments at fair value through other comprehensive income		<b>4,574</b>	(56)
Release on redemption of debt instruments at fair value through other comprehensive income		<b>(111)</b>	(328)
Exchange differences arising on translation of foreign operations		<b>3,886</b>	(2,014)
<b>Other comprehensive income for the year, net of income tax</b>		<b>7,464</b>	6,942
<b>Total comprehensive income (expense) for the year</b>		<b>15,602</b>	(131,157)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Company		8,519	(138,099)
Non-controlling interests		(381)	–
		<b>8,138</b>	<b>(138,099)</b>
<b>Total comprehensive income (expense) for the year attributable to:</b>			
Owners of the Company		15,983	(131,157)
Non-controlling interests		(381)	–
		<b>15,602</b>	<b>(131,157)</b>
<b>Earnings (loss) per share attributable to owners of the Company</b>			
– Basic	17	<b>HK0.16 cent</b>	HK(2.64) cents

# Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Exploration and evaluation assets	18	–	–
Property, plant and equipment	19	985	605
Right-of-use assets	20	2,523	–
Intangible asset	21	–	420
Debt instruments at fair value through other comprehensive income	22	129,985	123,022
Loan and interest receivables	23	33,425	33,000
Total non-current assets		166,918	157,047
<b>Current assets</b>			
Debt instruments at fair value through other comprehensive income	22	2,213	18,804
Loan and interest receivables	23	127,957	152,688
Trade and other receivables and prepayments	24	15,793	9,296
Other tax recoverables	25	609	881
Income tax recoverable		2,549	1,089
Financial assets at fair value through profit or loss	26	25,097	37,059
Bank balances and cash	27	134,627	92,400
Total current assets		308,845	312,217
<b>Current liabilities</b>			
Trade and other payables	28	8,744	16,913
Income tax payable		4,170	4,796
Lease liabilities	29	1,282	3,612
Total current liabilities		14,196	25,321
<b>Net current assets</b>		294,649	286,896
<b>Total assets less current liabilities</b>		461,567	443,943

# Consolidated Statement of Financial Position

At 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities	29	<b>1,491</b>	–
Deferred tax liabilities	30	<b>578</b>	47
Total non-current liabilities		<b>2,069</b>	47
<b>Net assets</b>			
		<b>459,498</b>	443,896
<b>Capital and reserves</b>			
Share capital	31	<b>52,403</b>	52,403
Reserves		<b>407,476</b>	391,493
Equity attributable to owners of the Company		<b>459,879</b>	443,896
Non-controlling interests		<b>(381)</b>	–
<b>Total equity</b>		<b>459,498</b>	443,896

The consolidated financial statements on pages 65 to 155 together with the Company's statement of financial position set out in Note 41 to the consolidated financial statements have been approved and authorised for issue by the Board on 30 March 2021 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 2020

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 January 2019	52,403	918,270	201,645	(11,301)	(4,631)	(581,333)	575,053	-	575,053
Loss for the year	-	-	-	-	-	(138,099)	(138,099)	-	(138,099)
Fair value gain on debt instruments at fair value through other comprehensive income	-	-	-	9,340	-	-	9,340	-	9,340
Reversal of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	(56)	-	-	(56)	-	(56)
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(328)	-	-	(328)	-	(328)
Exchange differences arising on translation of foreign operations	-	-	-	-	(2,014)	-	(2,014)	-	(2,014)
Total comprehensive income (expense) for the year	-	-	-	8,956	(2,014)	(138,099)	(131,157)	-	(131,157)
At 31 December 2019	52,403	918,270	201,645	(2,345)	(6,645)	(719,432)	443,896	-	443,896
Profit (loss) for the year	-	-	-	-	-	8,519	8,519	(381)	8,138
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	-	(885)	-	-	(885)	-	(885)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income	-	-	-	4,574	-	-	4,574	-	4,574
Release on redemption of debt instruments at fair value through other comprehensive income	-	-	-	(111)	-	-	(111)	-	(111)
Exchange differences arising on translation of foreign operations	-	-	-	-	3,886	-	3,886	-	3,886
Total comprehensive income (expense) for the year	-	-	-	3,578	3,886	8,519	15,983	(381)	15,602
At 31 December 2020	52,403	918,270	201,645	1,233	(2,759)	(710,913)	459,879	(381)	459,498

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Operating activities</b>			
Profit (loss) before tax		8,578	(137,327)
Adjustments for:			
Depreciation of property, plant and equipment		221	4,553
Depreciation of right-of-use assets		1,196	4,002
Gain on redemption of debt instruments at fair value through other comprehensive income		(111)	(328)
Provision of impairment loss of property, plant and equipment and right-of-use assets	9	–	47,306
(Reversal) provision of expected credit loss on loan and interest receivables		(12,232)	61,703
Provision (reversal) of expected credit loss on debt instruments at fair value through other comprehensive income		4,574	(56)
Net loss on financial assets at fair value through profit or loss	8	9,183	32,736
Bank interest income		(741)	(627)
Interest expense	11	166	239
Dividend income		(340)	(935)
Interest income from money lending business		(17,870)	(25,971)
Interest income from debt instruments at fair value through other comprehensive income		(10,142)	(9,316)
Interest income from financial assets at fair value through profit or loss		–	(167)
Loss on disposal of property, plant and equipment		35	–
Loss on disposal of subsidiaries	10	515	–
<b>Operating cash flows before movements in working capital</b>		<b>(16,968)</b>	<b>(24,188)</b>
(Increase) decrease in trade and other receivables and prepayments		(6,304)	3,408
Decrease in loan and interest receivables		29,165	7,940
Decrease in other tax recoverables		272	664
Decrease in financial assets at fair value through profit or loss		2,779	2,021
Decrease in trade and other payables		(8,198)	(2,187)
<b>Cash generated from (used in) operations</b>		<b>746</b>	<b>(12,342)</b>
Withholding tax on interest income from a group entity paid		–	(300)
Dividend received		340	935
Income tax paid		(1,876)	(2,180)
Interest received from money lending business		8,800	20,675
Interest received from debt instruments at fair value through other comprehensive income		11,188	9,300
Interest received from financial assets at fair value through profit or loss		–	167
<b>Net cash from operating activities</b>		<b>19,198</b>	<b>16,255</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Investing activities</b>			
Purchase of property, plant and equipment	19	<b>(1,041)</b>	(117)
Acquisition of assets through acquisition of a subsidiary	19, 21	–	(1,300)
Purchase of debt instruments at fair value through other comprehensive income		<b>(7,903)</b>	(13,840)
Proceeds from redemption of debt instruments at fair value through other comprehensive income		<b>15,600</b>	11,700
Bank interest received		<b>741</b>	627
Net cash inflow on disposal of subsidiaries	10	<b>19,841</b>	–
<b>Net cash from (used in) investing activities</b>		<b>27,238</b>	(2,930)
<b>Financing activities</b>			
Repayment of lease liabilities		<b>(4,595)</b>	(3,917)
Interest paid		<b>(166)</b>	(239)
<b>Net cash used in financing activities</b>		<b>(4,761)</b>	(4,156)
<b>Net increase in cash and cash equivalents</b>		<b>41,675</b>	9,169
<b>Cash and cash equivalents at beginning of the year</b>		<b>92,400</b>	83,593
<b>Effect of foreign exchange rate changes</b>		<b>552</b>	(362)
<b>Cash and cash equivalents at end of the year, represented by bank balances and cash</b>		<b>134,627</b>	92,400

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 Stock Exchange. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 2107, 21st Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 39.

The consolidated financial statements are presented in HK\$, which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following 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 or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "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".

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.1 Basis of preparation of consolidated financial statements (continued)

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

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

The principal accounting policies are set out below.

### 3.2 Significant accounting policies

#### Basis of consolidation

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Basis of consolidation (continued)

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

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

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

#### *Changes in the Group's interests in existing subsidiaries*

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

#### Interests in subsidiaries

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

#### Investment in joint operations

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Revenue from contracts with customers

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

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

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

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

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

#### 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 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 2020

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

### 3.2 Significant accounting policies (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 2020

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

### 3.2 Significant accounting policies (continued)

Leases (continued)

*The Group as a lessee (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.

*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Intangible asset

##### *Intangible asset acquired separately*

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

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

#### Property, plant and equipment

##### *Oil and gas properties*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

#### *Property, plant and equipment other than oil and gas properties*

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

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

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

#### Exploration and evaluation assets

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Exploration and evaluation assets (continued)

#### *Impairment of exploration and evaluation assets*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

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

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

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

#### Provisions

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Financial instruments

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

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

#### *Effective interest method*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

#### *Financial assets*

#### *Classification and subsequent measurement of financial assets*

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

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

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

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

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

A financial asset is held for trading if:

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Classification and subsequent measurement of financial assets (continued)*

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

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

*Classification and subsequent measurement of financial assets (continued)*

(iii) Financial assets at FVTPL

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

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

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

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

Lifetime ECL represents 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. ECL is assessed individually for trade receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

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

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

(i) Significant increase in credit risk

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

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

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

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

(iii) Credit-impaired financial assets

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

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

(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 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

*Financial assets (continued)*

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

(v) Measurement and recognition of ECL (continued)

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

*Derecognition of financial assets*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Financial instruments (continued)

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Financial liabilities at amortised cost*

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

##### *Derecognition of financial liabilities*

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Taxation

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

#### *Current tax*

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

#### *Deferred tax*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Taxation (continued)

#### *Deferred tax (continued)*

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

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

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

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

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

#### *Current and deferred tax for the year*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

Taxation (continued)

#### *Current and deferred tax for the year (continued)*

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

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

Employee benefits

#### *Retirement benefits costs*

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

#### *Short-term and other long-term employee benefits*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Share-based payments

##### *Equity-settled share-based payment transactions*

##### *Share options granted to employees and directors*

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

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

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

#### Government grants

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 3.2 Significant accounting policies (continued)

#### Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### **Critical judgment in applying accounting policy**

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

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

The management assesses whether there has been a significant increase in credit risk for exposures since initial recognition in respect of the Group's loan and interest receivables and debt instruments at FVTOCI. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative factors and quantitative modelling to support reasonable and supportable forward-looking information available without undue cost or effort with significant judgments involved. The information about ECL and the Group's loan and interest receivables and debt instruments at FVTOCI are disclosed in Notes 38, 23 and 22 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### Key sources of estimation uncertainty

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

#### *Provision of ECL on loan and interest receivables*

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

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the one as at the date of initial recognition. In making this assessment, the loan and interest receivables from borrowers are assessed individually by the management of the Group, based on the financial background, financial condition and the historical settlement records, including past due dates and default rates, of each borrower and reasonable and supportable forward-looking information (such as macroeconomic factors including Gross Domestic Product ("GDP") growth and unemployment rate with adjustment on different scenarios of economic environment prospect) that is available without undue cost or effort.

Each borrower is assigned a risk grading under internal credit ratings to calculate the ECL, taking into consideration of the estimates of expected cash shortfalls which are driven by estimates of possibility of default and the amount and timing of cash flows that are expected from foreclosure on the collaterals (if any) less the costs of selling the collaterals. At every reporting date, the financial background, financial condition and the historical settlement records are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Owing to the great financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is a high risk that a prolonged pandemic could lead to increased credit default rates. The information about ECL and the Group's loan and interest receivables are disclosed in Notes 38 and 23 respectively.

#### *Debt instrument at FVTOCI*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### Key sources of estimation uncertainty (continued)

#### *Provision of ECL on debt instruments at FVTOCI*

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

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 ECL and the Group's financial assets are disclosed in Notes 38 and 22 respectively.

At 31 December 2020, the carrying amounts of debt instruments at FVTOCI was HK\$132,198,000 (2019: HK\$141,826,000) with provision of ECL of HK\$4,574,000 recognised in profit or loss with corresponding adjustment to other comprehensive income during the year (2019: reversal of ECL of HK\$56,000).

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

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

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were HK\$985,000 and HK\$2,523,000 (2019: HK\$605,000 and nil) respectively, after taking into account the impairment losses of nil and nil (2019: HK\$43,777,000 and HK\$3,529,000) in respect of property, plant and equipment and right-of-use assets that were recognised respectively, details of impairment loss on property, plant and equipment and right-of-use assets are disclosed in Notes 19 and 20 respectively.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. REVENUE

### Revenue from major products and services

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Sales of petroleum	14,097	24,171
Interest income from money lending business*	17,870	25,971
Interest income from debt instruments at FVTOCI*	10,142	9,316
Dividend and interest income from financial assets at FVTPL	340	1,102
	<b>42,449</b>	<b>60,560</b>

\* Under effective interest method

During the year, revenue from sales of petroleum is recognised at a point in time. Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales. Dividend income and interest income fall outside the scope of HKFRS 15.

This is consistent with the revenue information disclosed for each operating segment.

## 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) Money lending
- (iii) Investment in securities

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

For the year ended 31 December 2019

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
External sales/sources	24,171	25,971	10,418	60,560
<b>Results</b>				
Segment results before (provision)				
reversal of impairment loss and ECL	(4,233)	25,963	(21,516)	214
Provision of impairment loss	(42,377)	–	–	(42,377)
(Provision) reversal of ECL	–	(61,703)	56	(61,647)
Segment results	(46,610)	(35,740)	(21,460)	(103,810)
Other income and losses, net				(1,555)
Provision of impairment loss of property, plant and equipment and right-of-use assets				(4,929)
Corporate expenses				(26,794)
Finance costs				(239)
Loss before tax				(137,327)
Income tax expense				(772)
Loss for the year				(138,099)
<b>Other information</b>				
Depreciation of property, plant and equipment	(3,715)	–	–	(3,715)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the loss incurred/profit earned by each segment without allocation of certain other income and losses, net, corporate expenses, loss on disposal of subsidiaries, finance costs, income tax expense and certain provision of impairment loss of property, plant and equipment and right-of-use assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Segment assets</b>		
Petroleum exploration and production	3,461	5,645
Money lending	162,716	206,630
Investment in securities	166,396	180,290
<b>Total segment assets</b>	<b>332,573</b>	392,565
Unallocated:		
Property, plant and equipment	985	520
Bank balances and cash	133,585	70,433
Right-of-use assets	2,523	–
Other assets	6,097	5,746
<b>Consolidated assets</b>	<b>475,763</b>	469,264
<b>Segment liabilities</b>		
Petroleum exploration and production	2,287	3,108
Money lending	517	419
Investment in securities	578	47
<b>Total segment liabilities</b>	<b>3,382</b>	3,574
Unallocated:		
Lease liabilities	2,773	3,612
Other liabilities	10,110	18,182
<b>Consolidated liabilities</b>	<b>16,265</b>	25,368

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6. SEGMENT INFORMATION (continued)

### Geographical information

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

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

	Revenue from external customers/sources		Non-current assets (Note)	
	Year ended 31 December		At 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Argentina	14,097	24,171	–	85
Hong Kong	25,537	31,322	3,508	940
The PRC	2,815	5,067	–	–
	<b>42,449</b>	<b>60,560</b>	<b>3,508</b>	<b>1,025</b>

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

### Information about major customers

Revenue from customer of petroleum exploration and production business contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2020	2019
	HK\$'000	HK\$'000
Customer A	13,740	24,171

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 7. OTHER INCOME AND LOSSES, NET

	2020 HK\$'000	2019 HK\$'000
Bank interest income	741	627
Government grant (Note (i))	867	–
Overprovision of accrued expenses (Note (ii))	6,088	–
Exchange gains (losses), net	2,506	(2,120)
Loss on disposal of property, plant and equipment	(35)	–
Others	(7)	(116)
	<b>10,160</b>	<b>(1,609)</b>

Notes:

- (i) During the current year, the Group recognised government grants in respect of COVID-19-related subsidies that relates to Employment Support Scheme provided by the Hong Kong government.
- (ii) The amount represented the overprovision of legal and professional expenses which were related to a possible acquisition in 2012 the management had subsequently decided not to proceed with. The management considered the possibility of settling such liabilities as remote and the provision was reversed accordingly during the current year.

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

	2020 HK\$'000	2019 HK\$'000
Net unrealised loss on financial assets at FVTPL (Note (i))	1,751	27,876
Net realised loss on disposal of financial assets at FVTPL (Note (ii))	7,432	4,860
	<b>9,183</b>	<b>32,736</b>

Notes:

- (i) 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 2020 and 2019.
- (ii) 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 of the securities (if any) during the year as compared to the fair values of the financial assets at FVTPL disposed of upon disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 9. PROVISION OF IMPAIRMENT LOSS OF PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	2020 HK\$'000	2019 HK\$'000
Provision of impairment loss of property, plant and equipment ( <i>Note 19</i> )	–	43,777
Provision of impairment loss of right-of-use assets	–	3,529
	–	47,306

## 10. LOSS ON DISPOSAL OF SUBSIDIARIES

In December 2020, the Group disposed of its entire equity interests in four subsidiaries incorporated in Hong Kong or the PRC to an independent third party.

	HK\$'000
<b>Consideration received:</b>	
Consideration received in cash	20,000
<b>Assets and liabilities of the disposed subsidiaries at the date of disposal:</b>	
Property, plant and equipment	420
Intangible assets	420
Loan and interest receivables	19,697
Bank balances and cash	159
Trade and other payables	(181)
Net assets disposed of	20,515
<b>Loss on disposal of subsidiaries:</b>	
Consideration received	20,000
Net assets disposed of	(20,515)
Loss on disposal	(515)
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	20,000
Less: bank balances and cash disposed of	(159)
	19,841

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on lease liabilities	166	239

## 12. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Tax charge for the year comprises:		
Current tax		
Hong Kong	502	155
The PRC	125	678
Argentina		
– Withholding tax paid on interest income from a group entity	–	300
	627	1,133
Overprovision in prior year		
Hong Kong	–	(70)
The PRC	(718)	(54)
	(718)	(124)
Deferred tax ( <i>Note 30</i> )	531	(237)
Income tax expense recognised in profit or loss	440	772

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Argentina withholding tax on the interest income received from an Argentinean subsidiary by the Group was calculated at 35% on such income for the year ended 31 December 2019. No withholding tax was paid for the year ended 31 December 2020.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 12. INCOME TAX EXPENSE (continued)

The tax expense 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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (loss) before tax	<b>8,578</b>	(137,327)
Tax at the applicable rates of 16.5% (2019: 16.5%)	<b>1,415</b>	(22,659)
Tax effect of income not taxable for tax purpose	<b>(10,325)</b>	(1,179)
Tax effect of expenses not deductible for tax purpose	<b>4,439</b>	15,458
Tax effect of temporary difference not recognised	<b>(215)</b>	68
Overprovision in prior year	<b>(718)</b>	(124)
Tax effect of tax losses not recognised	<b>6,114</b>	8,867
Withholding tax on interest income from a group entity	–	300
Income tax at concessionary rate	<b>(165)</b>	(155)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(105)</b>	196
Income tax expense for the year	<b>440</b>	772

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13. PROFIT (LOSS) FOR THE YEAR

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation of property, plant and equipment	221	4,553
Depreciation of right-of-use assets	1,196	4,002
Total depreciation	1,417	8,555
Staff costs		
– directors' emoluments ( <i>Note 14</i> )	2,117	3,055
– other staff costs	10,808	11,848
– other staff retirement benefits schemes contributions (excluding directors)	1,289	1,670
Total staff costs	14,214	16,573
Auditor's remuneration	850	2,400
Professional and consultancy fees ( <i>Note</i> )	8,780	5,337

*Note:*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

The emoluments paid or payable to each of the eight (2019: nine) directors, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

Name	Notes	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>2020</b>					
<b>Executive Directors</b>					
Mr. Liu Zhiyi	(i)	-	600	9	609
Mr. Sue Ka Lok		-	390	20	410
Mr. Yiu Chun Kong		-	130	7	137
Mr. Chan Shui Yuen		-	455	23	478
<b>Non-executive Director</b>					
Mr. Suen Cho Hung, Paul	(ii)	117	-	6	123
<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>477</b>	<b>1,575</b>	<b>65</b>	<b>2,117</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Name	Note	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>2019</b>					
<b>Executive Directors</b>					
Mr. Liu Zhiyi		-	1,300	18	1,318
Mr. Sue Ka Lok		-	390	20	410
Mr. Yiu Chun Kong		-	130	7	137
Mr. Chan Shui Yuen		-	455	23	478
<b>Non-executive Director</b>					
Mr. Suen Cho Hung, Paul		260	-	13	273
<b>Independent Non-executive Directors</b>					
Mr. To Yan Ming, Edmond	(iii)	79	-	-	79
Mr. Pun Chi Ping		120	-	-	120
Ms. Leung Pik Har, Christine		120	-	-	120
Mr. Kwong Tin Lap		120	-	-	120
<b>Total</b>		<b>699</b>	<b>2,275</b>	<b>81</b>	<b>3,055</b>

Mr. Liu Zhiyi performed the function of the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive up to 30 June 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Notes:

- (i) Resigned on 30 June 2020
- (ii) Retired on 26 June 2020
- (iii) Passed away on 28 August 2019

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

## 15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2019: one) is director whose emoluments is included in the disclosure in Note 14. The emoluments of the remaining four (2019: four) individuals were as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and other benefits	4,463	5,573
Retirement benefits schemes contributions	672	544
	<b>5,135</b>	<b>6,117</b>

Their emoluments were within the following bands:

	Number of employees	
	2020	2019
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 16. DIVIDENDS

No dividend was paid or proposed for the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting periods.

## 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit (loss):</b>		
Profit (loss) for the year attributable to the owners of the Company for the purpose of calculating basic earnings (loss) per share	<b>8,519</b>	(138,099)
	<b>2020 '000</b>	2019 '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 year ended 31 December 2020, the diluted earnings per share attributable to owners of the Company is not presented since all the outstanding share options were lapsed on 4 May 2020 and thus there were no dilutive potential ordinary shares in issue.

For the year ended 31 December 2019, the diluted loss per share attributable to owners of the Company is not presented since the assumed exercise of the Company's share options would result in a decrease in loss per share attributable to owners of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18. EXPLORATION AND EVALUATION ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Cost</b>		
At 1 January and 31 December	<u>3,778,574</u>	<u>3,778,574</u>
<b>Impairment</b>		
At 1 January and 31 December	<u>3,778,574</u>	<u>3,778,574</u>
<b>Carrying values</b>		
At 1 January and 31 December	<u>-</u>	<u>-</u>

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18. EXPLORATION AND EVALUATION ASSETS (continued)

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 19. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK\$'000	Others HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 January 2019	497,532	3,749	501,281
Additions	–	117	117
Acquired through acquisition of a subsidiary	–	880	880
Written-off	–	(37)	(37)
Exchange adjustment	–	(26)	(26)
At 31 December 2019	497,532	4,683	502,215
Additions	–	1,041	1,041
Eliminated on disposal of a subsidiary	–	(880)	(880)
Written-off and disposal	–	(288)	(288)
Exchange adjustment	–	102	102
<b>At 31 December 2020</b>	<b>497,532</b>	<b>4,658</b>	<b>502,190</b>
<b>Depreciation and impairment</b>			
At 1 January 2019	451,402	1,928	453,330
Provided for the year	3,712	841	4,553
Provision of impairment loss	42,333	1,444	43,777
Eliminated on written-off	–	(37)	(37)
Exchange adjustment	–	(13)	(13)
At 31 December 2019	497,447	4,163	501,610
Provided for the year	85	136	221
Eliminated on disposal of a subsidiary	–	(460)	(460)
Eliminated on written-off and disposal	–	(253)	(253)
Exchange adjustment	–	87	87
<b>At 31 December 2020</b>	<b>497,532</b>	<b>3,673</b>	<b>501,205</b>
<b>Carrying values</b>			
<b>At 31 December 2020</b>	<b>–</b>	<b>985</b>	<b>985</b>
At 31 December 2019	85	520	605

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

As described in Notes 18 and 33, due to the forthcoming termination of CHE Concession, the Group was entitled to its share of production under the operation agreement signed with Chañares until the delivery of the concession to the new concessionaire which was expected, at the relevant time, to be around the end of June 2020 (the "Expected Delivery Date"). In view of the concession being shortened from its extended expiry in November 2027 to the Expected Delivery Date, for the year ended 31 December 2019, a provision of impairment loss on the oil and gas properties of HK\$42,333,000 was recognised and the oil and gas properties were depreciated on a unit-of-production basis over the estimated production up to the Expected Delivery Date. For the year ended 31 December 2020, a depreciation on the oil and gas properties of HK\$85,000 was recognised and the oil and gas properties were fully depreciated at 31 December 2020.

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

## 20. RIGHT-OF-USE ASSETS

	<b>Offices HK\$'000</b>
<b>Carrying amount</b>	
<b>At 31 December 2020</b>	<b>2,523</b>
At 31 December 2019	–
<b>For the year ended 31 December 2020</b>	
Depreciation charge	1,196
Additions to right-of-use assets	3,724
Expense relating to short-term leases and other leases with lease terms end within one year from the date of initial application of HKFRS 16	465
Total cash outflow for leases	5,226
For the year ended 31 December 2019	
Depreciation charge	4,002
Impairment loss recognised	3,529
Expense relating to short-term leases and other leases with lease terms end within one year from the date of initial application of HKFRS 16	210
Total cash outflow for leases	4,366

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

At 31 December 2020 and 2019, the portfolio of short-term leases was similar to the portfolio of short-term leases which related to the short-term lease expense disclosed above.

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

### Restrictions or covenants on leases

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

## 21. INTANGIBLE ASSET

	<b>Vehicle license HK\$'000</b>
<b>Cost and carrying values</b>	
At 1 January 2019	–
Additions ( <i>Note</i> )	420
At 31 December 2019	420
Eliminated on disposal of a subsidiary ( <i>Note</i> )	(420)
<b>At 31 December 2020</b>	<b>–</b>

*Note:* During the year 2019, the Group purchased the motor vehicle and vehicle license through the acquisition of a subsidiary. Other than the motor vehicle (as included in property, plant and equipment) and vehicle license, there were no significant assets and liabilities owned by this subsidiary at the date of completion of acquisition. The directors were of the opinion that the vehicle license had indefinite useful life as the vehicle license was transferable and renewable with minimal cost, which was therefore carried at cost less accumulated impairment, if any. The directors assessed that there was no impairment on the vehicle license at 31 December 2019 with reference to the recently completed transaction prices. In December 2020, the Company disposed of this subsidiary together with three other subsidiaries, details of the disposal are set out in Note 10.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

	2020 HK\$'000	2019 HK\$'000
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 4.70% to 11.75% (2019: 4.70% to 11.75%) per annum and maturity dates ranging from 12 February 2022 to 28 June 2025 (2019: 19 July 2020 to 28 June 2025)	<b>132,198</b>	141,826
Analysed as:		
Current portion	<b>2,213</b>	18,804
Non-current portion	<b>129,985</b>	123,022
	<b>132,198</b>	141,826

At 31 December 2020 and 2019, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or Singapore Stock Exchange.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration of the historical data from an international rating agency. The Company's management worked closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. In making that evaluation, the Group assessed ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by the recognised rating agency (i.e. Moody's), 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.

Provision of ECL of HK\$4,574,000 was recognised in profit or loss with corresponding adjustment to other comprehensive income for the current year (2019: reversal of ECL of HK\$56,000).

Details of impairment assessment are set out in Note 38. All debt instruments at FVTOCI were denominated in US\$.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. LOAN AND INTEREST RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate loan receivables	190,931	241,365
Interest receivables	20,152	13,078
	<b>211,083</b>	254,443
Less: Impairment allowance	<b>(49,701)</b>	(68,755)
	<b>161,382</b>	185,688
Analysed as:		
Current portion	127,957	152,688
Non-current portion	33,425	33,000
	<b>161,382</b>	185,688
Analysed as:		
Secured	141,669	158,619
Unsecured	19,713	27,069
	<b>161,382</b>	185,688

At 31 December 2020, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 8% to 18% (2019: 8% to 18%) per annum and from 3 July 2021 to 15 March 2022 (2019: 12 March 2020 to 15 March 2022) respectively.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan and interest receivables:		
Within one year or on demand	127,957	152,688
In more than one year but not more than two years	33,425	33,000
	<b>161,382</b>	185,688

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment

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

At 31 December 2020, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK\$211,083,000 (2019: HK\$254,443,000), of which HK\$74,530,000 (2019: HK\$69,935,000) was secured by the borrowers' pledged properties of which the market value of the properties less its estimated costs to sell amounted to HK\$74,853,000 (2019: HK\$92,866,000), and cumulative ECL of HK\$6,295,000 (2019: HK\$6,250,000) was provided after considering the adjustment to reflect loss given default based on the expected realisation of the collaterals; HK\$73,434,000 (2019: HK\$94,934,000) was secured by the borrowers' pledged unlisted debt instruments issued by listed companies in Hong Kong with principal amount totaling HK\$200,000,000 (2019: HK\$236,632,000), and no ECL was provided after considering the adjustment to reflect loss given default based on the expected realisation of the collaterals; and the remaining amount of HK\$63,119,000 (2019: HK\$89,574,000) was not secured by any collateral or credit enhancement and cumulative ECL of HK\$43,406,000 (2019: HK\$62,505,000) was provided based on the ECL assessment performed.

At 31 December 2020, of the Group's loan and interest receivables balance with aggregate gross carrying amount of HK\$211,083,000 (2019: HK\$254,443,000), HK\$135,725,000 (2019: HK\$195,022,000) were not past due, HK\$1,411,000 (2019: HK\$1,010,000) had been past due for less than 30 days, HK\$1,830,000 (2019: HK\$33,879,000) had been past due for more than 30 days but less than 90 days, and HK\$72,117,000 (2019: HK\$24,532,000) had been past due for 90 days or more. The directors of the Company considered those loan and interest receivables that were past due for more than 90 days as credit-impaired, details of the cumulative ECL provided are set out above.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment (continued)

The Group recognised reversal of impairment allowance of HK\$12,232,000 on loan and interest receivables for the current year (2019: provision of impairment allowance of HK\$61,703,000).

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

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

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2019	46	7,006	–	7,052
Changes due to loan and interest receivables recognised at 1 January 2019:				
– Transfer to credit-impaired (Note (i))	–	(4,808)	4,808	–
– Impairment allowance recognised (Note (i))	3	–	54,268	54,271
– Impairment allowance reversed	–	(40)	–	(40)
New loans granted during the year (Note (ii))	–	348	7,124	7,472
At 31 December 2019	49	2,506	66,200	68,755
Changes due to loan and interest receivables recognised at 1 January 2020:				
– Transfer to credit-impaired (Note (iii))	–	(2,506)	2,506	–
– Impairment allowance recognised (Note (iii))	–	–	20,921	20,921
– Impairment allowance reversed (Note (iv))	(49)	–	(33,909)	(33,958)
– Disposal of subsidiary (Note (v))	(194)	–	(6,628)	(6,822)
New loans granted during the year	805	–	–	805
<b>At 31 December 2020</b>	<b>611</b>	<b>–</b>	<b>49,090</b>	<b>49,701</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. LOAN AND INTEREST RECEIVABLES (continued)

### Impairment assessment (continued)

Notes:

- (i) The impairment losses of HK\$4,808,000 and HK\$54,268,000 were related to loan and interest receivables with gross carrying amount of HK\$78,420,000 transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired).
- (ii) The impairment loss of HK\$7,472,000 was related to loan and interest receivables with gross carrying amount of HK\$13,031,000, which mainly comprised loan and interest receivables of HK\$7,124,000 transferred from 12m ECL to lifetime ECL (credit-impaired), and HK\$5,907,000 transferred from 12m ECL to lifetime ECL (not credit-impaired).
- (iii) The impairment losses of HK\$2,506,000 and HK\$20,921,000 were mainly related to loan and interest receivables with gross carrying amount of HK\$23,388,000 transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired).
- (iv) The impairment allowance reversed of HK\$49,000 was related to settlement of loan and interests receivables with gross carrying amount of HK\$5,022,000 from 12m ECL. The impairment allowance reversed of HK\$33,909,000 was mainly related to settlement of loan and interests receivables with gross carrying amount of HK\$33,489,000 from lifetime ECL (credit-impaired).
- (v) The impairment allowance reversed of HK\$6,822,000 was related to the disposal of a subsidiary with loan and interest receivables of gross carrying amount of HK\$26,519,000.

No loan and interest receivables was derecognised during last year.

Details of ECL assessment are set out in Note 38.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade receivables (Note (i))	1,027	1,261
Deposits and prepayments	3,465	4,693
Deposits held for petroleum exploration and production operation	1,085	1,676
Others (Note (ii))	10,216	1,666
	<b>15,793</b>	9,296

### Notes:

- (i) The oil selling price for the Argentina operation was quoted in US\$ and converted into ARS for invoicing. The Group allowed an average credit period of 30 to 60 days. The trade receivables of HK\$1,027,000 (2019: HK\$1,261,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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

Details of impairment assessment of trade receivables are set out in Note 38.

- (ii) The amount included HK\$9,101,000 (2019: HK\$1,405,000) placed with securities brokers in relation to securities trading activities in Hong Kong.
- (iii) No ECL had been recognised on other receivables (Note 38) as the directors of the Company considered that the amount was immaterial.

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

	2020 HK\$'000	2019 HK\$'000
ARS	1,762	1,836
US\$	–	887

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25. OTHER TAX RECOVERABLES

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future sales of petroleum which the Group expected with reference to the current oil production from the existing wells. The directors of the Company expected that an amount of HK\$609,000 (2019: HK\$881,000) would be recovered from the sales of petroleum within twelve months from the end of the reporting period, accordingly, such amount was classified as current assets.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<b>25,097</b>	37,059

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

## 27. BANK BALANCES AND CASH

Bank balances carried interest ranging from 0.01% to 2.70% (2019: 0.01% to 3.00%) per annum.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ARS	<b>278</b>	632
US\$	<b>22,092</b>	5,064
RMB	<b>11</b>	10

# Notes to the Consolidated Financial Statements

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## 28. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	526	866
Other tax payables	1,249	1,644
Accrued professional fees	3,237	10,719
Other payables and accruals	3,732	3,684
	<b>8,744</b>	<b>16,913</b>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	526	866

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

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ARS	1,964	2,566
US\$	390	390

# Notes to the Consolidated Financial Statements

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## 29. LEASE LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lease liabilities payable:		
Within one year	1,282	3,612
More than one year but not exceeding two years	1,327	–
More than two years but not exceeding five years	164	–
	<b>2,773</b>	3,612
Less: Amount due within one year shown under current liabilities	<b>(1,282)</b>	(3,612)
Amount due after one year	<b>1,491</b>	–

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ARS	–	54

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30. DEFERRED TAX LIABILITIES

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

	<b>Taxable temporary difference related to net unrealised gain on financial assets at FVTPL HK\$'000</b>
At 1 January 2019	284
Credited to profit or loss ( <i>Note 12</i> )	(237)
At 31 December 2019	47
Charged to profit or loss ( <i>Note 12</i> )	531
<b>At 31 December 2020</b>	<b>578</b>

At 31 December 2020, the Group had unused tax losses of HK\$177,677,000 (2019: HK\$150,683,000) available for offset against future profits. No deferred tax asset had been recognised in respect of unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses were losses of HK\$38,336,000 (2019: HK\$17,073,000) that would expire within five years from 2021 to 2025 (2019: from 2020 to 2024). All other tax losses may be carried forward indefinitely.

At 31 December 2020, the Group had deductible temporary differences of approximately HK\$5,010,000 (2019: HK\$8,154,000) arising from impairment allowance of loan and interest receivables, 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 2020

## 31. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each At 1 January 2019, 31 December 2019 and <b>31 December 2020</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 2019, 31 December 2019 and <b>31 December 2020</b>	<b>5,240,344</b>	<b>52,403</b>

## 32. SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 22 June 2016. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to grant options to the participants as incentives or rewards for their contribution to the Group or any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Share Option Scheme include any employees of any member of the Group or any Invested Entity; any directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any consultant or adviser of any member of the Group or any Invested Entity; and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. SHARE OPTION SCHEME (continued)

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

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

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

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

In the annual general meeting of the Company held on 22 June 2017, the shareholders of the Company approved the refreshment of the Scheme Mandate Limit (the "Scheme Mandate Limit Refreshment"). The total number of shares of the Company available for issue under the Share Option Scheme is 436,712,182 shares as refreshed, representing approximately 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit Refreshment and approximately 8.3% of the issued shares of the Company as at the date of this annual report.

On 4 May 2020, all the outstanding share options lapsed. At 31 December 2020, there were no outstanding share options (2019: number of outstanding share options was 436,710,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. SHARE OPTION SCHEME (continued)

Details of the movements in the number of share options during the year ended 31 December 2019 and 2020 under the Share Option Scheme were as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$ (Note (ii))	Outstanding at	Reclassified/ granted/ forfeited/ exercised during the	Outstanding at	Lapsed during the	Outstanding at
				1 January 2019	year ended 31 December 2019	31 December 2019	year ended 31 December 2020	31 December 2020
<b>Directors:</b>								
Mr. Liu Zhiyi	4 May 2017	4 May 2017 - 3 May 2020	0.53	43,500,000	-	43,500,000	(43,500,000)	-
Mr. Sue Ka Lok	4 May 2017	4 May 2017 - 3 May 2020	0.53	22,800,000	-	22,800,000	(22,800,000)	-
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 - 3 May 2020	0.53	600,000	-	600,000	(600,000)	-
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 - 3 May 2020	0.53	900,000	-	900,000	(900,000)	-
Mr. To Yan Ming, Edmond (Note (iii))	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	(300,000)	-	-	-
Mr. Pun Chi Ping	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	-	300,000	(300,000)	-
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 - 3 May 2020	0.53	300,000	-	300,000	(300,000)	-
				<u>68,700,000</u>	<u>(300,000)</u>	<u>68,400,000</u>	<u>(68,400,000)</u>	<u>-</u>
<b>Employees:</b>								
In aggregate	4 May 2017	4 May 2017 - 3 May 2020	0.53	<u>368,010,000</u>	<u>-</u>	<u>368,010,000</u>	<u>(368,010,000)</u>	<u>-</u>
<b>Others</b> (Note (iii))	4 May 2017	4 May 2017 - 3 May 2020	0.53	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
				<u>436,710,000</u>	<u>-</u>	<u>436,710,000</u>	<u>(436,710,000)</u>	<u>-</u>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. SHARE OPTION SCHEME (continued)

Notes:

- (i) The share options granted were vested upon granted.
- (ii) The exercise price of the share options was subject to adjustments in case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.
- (iii) Mr. To Yan Ming, Edmond, an independent non-executive director, passed away on 28 August 2019. According to the Share Option Scheme, the legal personal representative of the grantee could exercise the share options by giving notice in writing to the Company, up to 3 May 2020, no such notification had been received.
- (iv) All the outstanding share options were lapsed on 4 May 2020.

No share options were granted and no share-based payments expense was recognised during the years ended 31 December 2020 and 2019.

## 33. JOINT OPERATIONS

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33. JOINT OPERATIONS (continued)

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33. JOINT OPERATIONS (continued)

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

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

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

In August 2017, the Group was notified by Chañares that the concession in respect of the PPC Area was lapsed, and the CHE Concession would be extended until 14 November 2027 (*Note 18*).

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 33. JOINT OPERATIONS (continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets (Note)	3,461	5,645
Liabilities	2,287	3,108
Revenue	14,097	24,171
Expenses	16,744	70,781

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

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<b>Lease Liabilities <i>HK\$'000</i></b>
At 1 January 2019	7,645
Financing cash flows	(4,156)
Exchange adjustment	(116)
Interest expense	239
At 31 December 2019	3,612
Financing cash flows	(4,761)
New lease entered	3,724
Exchange adjustment	32
Interest expense	166
<b>At 31 December 2020</b>	<b>2,773</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 35. RETIREMENT BENEFIT SCHEMES

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

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

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

The total expense recognised in profit or loss of HK\$1,354,000 (2019: HK\$1,751,000) represented contribution paid/payable to these schemes by the Group at rates specified in the rules of the schemes.

## 36. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

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

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	6,484	8,547
Post-employment benefits	641	625
	<b>7,125</b>	<b>9,172</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 2020

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

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

## 38. FINANCIAL INSTRUMENTS

### Financial risk management objectives

Financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include debt instruments at FVTOCI, trade and other receivables, loan and interest receivables, financial assets at FVTPL, bank balances and cash and trade and other payables. 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.

### Categories of financial instruments

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at FVTPL	25,097	37,059
Financial assets at amortised cost	309,955	284,984
Debt instruments at FVTOCI	132,198	141,826
	<b>467,250</b>	463,869
<b>Financial liabilities</b>		
Amortised cost	1,246	1,663

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### 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:

	2020 HK\$'000	2019 HK\$'000
Interest revenue		
Financial assets at amortised cost	17,870	25,971
Debt instruments at FVTOCI	10,142	9,316
Other income and losses, net		
Financial assets at amortised cost	741	627
Revenue/interest income under effective interest method	<b>28,753</b>	35,914

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, the Group's profit after tax for the year ended 31 December 2020 would increase/decrease by HK\$673,000 (2019: loss after tax would decrease/increase by HK\$462,000).

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's other comprehensive income for the year ended 31 December 2020 would increase/decrease by HK\$552,000 (2019: other comprehensive expense would decrease/increase by HK\$592,000) as a result of the changes in the fair value of debt instruments at FVTOCI.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk management

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

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

	Assets		Liabilities	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
AR\$	2,040	2,468	(1,964)	(2,620)
US\$	154,290	147,777	(390)	(390)
RMB	11	10	-	-



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The analysis represents the sensitivity of trade payables, trade receivables and bank balances that are denominated in ARS and RMB, the Group's major foreign currency items. A positive number below indicates a decrease in profit after tax where Hong Kong dollars strengthen 10% (2019: a negative number indicates a decrease in loss after tax where Hong Kong dollars strengthen 10%) against the relevant currencies. For a 10% (2019: 10%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit (loss) after tax.

	ARS impact		RMB impact	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Decrease in profit after tax (2019: increase in loss after tax)	5	(11)	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 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### Other price risk

The Group is exposed to price risk from investments in listed equity securities and listed debt instruments. 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 2020 would increase/decrease by HK\$4,191,000 (2019: loss after tax would decrease/increase by HK\$6,189,000) as a result of the change in fair value of financial assets at FVTPL.

##### *Debt instruments at FVTOCI*

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

If market prices had been 10% higher/lower, total comprehensive income for the year ended 31 December 2020 would increase/decrease by HK\$13,220,000 (2019: total comprehensive expense would decrease/increase by HK\$14,183,000) as a result of the change in fair value of debt instruments at FVTOCI.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. 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 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 2020

## 38. 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	2020 Gross carrying amount HK\$'000	2019 Gross carrying amount HK\$'000
<b>Debt instruments at FVTOCI</b>						
Investments in listed bonds	22	BB- to B+ (2019: B- to BB)	Low to medium risk	12m ECL	117,743	127,082
		N/A	Medium risk	12m ECL	14,455	14,744
<b>Financial assets at amortised cost</b>						
Loan and interest receivables	23	N/A	Low risk	12m ECL	1,810	7,514
			Medium risk	12m ECL	19,894	–
			High risk	Lifetime ECL	–	119,536
			Loss	Lifetime ECL	189,379	127,393
Other receivables	24	N/A	(Note (i))	12m ECL	12,919	5,635
Trade receivables	24	N/A	(Note (ii))	Lifetime ECL (simplified approach)	1,027	1,261
Bank balances	27	BBB- to AA (2019: BBB- to AA)	N/A	12m ECL	134,564	92,335

Notes:

- (i) For the purpose of internal credit assessment, the Group considers if there is any past due record or other relevant information available without undue cost or effort to assess whether credit risk has increased significantly since initial recognition.
- (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 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### *Trade receivables*

At 31 December 2020, the Group had concentration of credit risk for its trade receivables as 100% (2019: 100%) of the amount was attributable to the Group's trading customer in Argentina and it contributed to 32% (2019: 40%) of the Group's revenue. However, since the trade receivable is due from a state-owned oil company of good creditability, the management considers that the Group's credit risk is low and ECL is minimal at 31 December 2020 and 2019.

#### *Loan and interest receivables*

At 31 December 2020, the carrying amount of loan and interest receivables was HK\$161,382,000 (2019: HK\$185,688,000). The Group had concentration of credit risk for its loan and interest receivables as 85% (2019: 74%) of the carrying amount at 31 December 2020 was due from five (2019: five) borrowers which amounted to HK\$137,203,000 (2019: HK\$136,782,000) at 31 December 2020. The Group seeks to maintain strict control over its outstanding loan and interest receivables to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis.

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

At 31 December 2020, included in the Group's loan and interest receivables balance were debtors with aggregate gross carrying amount of HK\$75,358,000 (2019: HK\$59,421,000) which were past due as at the reporting date, of which HK\$1,411,000 (2019: HK\$1,010,000) had been past due for less than 30 days, HK\$1,830,000 (2019: HK\$33,879,000) had been past due for more than 30 days but less than 90 days and HK\$72,117,000 (2019: HK\$24,532,000) had been past due for 90 days or more. The directors of the Company considered those loan and interest receivables that were past due for more than 90 days as credit-impaired, details of the cumulative ECL provided are set out in Note 23.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### *Debt instruments at FVTOCI*

During the year ended 31 December 2020, provision of ECL on debt instruments at FVTOCI amounting to HK\$4,574,000 (2019: reversal of ECL of HK\$56,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income. At 31 December 2020, the cumulative impairment allowance for debt instruments at FVTOCI amounted to HK\$7,104,000 (2019: HK\$2,530,000).

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

The Group determines individually whether the issuers of the debt instruments have been suffered from significant increase in credit risk since initial recognition by comparing the credit rating and other qualitative benchmarks that affect the credit quality of the issuers at initial recognition and at the end of the reporting period. As the issuers are engaging in businesses that are stable or growing and there are no downgrading in the credit rating of the debt instruments, the credit loss allowances on individual debt instrument are measured on 12m ECL basis as the credit risk on financial instruments have not increased significantly since initial recognition.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration of the historical data from an international rating agency. The Company's management works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. In making that evaluation, the Group assessed the ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by the recognised rating agency (i.e. Moody's), 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 2020

## 38. FINANCIAL INSTRUMENTS (continued)

### Credit risk and impairment assessment (continued)

#### Debt instruments at FVTOCI (continued)

	<b>12m ECL HK\$'000</b>
At 1 January 2019	2,586
Changes due to debt instruments at FVTOCI recognised at 1 January 2019:	
– Impairment allowance recognised	40
– Impairment allowance reversed ( <i>Note (i)</i> )	(551)
New debt instruments purchased ( <i>Note (ii)</i> )	455
At 31 December 2019	2,530
Changes due to debt instruments at FVTOCI recognised at 1 January 2020:	
– Impairment allowance recognised	4,476
– Impairment allowance reversed ( <i>Note (i)</i> )	(324)
New debt instruments purchased ( <i>Note (ii)</i> )	422
<b>At 31 December 2020</b>	<b>7,104</b>

#### Notes:

- (i) The impairment allowance reversed of HK\$324,000 (2019: HK\$551,000) was attributed to the derecognition of debt instruments with gross carrying amount of HK\$15,600,000 (2019: impairment allowance reversed of HK\$551,000 was attributed to (i) the derecognition of debt instruments with gross carrying amount of HK\$11,700,000 which resulted in a reversal of impairment allowance of HK\$422,000 and (ii) the reassessment of the impairment allowance of debt instruments held at the year end with gross carrying amount of HK\$112,366,000 which resulted in a reversal of impairment allowance of HK\$129,000).
- (ii) The gross carrying amount of new debt instruments purchased amounting to HK\$7,903,000 (2019: HK\$13,840,000) during the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. 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 to negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

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

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

### Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 to 6 months HK\$'000	7 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 December 2020</b>							
<b>Non-derivative financial liabilities</b>							
Trade payables	-	526	-	-	-	526	526
Other payables	-	720	-	-	-	720	720
		1,246	-	-	-	1,246	1,246
Lease liabilities	3.50	113	564	677	1,518	2,872	2,773
		1,359	564	677	1,518	4,118	4,019
<b>At 31 December 2019</b>							
<b>Non-derivative financial liabilities</b>							
Trade payables	-	866	-	-	-	866	866
Other payables	-	797	-	-	-	797	797
		1,663	-	-	-	1,663	1,663
Lease liabilities	4.40	342	1,712	1,623	-	3,677	3,612
		2,005	1,712	1,623	-	5,340	5,275



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. 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)
	2020 HK\$'000	2019 HK\$'000		
<b>Financial assets</b>				
<b>Debt instruments at FVTOCI</b>				
Listed debt securities	<b>132,198</b>	141,826	Level 1	Quoted bid prices in active markets
<b>Financial assets at FVTPL</b>				
Listed equity securities	<b>25,097</b>	37,059	Level 1	Quoted bid prices in an active market

Note:

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 2020

## 39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2020 and 2019, are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
EP Energy S. A.	Argentina	ARS303,600 (2019: ARS303,600)	-	100% (2019: 100%)	Petroleum exploration and production
Have Result Investments Limited	British Virgin Islands/ Argentina	US\$10,000 (2019: US\$10,000)	-	100% (2019: 100%)	Petroleum exploration and production
Have Result Finance Limited	Hong Kong	HK\$100 (2019: HK\$100)	-	100% (2019: 100%)	Money lending
EPI Management Limited	Hong Kong	HK\$1 (2019: HK\$1)	-	100% (2019: 100%)	Investment in securities and management
Mobilewise (Hong Kong) Limited	Hong Kong	HK\$1 (2019: HK\$1)	-	100% (2019: 100%)	Investment in securities and management
Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership) (literal translation of its Chinese name 廈門兆聯恒天智創投資管理合夥企業 (有限合夥) (Note (i))	The PRC	RMB60,824,578 (2019: RMB60,824,578)	-	100% (2019: 100%)	Investment holding and money lending
Mobilewise Network Technology (Beijing) Limited (literal translation of its Chinese name 携智網絡技術(北京)有限公司) (Note (iii))	The PRC	US\$1,400,000 (2019: US\$1,400,000)	-	100% (2019: 100%)	Money lending

**Notes:**

- (i) Incorporated as unincorporated business (limited partnership).
- (ii) Incorporated as limited liability company (solely funded by Taiwan, Hong Kong and Macao corporate body).

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 2020

## 40. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcements dated 12 March 2021, 15 March 2021 and 16 March 2021, on 11 March 2021 (Argentina time), the Group received the Decree which stated that the Chañares Concession would be awarded to the New Concessionaire other than the Company's indirect wholly owned subsidiary, and on 15 March 2021 (Argentina time), the Company was informed by Chañares that the New Concessionaire took over the Chañares Concession on 13 March 2021 (Argentina time).

It was stated in the Decree that the Appeal Letter submitted by the Group objecting against the Decision of the Hydrocarbons Department of Mendoza Province, Argentina was denied. The Group has been seeking legal advice on this matter and the possible legal actions to set aside the Decree.

The Group has been informed by Chañares that it will continue to take legal actions against the Mendoza Government regarding the termination of the concession and intends to take further legal actions to seek monetary compensation payable to it. The Group intends to seek legal advice on the possible legal actions to protect the interest of the Company in this regard.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	–	–
Unlisted interests in subsidiaries	–*	8
Amounts due from subsidiaries	93	150,204
Total non-current assets	93	150,212
<b>Current assets</b>		
Other receivables, prepayment and deposits	1,172	449
Amounts due from subsidiaries	304,341	396,521
Bank balances and cash	100,532	504
Total current assets	406,045	397,474
<b>Current liabilities</b>		
Other payables	4,238	11,808
Amounts due to subsidiaries	6,691	93,102
Tax payable	3,092	3,092
Total current liabilities	14,021	108,002
<b>Net current assets</b>	392,024	289,472
<b>Total assets less current liabilities</b>	392,117	439,684
<b>Capital and reserves</b>		
Share capital	52,403	52,403
Reserves ( <i>Note</i> )	339,714	387,281
<b>Total equity</b>	392,117	439,684

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 41. 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 2019	918,270	201,645	(705,642)	414,273
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(26,992)</u>	<u>(26,992)</u>
At 31 December 2019	918,270	201,645	(732,634)	387,281
Loss and total comprehensive expense for the year	<u>–</u>	<u>–</u>	<u>(47,567)</u>	<u>(47,567)</u>
<b>At 31 December 2020</b>	<b><u>918,270</u></b>	<b><u>201,645</u></b>	<b><u>(780,201)</u></b>	<b><u>339,714</u></b>

# Five-Year Financial Summary

For the year ended 31 December 2020

## RESULTS

	For the year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	<b>42,449</b>	60,560	71,419	57,870	62,253
Profit (loss) before tax	<b>8,578</b>	(137,327)	(115,087)	(48,424)	(30,988)
Income tax expense	<b>(440)</b>	(772)	(140)	(6,431)	(91)
Profit (loss) for the year	<b>8,138</b>	(138,099)	(115,227)	(54,855)	(31,079)
Attributable to:					
Owners of the Company	<b>8,519</b>	(138,099)	(115,227)	(54,855)	(31,079)
Non-controlling interests	<b>(381)</b>	–	–	–	–
	<b>8,138</b>	(138,099)	(115,227)	(54,855)	(31,079)

## ASSETS AND LIABILITIES

	At 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	<b>475,763</b>	469,264	599,667	706,920	367,734
Total liabilities	<b>(16,265)</b>	(25,368)	(24,614)	(147,804)	(21,892)
Equity attributable to owners of the Company	<b>459,498</b>	443,896	575,053	559,116	345,842
Attributable to:					
Owners of the Company	<b>459,879</b>	443,896	575,053	559,116	345,842
Non-controlling interests	<b>(381)</b>	–	–	–	–
	<b>459,498</b>	443,896	575,053	559,116	345,842