



## **CORPORATE PROFILE**

EPI is a company that primarily focuses on the production of oil and gas in the energy and resource sector. While having a strong oil and gas exploration and production operation in Argentina, EPI is progressively expanding its portfolio through strategic mergers and acquisitions in other oil and gas projects around the world. EPI is committed to becoming one of Asia's leading operators in the oil and gas industry and is proactively pursuing investment opportunities that create long-term, sustainable value to our shareholders.

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## Corporate Information

### NON-EXECUTIVE CHAIRMAN

Mr. Ho King Fung Eric  
(re-designated from Non-Executive Director on  
30 July 2013)

### EXECUTIVE DIRECTORS

Mr. Tse Kwok Fai Sammy (Chief Executive Officer)  
(appointed on 9 April 2013)  
Mr. Allan Ritchie (Deputy Chief Executive Officer)  
(appointed on 4 April 2013)  
Mr. Chan Chi Hung Anthony (appointed on 16 July 2013)  
Mr. Chu Kwok Chi Robert (Chief Executive Officer)  
(resigned on 9 April 2013)  
Mr. Hong Kin Choy (Chief Financial Officer)  
(resigned on 3 June 2013)

### NON-EXECUTIVE DIRECTOR

Mr. Ho King Fung Eric (appointed on 4 April 2013 and  
re-designated as Non-Executive Chairman on  
30 July 2013)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Yuk Ming (retired on 3 July 2013)  
Mr. Lam Ting Lok (appointed on 4 April 2013)  
Mr. Qian Zhi Hui  
Mr. Zhu Tiansheng

### COMPANY SECRETARY

Mr. Cheng Sing Wai (appointed on 3 June 2013)  
Mr. Hong Kin Choy (resigned on 3 June 2013)

### REMUNERATION COMMITTEE

Mr. Qian Zhi Hui (Chairman)  
Mr. Tse Kwok Fai Sammy  
Mr. Zhu Tiansheng

### NOMINATION COMMITTEE

Mr. Qian Zhi Hui (Chairman)  
Mr. Tse Kwok Fai Sammy  
Mr. Zhu Tiansheng

### AUDIT COMMITTEE

Mr. Lam Ting Lok (Chairman)  
Mr. Qian Zhi Hui  
Mr. Zhu Tiansheng

### SOLICITORS

ReedSmith Richards Butler  
Vincent T.K. Cheung, Yap & Co.

### AUDITOR

Deloitte Touche Tohmatsu

### PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM 08 Bermuda

### BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1401, 14/F  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai, Hong Kong  
Telephone: (852) 2616 3689  
Fax: (852) 2481 2902

### SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange  
of Hong Kong Limited  
Stock Code: 0689  
Board lot: 10,000 shares  
Financial year end: 31 December  
Number of Shares at 30 June 2013: 3,279,877,588  
Share price at 30 June 2013: HK\$0.248  
Market capitalization at 30 June 2013: HK\$813 million

### WEBSITE ADDRESS

[www.epiholdings.com](http://www.epiholdings.com)

## Management Discussion and Analysis

The Group's core business is the petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") in the Cuyana Basin, Mendoza Province of Argentina.

Pursuant to the Operation Agreement signed on 5 June 2012, Chañares agreed to release EP Energy S.A. ("EP Energy") from the Commitment under the JV Agreement signed on 12 January 2011. Following the short-term development plan, the Group continued to focus on investment to improve production, and to lower operation costs of the existing 10 producing wells. During the six months ended 30 June 2013 ("the Interim Period"), the Group had performed one workover job to the oil well, the overall result was satisfactory with increase in initial production after workover. The Group had completed the investment in our own water injection capacity in the field. Our owned well fluid collection tank and pipeline have been put into use, and the Group is investing on its improvement, such as heating system.

As at 30 June 2013, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells were in production, of which 5 oil wells were drilled by Have Result Investments Limited ("Have Result") where the Group is entitled to 51% interest on production, and the other 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

The contingent oil resources in certain shallow reservoirs in the Mendoza oilfield as at 31 December 2012 were as follows,

### Contingent Oil Resources (unit: million barrels) \*

Category Gross (100%)	31 Dec 2012
Low Estimate (1C)	83.5
Best Estimate (2C)	146.9
High Estimate (3C)	245.5
Total (1C+2C+3C)	475.9

\* According to the Resource Estimation Review Report issued by Roma Oil and Mining Associates Limited on 19 March 2013 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

On 21 May 2013, EP Energy had been notified by the shareholders of Chañares that the shareholders of Chañares received an irrevocable offer for the acquisition of the entire issued share capital of Chañares (the "Chañares Transaction"). Pursuant to the JV Agreement, EP Energy has the right to compete on equal footing in the event that Chañares decides to, among other things, sell or transfer, totally or partially, its capacity as concessionaire of the Concessions, or if Chañares' shareholders decide to sell the majority of the shares of Chañares. However, pursuant to the terms of the JV Agreement, this shall not constitute any preference or right of first refusal in favour of EP Energy. In addition, Chañares has previously granted a right of first refusal to another party.

EP Energy had 30 days as from 21 May 2013 to inform Chañares about its interest to participate. Should such interest be informed to Chañares in the referred term, the deadline for submission of the proposed offer would be in principle 19 July 2013.

## Management Discussion and Analysis

In order to put the Company's resources in the feasibility study of a few acquisition opportunities in South America and North America (including the proposed acquisition of the equity ownership and voting shares of a group of companies holding the interests in certain oil and gas properties located in United States of America which was announced by the Company on 28 November 2012), the Board had decided not to make the proposed offer to Chañares.

Notwithstanding the Chañares Transaction, there will be no change in concessionaire of the Concessions or assignment of rights and obligations of Chañares under the JV Agreement. The Board does not foresee any material adverse effects on the Group's business operation in the Concessions as a result of the Chañares Transaction.

As of 30 June 2013, the Group had not received any notification nor had been informed by Chañares on the results on irrevocable offer for the acquisition of the entire issued share capital of Chañares.

On May and June 2013, the Group had received HK\$1.5 million incentive granted from Petr leo Plus program ("Petr leo Plus Program") executed by the government of Argentina. The incentive was received from and distributed by Chañares according to the distribution methodology as agreed in the Operation Agreement signed on 5 June 2012 between EP Energy, Have Result and Chañares. The Group had been further informed by Chañares that an incentive from Petr leo Plus Program will be received by the end of year 2013.

### GROUP FINANCIAL REVIEW

For the Interim Period, the Group's turnover was HK\$46.4 million, a decrease of HK\$24.5 million as compared with HK\$70.9 million recorded in the same period of last year. The Group recorded a loss for the year of HK\$86.9 million, against a loss for the year of HK\$38.8 million in the corresponding period of 2012. The increase in loss was mainly attributable to the recognition of share-based payment expenses of HK\$15.3 million as a result of the share options granted by the Company and the expected loss on fair value change of HK\$34.5 million due to the recognition of convertible notes at fair value in accordance with the International Financial Reporting Standards by the Company during the Interim Period.

On May and June 2013, the Group had received HK\$1.5 million being incentive granted from Petr leo Plus program executed by the Government of Argentina. The incentive was received from and distributed by Chañares according to the distribution methodology as agreed in the Operation Agreement signed on 5 June 2012.

The Group had performed one workover job to the existing oil well during the Interim Period, the result was satisfactory with increase in initial production after workover. The Group has completed the investment in our own water injection capacity in the field. Our owned well fluid collection tank and pipeline have been put into use, and the Group is investing on its improvement, such as heating system.

# Management Discussion and Analysis

## REVIEW OF GROUP OPERATIONS

During the Interim Period, the Group's core and continuing operations were petroleum exploration and production.

### Exploration and sales of petroleum

During the Interim Period, the Group had performed one workover job to the oil well, the result was satisfactory with increase in initial production after workover. The Group had completed the investment in our own water injection capacity in the field. Our owned well fluid collection tank and pipeline have been put into use, and the Group is investing on its improvement, such as heating system.

During the Interim Period, the Group had 10 producing wells generating oil sales revenue and had received from Chañares incentive from Petróleo Plus Program. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner. Turnover generated from the sales of petroleum segment for the Interim Period was HK\$46.4 million.

During the Interim Period, the depreciation of the oil & gas properties was HK\$13.0 million.

### 1.1 Future operation plan

#### *Short-term development plan*

The Group is focused on workover and infrastructure investments to improve production on the existing oil wells during 2013. The Group has invested in our owned centralized well fluid collection tank and collection pipeline, have been put into use during the second quarter of year 2013. The Group had completed the investment in our own water injection capacity during the second quarter of year 2013. The Group will continue to improve the production and operation cost of the existing 10 producing wells, and has planned to perform numbers of workovers, and work on the improvement on the centralized well fluid collection tank.

#### *Future development plan*

The Directors will reassess the future development plan in the Chañares oil field project base on the economic situation of Argentina at the end of year 2013. The future business plan will be developed in prudent estimation on those factors and assumptions for future cashflow estimation on the project.



### *Other business opportunities*

After setting up the technical & operational team and having a stable development in Argentina operation, the Group continues making effort in searching for opportunities on Oil & Gas exploration and production businesses. The Group is focused on the oil & gas field with stable production base, with proven reserve, with certain development opportunities, in those industrial-advanced countries, such as the United States of America. The Group is now looking into a few acquisition opportunities in North America. If the proposed acquisition proceeds, the transaction may constitute a major/very substantial acquisition transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and further announcements will be made by the Company in accordance with the Listing Rules. The Board wishes to emphasize that the negotiations for the proposed acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	Notes	For the six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	3	46,406	70,906
Cost of sales			
– depreciation of property, plant and equipment		(13,040)	(23,894)
– other cost		(22,237)	(29,674)
Other gains and losses		(34,274)	35
Selling, distribution and administrative expenses		(36,396)	(39,522)
Other expenses	4	(2,041)	(511)
Finance costs	5	(25,370)	(15,795)
Loss before taxation		(86,952)	(38,455)
Taxation charge	6	–	(311)
Loss for the period and total comprehensive expense for the period attributable to the owners of the Company	7	(86,952)	(38,766)
<b>Loss per share</b>			
– Basic	8	HK\$(0.027)	HK\$(0.017)
– Diluted	8	HK\$(0.027)	HK\$(0.017)

## Condensed Consolidated Statement of Financial Position

At 30 June 2013

	Notes	<b>At 30 June 2013 HK\$'000 (Unaudited)</b>	At 31 December 2012 HK\$'000 (Audited)
<b>Non-current assets</b>			
Exploration and evaluation of assets		648,468	648,468
Property, plant and equipment		206,878	204,456
Other tax recoverable		25,744	48,878
		<b>881,090</b>	901,802
<b>Current assets</b>			
Trade and other receivables	10	232,270	232,188
Held-for-trading investments		30	37
Bank balances and cash		4,997	2,680
		<b>237,297</b>	234,905
<b>Current liabilities</b>			
Trade and other payables	11	14,055	95,516
Borrowings – amount due within one year	12	39,463	65,808
Convertible notes		24,561	25,927
Derivative financial liabilities		10,000	–
		<b>88,079</b>	187,251
Net current assets		<b>149,218</b>	47,654
Total assets less current liabilities		<b>1,030,308</b>	949,456
<b>Non-current liabilities</b>			
Borrowings – amount due after one year	12	273,000	273,000
Convertible notes		136,948	–
Assets retirement obligation		2,854	2,854
		<b>412,802</b>	275,854
		<b>617,506</b>	673,602
<b>Capital and reserves</b>			
Share capital	13	327,988	313,038
Reserves		289,518	360,564
Equity attributable to owners of the Company		<b>617,506</b>	673,602

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company						
	Share capital	Share premium	Investment revaluation reserve	Contributed	Share options reserve	Accumulated losses	Total
				surplus reserve (Note)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2012 (audited)	215,088	3,962,469	51,458	60,322	39,747	(410,143)	3,918,941
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	(38,766)	(38,766)
Issue of new shares	33,000	16,500	-	-	-	-	49,500
Transaction costs attributable to issue of new shares	-	(2,241)	-	-	-	-	(2,241)
Conversion of convertible notes	13,200	12,467	-	-	-	-	25,667
At 30 June 2012 (unaudited)	261,288	3,989,195	51,458	60,322	39,747	(448,909)	3,953,101
Balance at 1 January 2013 (audited)	313,038	4,022,678	-	60,322	39,747	(3,762,183)	673,602
Loss for the period and total comprehensive expense for the period	-	-	-	-	-	(86,952)	(86,952)
Issue of new shares	12,500	-	-	-	-	-	12,500
Transaction costs attributable to issue of new shares	-	(564)	-	-	-	-	(564)
Conversion of convertible notes	2,450	1,142	-	-	-	-	3,592
Recognition of share-based payment expense	-	-	-	-	15,328	-	15,328
At 30 June 2013 (unaudited)	327,988	4,023,256	-	60,322	55,075	(3,849,135)	617,506

Note:

The contributed surplus reserve represents the credit arising from capital reduction in 2006.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash used in operations	(56,960)	(38,349)
Hong Kong profits tax paid	–	(778)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(56,960)</b>	<b>(39,127)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(15,622)	(6,358)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,622)</b>	<b>(6,358)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of new shares	22,500	49,500
Expenses on issue of new shares with warrants	(564)	(2,241)
Proceeds from issue of convertible note	100,000	–
Expenses on issue of convertible note	(3,500)	–
Net payment of other loans	(26,345)	–
Net payment of bank borrowings	–	(18,920)
Interest paid	(17,192)	(10,225)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>74,899</b>	<b>18,114</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,317</b>	<b>(27,371)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>2,680</b>	<b>29,509</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>4,997</b>	<b>2,138</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are mandatorily effective for the current interim period.

### HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

## 3. TURNOVER AND SEGMENTS INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

Petroleum exploration and production	–	exploration and production of petroleum
Trading of petroleum related products	–	trading of chemical products related to petroleum

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 3. TURNOVER AND SEGMENTS INFORMATION – CONTINUED

The following is an analysis of the Group's revenue and result by reportable segments:

Six months ended 30 June 2013 (unaudited)

	Petroleum exploration and production HK\$'000	Trading of petroleum related products HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
External sales	46,406	–	46,406
<b>Result</b>			
Segment results	(319)	–	(319)
Interest income			–
Other income			221
Unallocated corporate expenses			(61,484)
Finance cost			(25,370)
Loss before taxation			(86,952)
Taxation charge			–
Loss for the period			(86,952)

Six months ended 30 June 2012 (unaudited)

	Petroleum exploration and production HK\$'000	Trading of petroleum related products HK\$'000	Total HK\$'000
<b>Segment revenue</b>			
External sales	70,906	–	70,906
<b>Result</b>			
Segment results	5,074	(762)	4,312
Interest income			–
Other income			9
Unallocated corporate expenses			(26,981)
Finance cost			(15,795)
Loss before taxation			(38,455)
Taxation charge			(311)
Loss for the period			(38,766)

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 4. OTHER EXPENSES

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Expenses incurred in exploring potential investment opportunities	345	510
Change in fair value of financial assets classified as		
– held-for-trading investments	6	–
Loss on disposal of property, plant and equipment	–	1
Loss on disposal of held-for-trading investments	1,690	–
	<b>2,041</b>	511

## 5. FINANCE COSTS

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on borrowings wholly repayable within five years		
– Other loans	3,842	3,282
Interest on borrowings not wholly repayable within five years		
– Bank borrowings	7,821	6,016
Effective and coupon interest expense on convertible notes	9,953	5,570
Compensation charge for late payments to supplier in relation to petroleum exploration and production	3,707	–
Others	47	927
Total interest expense	<b>25,370</b>	15,795

## 6. TAXATION CHARGE

No provision for Hong Kong profits tax has been made as there is no assessable profit arising in Hong Kong (2012: Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits).



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 7. LOSS FOR THE PERIOD

The following items have been charged/(credited) to the loss for the period:

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	13,201	24,152
Operating leases on land and building	1,382	1,712
Staff costs, including directors' emoluments	9,449	9,724
Share based payment under options scheme	15,328	–
Loss on derivative component of convertible notes	34,495	–
Exchange (gain) loss, net	(12,447)	3,405

## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>LOSS</b>		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to the owners of the Company)	(86,952)	(38,766)
	2013 '000	2012 '000
<b>Number of shares</b>		
Weight average number of ordinary shares for the purpose of basic earnings per share	3,223,822	2,270,548
Effect of dilutive potential ordinary shares: Convertible notes	–	388,615
Weight average number of ordinary shares for the purpose of diluted earnings per share	3,223,822	2,659,163

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Trade receivables	5,086	3,945
Receivables arising from metals sales contracts (note a)	13,966	200,984
Other tax recoverable	30,573	13,553
Amount due from a former director (note b)	5,091	5,091
Other receivables and deposits	177,554	8,615
	<b>232,270</b>	232,188

Notes:

- (a) The terms of metals sales transactions are based on cash on delivery and the receivables arising from metals sale contracts of HK\$13,966,000 (2012: HK\$200,984,000) are past due with aging of 30 days based on the invoice date at the end of the reporting period. These past due receivables are all closely monitored. The management considers that these receivables will eventually be settled and therefore the Group has not provided for impairment loss on these receivables. The Group does not hold any collateral over these balances.
- (b) At 30 June 2013, a loan of HK\$5,000,000 (2012: HK\$25,000,000) was secured by personal assets of Mr. Wong Chi Wing, Joseph. Amount due from a former director represents the advance to Mr. Wong Chi Wing, Joseph as securities for his assets pledged. The directors of the Company expect that Mr. Wong Chi Wing, Joseph will repay the outstanding balance when the loan owed by the Group to the loan lender is repaid and that charge of personal assets of Mr. Wong Chi Wing, Joseph pledged as securities is released. Particulars of the amount due from a former director are as follows:

Former director	Terms	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)	Maximum amount outstanding during the period HK\$'000
Mr. Wong Chi Wing, Joseph	Unsecured, interest-free and repayable on demand	5,091	5,091	5,091

The Group allows on average credit period of 30 to 60 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms of up to 180 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
0-30 days	5,086	3,945
31-60 days	-	-
61-90 days	-	-
91-120 days	-	-
	<b>5,086</b>	3,945

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 11. TRADE AND OTHER PAYABLES

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Trade payables	451	34,447
Payables arising from metals purchase contracts (note a)	–	16,781
Payables for acquisition of held-for-trading investments as securities to a loan (note b)	–	16,115
Interest payable	3,955	3,053
Other payables and accruals (note c)	9,649	25,120
	<b>14,055</b>	95,516

Notes:

- (a) The terms of metals purchase transactions are based on cash on delivery and the payables arising from metals purchase contracts of HK\$16,781,000 at 31 December 2012 are past due with aging of 30 days based on the invoice date at the end of the reporting period.
- (b) The amount, which is interest-free and repayable on demand, represents the payable which arose from purchases of held-for-trading investments in 2011 as securities to a loan.
- (c) The amount at 31 December 2012 included professional fees payable and accrued, amounting to HK\$2,019,000, in respect of the proposed acquisition.

The following is an aged analysis by invoice date of trade payables at the end of the reporting period:

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
0-30 days	451	11,574
31-60 days	–	15
61-90 days	–	38
91-180 days	–	–
Over 180 days	–	22,820
	<b>451</b>	34,447

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 12. BORROWINGS

	At 30 June 2013 HK\$'000 (Unaudited)	At 31 December 2012 HK\$'000 (Audited)
Borrowings comprise the following:		
Bank loans	296,400	296,400
Other loans (note)	16,063	42,408
	<b>312,463</b>	338,808
Analysed as:		
Secured	301,400	321,400
Unsecured	11,063	17,408
	<b>312,463</b>	338,808
Carrying amount repayable:		
Within one year	39,463	65,808
In more than one year, but not more than two years	54,600	54,600
In more than two years, but not more than five years	163,800	163,800
In more than five years	54,600	54,600
	<b>312,463</b>	338,808
Less: Amounts due within one year shown under current liabilities	<b>(39,463)</b>	(65,808)
	<b>273,000</b>	273,000

Note: Other loans represent short-term loans from independent third parties.

The ranges of effective interest rate (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Effective interest rate:		Carrying amount	
	At 30 June 2013 (Unaudited)	At 31 December 2012 (Audited)	At 30 June 2013 (Unaudited) HK\$'000	At 31 December 2012 (Audited) HK\$'000
Fixed-rate borrowings	24%	24% to 31%	16,063	42,408
Variable-rate borrowings	4.41%	4.53%	296,400	296,400
			<b>312,463</b>	338,808

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 December 2012	10,000,000,000	1,000,000
Ordinary shares of HK\$0.10 each at 30 June 2013	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 December 2012 and 1 January 2013	3,130,377,588	313,038
Issue of new shares (note a)	125,000,000	12,500
Conversion of convertible notes (note b)	24,500,000	2,450
At 30 June 2013	3,279,877,588	327,988

### Notes:

- (a) On 21 January 2013, the Company entered into the placing agreement with the placing agent pursuant to which the placing agent has conditionally agreed to place 125,000,000 placing shares to not less than six placees who are independent third parties at a price of HK\$0.18 per placing share. In addition, the Company will issue non-listed warrants, on the basis of 5 warrants for each placing share issued, at no initial issue price, entitling the holder of each warrant to subscribe for one new share, at an exercise price of HK\$0.20 at any time for a period of three years from the date of issue of such warrant. The placing price of HK\$0.18 per placing share represents a discount of approximately 5.26% to the closing price of HK\$0.19 per share as quoted on The Stock Exchange of Hong Kong Limited on 21 January 2013. An ordinary resolution approving the share placing with unlisted warrants was passed at the special general meeting of the Company held on 22 February 2013. The new shares placing with unlisted warrants attached was completed on 1 March 2013 and pursuant to the placing agreement, 125,000,000 new placing shares with unlisted warrants attached on the basis of 5 warrants for each placing share issued were placed by the placing agent to not less than six placees who are independent third parties.

The net proceeds from the new share placing are approximately HK\$21.6 million shall be used as general working capital and the net proceeds from the exercise of all of the warrants will be approximately HK\$123 million shall be used as general working capital and no warrants had been exercised as at 30 June 2013.

Further details of the above are set out in the Company's announcements dated 21 January 2013, 22 February 2013 and 1 March 2013 and the circular of the Company dated 4 February 2013.

- (b) During the period, 24,500,000 shares of HK\$0.10 each of the Company were issued upon conversion of convertible notes with an aggregate principal amount of HK\$3,675,000.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

	30.06.2013			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
Held-for-trading				
– listed equity securities	30	–	–	30
<b>Financial liabilities</b>				
Conversion option of convertible notes	–	69,026	–	69,026
Warrant option derivative liability	–	10,000	–	10,000
	–	79,026	–	79,026

	31.12.2012			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
Held-for-trading				
– listed equity securities	37	–	–	37
<b>Financial liabilities</b>				
Conversion option of convertible notes	–	4,934	–	4,934

There were no transfers between Level 1, 2 and 3 in the current period and prior years.

### Valuation techniques and inputs used in Level 2 fair value measurements

Fair value of derivative financial instruments in level 2 is determined based on a binomial pricing model by independent professionals or the present value of the estimated future cash flows discounted at the effective interest rate.

## LIQUIDITY AND FINANCIAL RESOURCES

In order to meet general working capital requirements, the Group has decided to raise additional capital via placement of shares and the issue of convertible notes during the period. On 1 March 2013, the Company raised net proceeds of approximately HK\$21.6 million via a placement of 125,000,000 new shares at HK\$0.18 per share. On 11 April 2013, the Company raised net proceeds of approximately HK\$96.5 million via the placement of an aggregate amount of HK\$100 million 8% convertible notes due 2015, convertible into shares of the Company at initial conversion price of HK\$0.19 per share (subject to adjustments). On 27 August 2013, the Company raised approximately HK\$118.6 million via a placement of 650,000,000 new shares at HK\$0.19 per share. The Company will raise additional funds via placement of shares and the issue of convertible notes to finance its general working capital requirements in the coming year.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

## LONG POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Director	Nature of interest	Number of shares/ underlying shares held	Equity Derivatives (note 1)	Total Interest	Percentage of issued share capital (note 2)
Tse Kwok Fai Sammy	Personal	2,200,000	–	2,200,000	0.07%
Allan Ritchie	Personal	–	32,000,000	32,000,000	0.98%

Note:

- All interests in underlying shares of equity derivatives of the Company are interests in share options of the Company granted under the share option scheme of the Company.
- The calculation of percentages is based on 3,279,877,588 Shares of the Company in issue as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, no Directors or Chief Executive have any interests or short position 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

## Other Information

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, according to the register of interests maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance (“SFO”) and so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person’s interests in such securities, together with particulars of any options in respect of such capital were as follows:

### LONG/SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

<b>Name of Shareholders</b>	<b>Long/short position</b>	<b>Capacity/ nature of interest</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of issued share capital (note 2)</b>
City Smart International Investment Limited (note 1)	Long	Beneficial owner	7,466,856	0.23%
City Wise Investment Limited (note 1)	Long	Beneficial owner	398,232,975	12.14%
South America Petroleum Investment Holdings Limited (note 1)	Long	Interest of a controlled corporation	398,232,975	12.14%
Mr. Wu Shaozhang (note 1)	Long	Interest of a controlled corporation	405,699,831	12.37%

Notes:

1. So far as is known to the Directors, City Smart International Investment Limited, South America Petroleum Investment Holdings Limited and City Wise Investment Limited are beneficially wholly-owned by Mr. Wu Shaozhang.
2. The calculation of percentages is based on 3,279,877,588 Shares of the Company in issue as at 30 June 2013.

Saved as disclosed above, as at 30 June 2013, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.



### SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an Ordinary Resolution passed at the Special General Meeting of the Shareholders held on 6 November 2006 for the purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible vendors, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive Directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, independent non-executive Directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

## Other Information

As at 30 June 2013, options to subscribe for an aggregate of 300,000,000 shares of the Company granted to the Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

Name and category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Outstanding at 1.1.2013	Granted during the period	Lapsed during the period	Cancelled during the period	Adjustment	Outstanding at 30.06.2013
<b>Independent non-executive Director</b>									
Mr. Zhu Tiansheng	19 March 2010	19 March 2010 – 9 February 2013	1.610*	90,000	-	(90,000)	-	-	-
	19 March 2010	10 November 2010 – 9 February 2013	1.610*	90,000	-	(90,000)	-	-	-
	19 March 2010	10 August 2011 – 9 February 2013	1.610*	90,000	-	(90,000)	-	-	-
<b>Employee</b>									
	10 February 2010	10 February 2010 – 9 February 2013	1.564*	2,096,667	-	(2,096,667)	-	-	-
	10 February 2010	10 November 2010 – 9 February 2013	1.564*	2,096,667	-	(2,096,667)	-	-	-
	10 February 2010	10 August 2011 – 9 February 2013	1.564*	2,096,667	-	(2,096,667)	-	-	-
<b>Director</b>									
Allan Ritchie	11 April 2013	11 April 2013 – 10 April 2016	0.255	-	32,000,000	-	-	-	32,000,000
<b>Other participants</b>									
	10 February 2010	10 February 2010 – 9 February 2013	1.564*	1,939,999	-	(1,939,999)	-	-	-
	10 February 2010	10 November 2010 – 9 February 2013	1.564*	1,939,999	-	(1,939,999)	-	-	-
	10 February 2010	10 August 2011 – 9 February 2013	1.564*	1,940,000	-	(1,940,000)	-	-	-
	11 October 2011	11 October 2011 – 10 October 2013	0.141	140,000,000	-	-	-	-	140,000,000
	11 April 2013	11 April 2013 – 10 April 2016	0.255	-	128,000,000	-	-	-	128,000,000
				152,379,999	160,000,000	(12,379,999)	-	-	300,000,000

\* This reflects the adjusted share price on grant date after the completion of the consolidation of shares on 23 June 2011.

### **INTERIM DIVIDEND**

The Board has resolved that no interim dividend be paid for the period (2012: NIL).

### **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Interim Period, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities during the said period.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board recognizes the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated. During the period under review, the Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules with deviations from the code provision A.2.2, A.2.3 and A.4.1 of the CG Code as summarized below.

The code provision A.2.2 of the CG Code stipulates that the chairman should ensure that all directors are properly briefed on issues arising at board meetings and the code provision A.2.3 of the CG Code stipulates that the chairman should be responsible for ensuring that the directors receive adequate information, which must be complete and reliable, in a timely manner. Mr. Ho King Fung, Eric, the non-executive Director who was appointed on 4 April 2013, has been re-designated as the non-executive Chairman with effect from 30 July 2013.

The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Currently the non-executive Directors are not appointed for a specific term. However, all non-executive Directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the Model Code throughout the period.

## Other Information

### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts for the Interim Period with the Directors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ting Lok (Chairman of the Audit Committee), Mr. Qian Zhi Hui and Mr. Zhu Tiansheng.

### BOARD OF DIRECTORS

As at the date of this report, the Board comprises the non-executive Chairman, namely Mr. Ho King Fung, Eric, three executive Directors, namely Mr. Tse Kwok Fai, Sammy (Chief Executive Officer), Mr. Allan Ritchie (Deputy Chief Executive Officer) and Mr. Chan Chi Hung, Anthony, and three independent non-executive Directors, namely Mr. Lam Ting Lok, Mr. Qian Zhi Hui and Mr. Zhu Tiansheng.

On behalf of the Board

**EPI (Holdings) Limited**

**Tse Kwok Fai Sammy**

*Executive Director & CEO*

Hong Kong, 30 August 2013