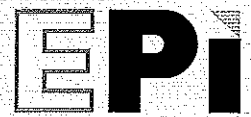


EPI (Holdings) Limited
長盈集團(控股)有限公司

A Hong Kong Listed Company (Stock Code : 0689)
(Incorporated in Bermuda with limited liability)

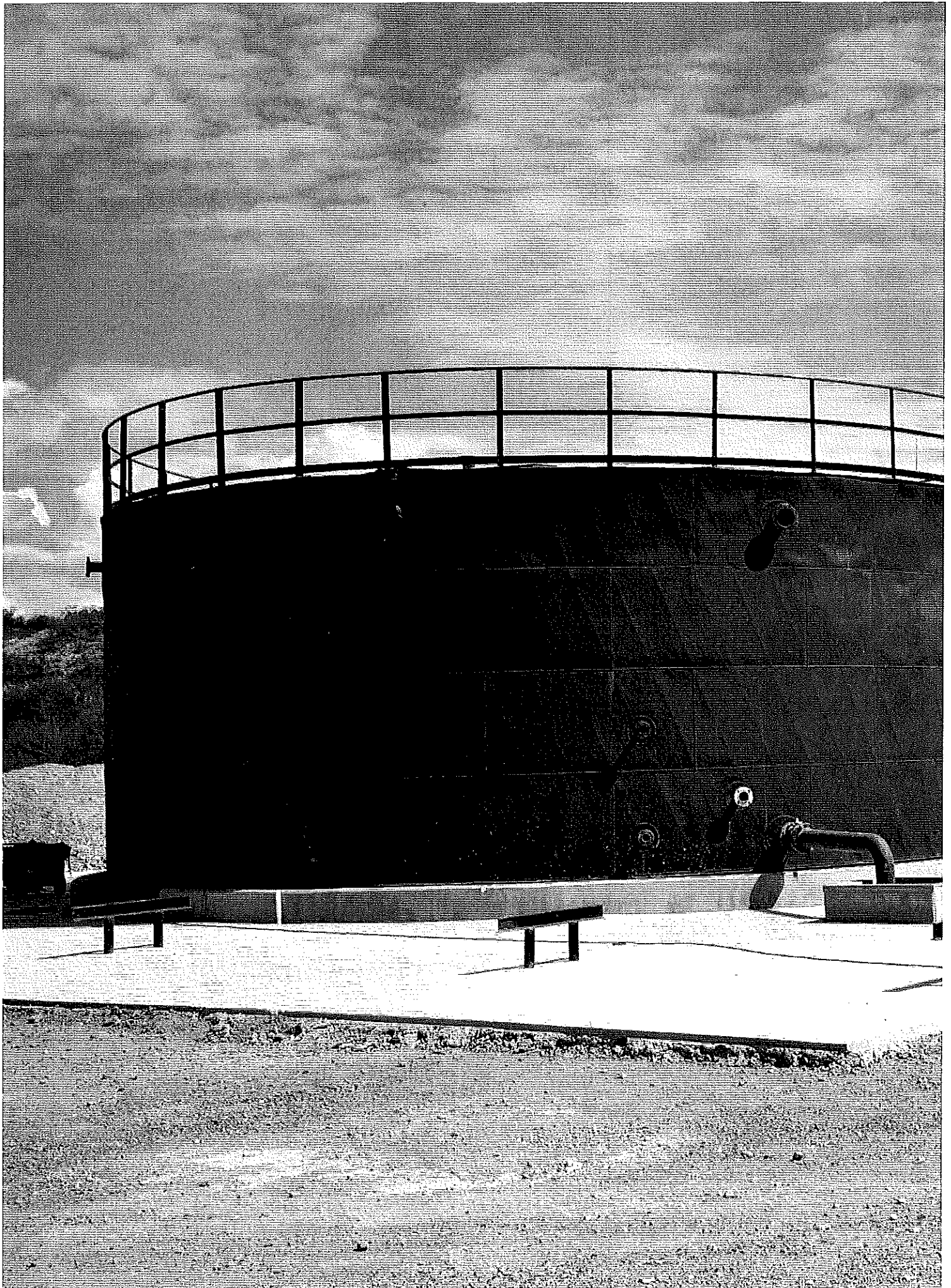


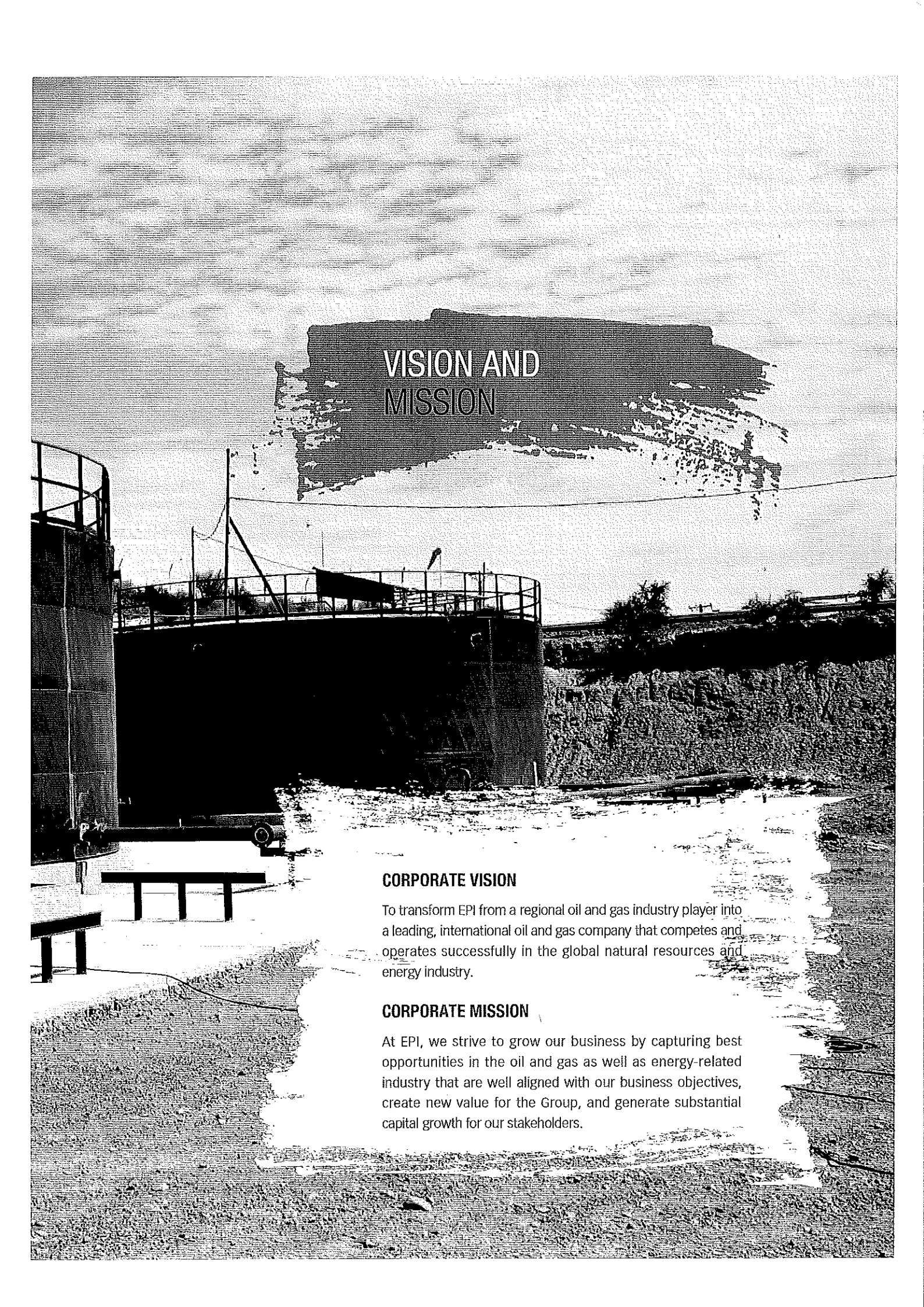
ANNUAL REPORT 2014



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VISION AND MISSION

CORPORATE VISION

To transform EPI from a regional oil and gas industry player into a leading, international oil and gas company that competes and operates successfully in the global natural resources and energy industry.

CORPORATE MISSION

At EPI, we strive to grow our business by capturing best opportunities in the oil and gas as well as energy-related industry that are well aligned with our business objectives, create new value for the Group, and generate substantial capital growth for our stakeholders.

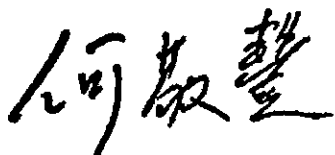
CHAIRMAN'S STATEMENT

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of EPI (Holdings) Limited (the **"Company"**) and its subsidiaries (collectively, the **"Group"**), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December, 2014. The Group recorded a loss for the year of HK\$381.1 million, against a loss for the year of HK\$679.2 million in year 2013.

During year ended 31 December 2014, the Group's core and continuing operations were petroleum exploration and production and had 10 producing wells generating oil sales revenue in Mendoza, Argentina. Pursuant to the Operation Agreement signed on 5 June 2012, Chafares agreed to release EP Energy from the Commitment under the JV Agreement signed on 12 January 2011. The Group is focused on workover and infrastructure investments to improve production on the existing oil wells from year 2012 to 2014. The Group had performed a workover job to one of its producing oil wells and also had continued investing to improve our own well fluid collection tank and pipeline. The Group will continue to invest in workover on the existing 10 producing oil wells and in improving own well fluid collection system during year 2015.

As per the Possible Acquisition Announcements of EPI (Holdings) Limited dated 28 November 2012, 11 February 2014 and 30 September 2014, the Company has continued since its last up-date announcement to work with the Possible Vendors in relation to the Proposed Acquisition, however due to recent significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in such prices are presenting challenges in pursuing the Proposed Acquisition based on the basic purchase price range set out in the MOU entered into between the parties in November 2012. The Company and the Possible Vendors will decide whether or not it is desirable to resume negotiations for a possible revised terms after oil prices stabilise.

The Board promises that the Group will be accountable to shareholders through which their interests will be protected, by enhancing the communications with the capital market and strengthening our corporate governance, in order to deliver a considerable capital growth and maximum profit returns to our shareholders.



Eric Ho
Non-Executive Chairman

27 March 2015



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 (together, 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 a joint venture agreement (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 maintain operation costs of the existing 10 producing wells. The Group has performed a workover job to one of its producing oil wells during year 2014. The Group has continued investing to improve our own well fluid collection tank and pipeline. As at 31 December 2014, the Group has finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are 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 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 2014 are as follows,

	31 December 2014	31 December 2013
Contingent Oil Resource (unit: million barrels)*		
Category Gross (100%)		
Low Estimate (1C)	81.3	82.3
Best Estimate (2C)	139.6	140.6
High Estimate (3C)	238.2	239.2

* According to the Technical Review Report issued by Roma Oil and Mining Associates Limited on 25 March 2015 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

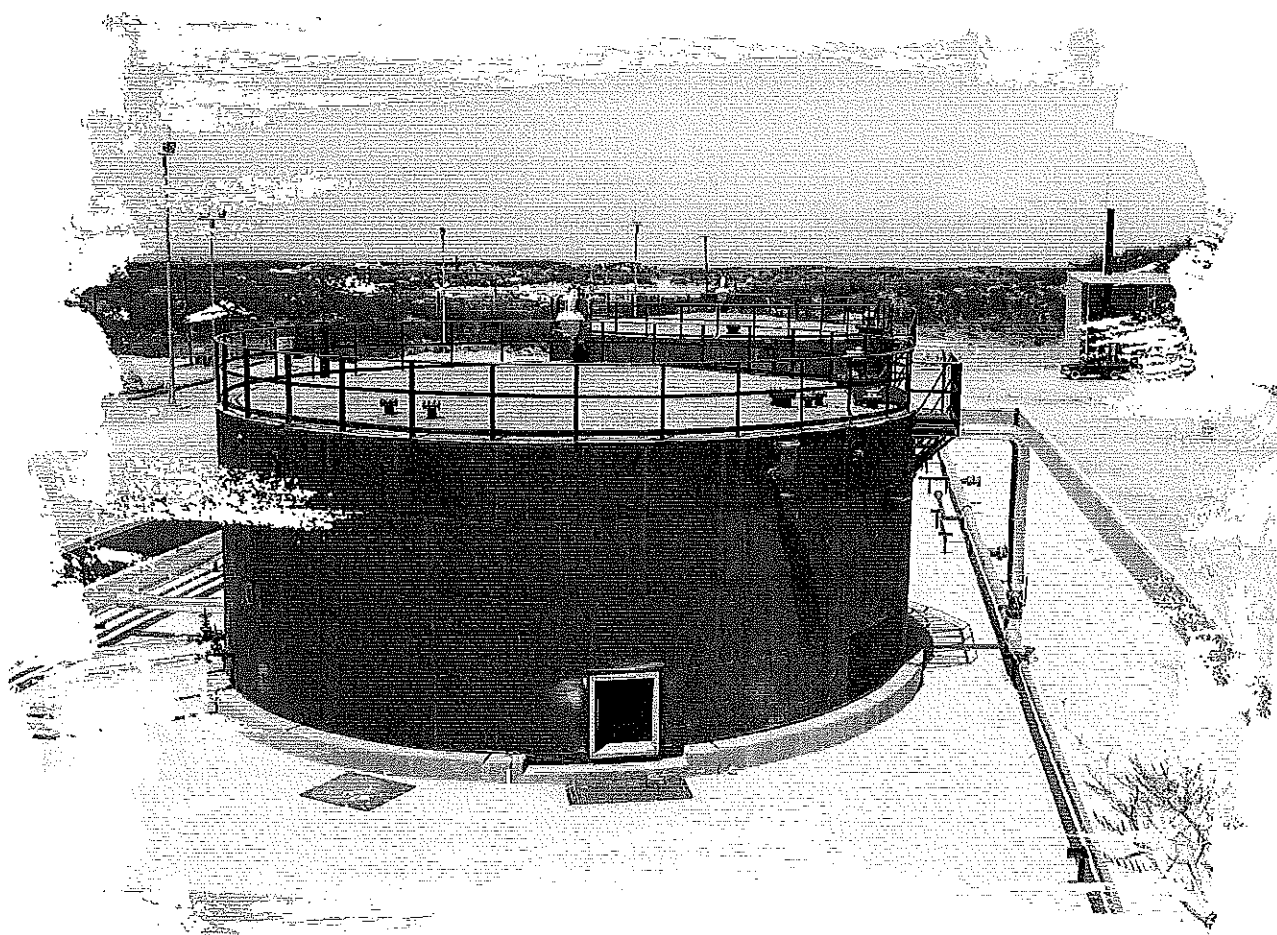
On 6 March 2014, EP Energy was notified by Chañares that the shareholders of Chañares received an irrevocable offer from a third party for the acquisition of the entire issued share capital of Chañares targetted to be completed by 5 June 2014. Pursuant to the JV Agreement, EP Energy has the right to 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's shareholders decide to sell the majority of the shares of Chañares. EP Energy informed Chañares before 5 April 2014 of its interest to compete under the referred terms. The deadline for submission of an acquisition offer by EP Energy was in principle on 5 May 2014. The Company has not made the proposed offer to Chañares by 5 May 2014. The Company received a notice from Chañares's shareholders dated 3 July 2014 whereby they were informed that the sale of their aggregate 100% equity interest in Chañares was completed on 12 June 2014. The buyer of such equity interest is an individual third party.

The carrying amount of the exploration and evaluation assets (**"E&E assets"**) is reviewed for impairment indicators annually and adjusted for impairment loss in accordance with HKAS 36 "Impairment of assets" (**"HKAS 36"**) and whenever there are any "trigger" events or changes in circumstances indicating that the carrying amount may not be recoverable. During the years ended 31 December 2009, 31 December 2010, 31 December 2011 and the six months ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of E&E assets might not be recoverable. Accordingly, no impairment needed to be provided for the E&E assets.

The Company has performed an impairment review on its E&E assets during the year 2012 and the year 2013. An impairment loss of HK\$3,130,106,000 and HK\$442,197,000 were recognised as the carrying amount of the E&E assets exceeding its recoverable amount as at 31 December 2012 and 2013 respectively. They were non-cash item adjustments and did not affect the existing operations of oil field.

MANAGEMENT DISCUSSION AND ANALYSIS

West Texas Intermediate ("WTI") spot price has dropped substantially from December 2014 and January 2015, the average WTI spot price for December 2014 reduced by more than 21% as compared with that of November 2014, and the average WTI spot price had a further decrease of 20% in January 2015 (sourced from U.S. Energy Information Administration ("EIA") website). With reference to the reduction by 45% and 30%, respectively, in Year 2015 and 2016 WTI spot oil price forecast in Year 2015 Short Term Energy Outlook issued by U.S. Energy Information Administration (part of U.S. Department of Energy) as compared with the WTI price forecast in Year 2014 Annual Energy Outlook ("**Year 2014 Outlook**"), the directors of the Company considered that there would be a high probability of deterioration in the growth of future oil price. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. The Group decided to delay and change its development plan on the Argentina oil project and performed an impairment test on its E&E assets as at 31 December 2014. The Company has engaged Roma Oil and Mining Associates Limited ("**Roma**") to perform a valuation of the E&E assets. Details of impairment review are set out in the Group Financial Review section.



MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

For the year ended 31 December 2014, the Group's turnover was HK\$85.7 million, a decrease of HK\$4.1 million as compared with HK\$89.8 million recorded in last year. The Group recorded a loss for the year of HK\$381.1 million, against a loss for the year of HK\$679.2 million in year 2013. During year 2014, an impairment loss of HK\$91,049,000 (year 2013: HK\$442,197,000) was recognised in respect of the E&E assets and impairment loss of HK\$0 (year 2013: HK\$51,111,000) was recorded in respect of property, plant and equipment relating to the Chafñares oil project.

On 3 November 2009, the Group acquired the entire issued share capital of Have Result for a consideration of HK\$3,835,273,000. The principal assets held by Have Result are E&E assets, including oil exploration rights. For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at an initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including the shares and convertible notes issued, was used to account for the cost of the oil exploration rights, which was HK\$3,810,136,000, being capitalised as an E&E assets. At the time of acquiring the entire issued share capital of Have Result, except for the 51% working interest in the Concessions in the Cuyana Basin, Mendoza Province of Argentina, Have Result has no other operating assets and therefore the market value of Have Result is mainly dominated by the value of the oilfield. Three generally accepted valuation methodologies have been considered in valuing Have Result by BMI Appraisals Limited ("BMI"), the professional valuer, namely the market approach, the cost approach and income approach. The market approach provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market. The cost approach provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile. BMI have considered that the income approach is not appropriate to value Have Result, as there are insufficient historical and forecasted financial and operational data of the oilfield. Moreover, the income approach may involve adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event that any such assumptions are founded to be incorrect or unfounded, the valuation result would be significantly affected. The cost approach is also regarded inadequate in this valuation, as this approach does not take future growth potential of Have Result into consideration. Thus, they have determined that the market approach is the most appropriate valuation approach for this valuation.

MANAGEMENT DISCUSSION AND ANALYSIS

BMI used the market approach by referring to recent sales and purchase transactions of oilfields. They referred to 84 recent sales and purchase transactions related to oilfields over the world (referred to as the **"Comparable Transactions"**) till June 2009, of which they further analysed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the oilfield. In the valuation, BMI used the weighted-average adjusted consideration price to proved and probable reserve (the **"Adjusted P/Reserve"**) multiple of the Comparable Transactions to determine the market value of the oilfield and the market value of Have Result accordingly. Based on the investigation and analysis done by BMI, it was determined that the market value of a 100% equity interest in Have Result as at 30 June 2009 was US\$612,000,000 (or HK\$4,773,600,000). The carrying value of the E&E assets of HK\$3,810,136,000 as at 3 November 2009, date of acquisition, was approximately 79.82% of the valuation of a 100% equity interest in Have Result as at 30 June 2009. When determining the fair value of the E&E assets acquired, as the exploration on the acquired areas was at an initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible notes issued, was used to account for the cost of the E&E assets. The carrying amount of the E&E assets is reviewed for impairment indicators annually and adjusted for impairment loss in accordance with HKAS 36 and whenever there are any "trigger" events or changes in circumstances indicating that the carrying amount may not be recoverable. During the years ended 31 December 2009, 31 December 2010, 31 December 2011 and the period ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of E&E assets might not be recoverable. According to the requirements under HKAS 36, no impairment needed to be provided for the E&E assets.

In November 2012, the Group noted that the crude oil selling price to YPF through Chañares decreased by US\$1.5 per barrel to US\$67.2 per barrel, and dropped to US\$66.5 per barrel in December 2012, which maintained through April 2013. This is the first time oil prices decreased since the Company commenced its investment in Argentina. The Company has performed an impairment test on its E&E assets during the year 2012 and has applied a more prudent estimation on factors and assumptions in assessing the recoverable amounts on the E&E assets by adopting discounted cashflow method. An impairment loss of HK\$3,130,106,000 was recognised as the carrying amount of the E&E assets exceeding its recoverable amount in the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

In year 2013, taking into account of the decrease in short term WTI spot oil price forecast in Year 2014 Energy Outlook issued by EIA by 20% or more as compared with the Year 2013 Energy Outlook and the potential acquisition opportunity, the Directors of the Company (the "Directors") decided to further delay the Group's overall drilling plan to later years, and conducted a review of the impairment on the E&E assets as at 31 December 2013. The Company has engaged Roma to perform a valuation of the E&E assets, based on market approach and income approach. Roma used the market approach by referring to certain comparable sales and purchase transactions of oilfields in year 2012 and 2013, of which they further analysed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the oilfield. In the valuation, Roma used the Adjusted P/Reserve multiple of the Comparable Transactions to determine the market value of the oilfield and the market value of the E&E assets held by the Company accordingly. Roma adopted discounted cash flow method in the income approach valuation. During the adoption of the discounted cash flow method, a more prudent estimation on those factors and assumptions for future recoverable amounts on the E&E assets were used. With reference to the E&E Assets Valuation issued by Roma dated 24 March 2014, the E&E assets are valued at US\$24,575,000 and US\$26,445,000 by market approach and income approach respectively. According to HKAS 36, the recoverable amount of an asset is defined as "the higher of its fair value less costs to sell and its value in use". The Directors considered the valuation in market approach and income approach represents the fair value less cost to sell and the value in use of its E&E assets. The Company adopted the income approach valuation as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK\$442,197,000 (year 2012: HK\$3,130,106,000) was recognised as the carrying amount of the E&E assets exceeding its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

From December 2014, WTI spot price has dropped substantially, where average price in December 2014 has decreased by US\$16.5 per barrel to US\$59.3 per barrel (November 2014 at US\$75.8 per barrel). The average price further decreased to US\$47.2 per barrel in January 2015. The Group's Argentina subsidiaries were selling oil at US\$73.9 per barrel in December 2014 and US\$66.9 per barrel in January 2015, which were higher than the WTI spot price for the same period.

On 10 March 2015, EIA has released a Short Term Energy Outlook where the forecast WTI spot price for Year 2015 and Year 2016 are US\$52 per barrel and US\$70 per barrel respectively. An extract from Short Term Energy Outlook: "EIA projects the Brent crude oil price will average \$59/bbl in 2015, up \$2/bbl from last month's STEO, with prices rising from an average of \$56/bbl in the second quarter to an average of \$67/bbl in the fourth quarter. The Brent crude oil price is projected to average \$75/bbl in 2016. WTI prices in 2015 and 2016 are expected to average \$7/bbl and \$5/bbl, respectively, below Brent.". Compared with the above latest WTI spot price forecast against the price forecast in Year 2014 Annual Energy Outlook, the latest price forecast has dropped by 42% and 25% for Year 2015 and Year 2016 respectively, the Directors considered that there would be a high probability of deterioration in the growth of short term to mid-term future oil price. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. The Directors of the Company decided to change and delay the Group's overall development plan in its Argentina oil field operation, and conducted a review of the impairment on the E&E assets as at 31 December 2014.

The Company has engaged Roma to perform a valuation of the E&E assets as of 31 December 2014. As the sample size of the recent comparable transactions in or closest to Argentina was small, Roma considered the market approach could not give a conclusive result. Roma has adopted the income approach in arriving at both the value in use and fair value less costs of disposal of the E&E assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Roma adopted discounted cash flow method in the income approach valuation. With reference to the recent drops in actual WTI spot price and the reduction in future price forecast as stated below, the Directors of the Company decided to change and delay the Group's overall development plan in its Argentina oil field operation:

- WTI spot price has dropped substantially in December 2014 and January 2015, the average WTI spot price was at US\$75.79 per barrel for November 2014, at US\$59.29 per barrel for December 2014 and at US\$47.22 per barrel for January 2015, a reduction by 21% in December 2014 and 20% in January 2015 respectively (average WTI spot price sourced from EIA website).
- According to the Short Term Energy Outlook issued by EIA on 10 March 2015, the forecast WTI spot price for Year 2015 and Year 2016 are US\$52 per barrel and US\$70 per barrel respectively. These short term WTI spot prices reduced by 30% or more as compared with the Year 2014 Outlook, where forecast oil price per barrel for Year 2015 at US\$52 (Year 2014 Outlook: US\$89.8), Year 2016 at US\$70 (Year 2014 Outlook: US\$92.9). The Directors took a more prudent approach in estimating the short term and mid-term future oil selling prices to YPF and considered the future oil selling prices would increase steadily.
- With reference to the decrease in future growth in oil selling prices, the directors of the Company decided to change and delay the Group's overall drilling plan to later years as the original plan made in last year would not be beneficial to the Group. The production quantity used to calculate future cash flows from operations has decreased.
- The discount rate used for the impairment assessment in 2014 has considered a higher country risk of Argentina in view of the depreciation of Argentina Peso against US Dollar in January 2014 and economic situation in Argentina. The discount rate used in year 2014 was 18.06% (year 2013: 17.72%).

The discount rate reduced the net present value of future cash flow of the project. With reference to the E&E Assets Valuation issued by Roma dated 25 March 2015, the value in use of the E&E assets under the income approach was estimated as US\$14,772,000; while the fair value less costs of disposal under the income approach was US\$11,970,000 as at 31 December 2014. According to HKAS 36, the recoverable amount of an asset is defined as "the higher of its fair value less costs to sell and its value in use". The Company adopted the value in use valuation under income approach as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK\$91,049,000 (year 2013: HK\$442,197,000) was recognised as the carrying amount of the E&E assets over its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$ and the Argentina peso ("ARS"). The Group considers there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged.

The oil selling price for our Argentina operations is based on US Dollar, and converted into ARS in Official exchange rate on a monthly basis. Majority of our investment cost on drilling cost, completion cost, workover job, infrastructure and equipment are based on US Dollar, and converted into ARS in Official exchange rate at time of payment. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

Exploration and sales of petroleum

The Group's core business is the petroleum exploration and production in the Concessions in the Cuyana Basin, Mendoza Province of Argentina. There was no acquisitions and disposals of subsidiaries and associated companies during year 2014.

During year 2014, the Group had performed a workover job to one of its producing oil wells. The Group had continued investing to improve our own well fluid collection tank and pipeline. As at 31 December 2014, 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 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

During year 2014, the Group had 10 producing wells generating oil sales revenue. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner.

Revenue generated from the sales of petroleum segment for the year ended 2014 amounted to HK\$85.7 million. As of 31 December 2014, the Company had invested HK\$589.2 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK\$411.8 million in oil well drilling and completion which was classified as oil & gas properties and for which depreciation started from the commencement of production; (2) HK\$177.4 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that was located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the year 2014, the depreciation and depletion of the oil & gas properties was HK\$17.6 million.

Future operation plan

Short-term development plan

Pursuant to the Operation Agreement signed on 5 June 2012, Chañares agreed to release EP Energy from its commitments under the JV Agreement signed on 12 January 2011. The Group is focused on workover and infrastructure investments to improve production on the existing oil wells from year 2012 to 2014. The Group will continue to invest in workover on the existing 10 producing oil wells and in improving own well fluid collection system during year 2015.

Long-term development plan

The Directors considered the current economic situation of Argentina and decided to restart the overall business development plan on Chañares oil project in later years. The future business plan is developed by applying a more prudent estimation on those factors and assumptions for future cashflow estimation on the project. In developing the future business plan, the Directors have taken a more prudent approach and only considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027. The change in development plan and the production estimation is a more prudent way to value the project. The production quantity used to calculate future cash flow from operations has decreased.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in oil & gas exploration and production business. The Group is focused on the oil & gas field with stable production base, with proven reserves, with certain development opportunities, in those industrial-advanced countries, such as the United States of America ("U.S.").

On 10 January 2014, the Company entered into a confidential letter of intent (the "**Letter of Intent**") with three independent third parties (the "**Possible Vendors**") with respect to the proposed acquisition (the "**Proposed Acquisition**") of the entire interest in those private oil and gas properties in the U.S. and certain related assets (the "**Target Assets**") held by the Possible Vendors and others through specific corporate and partnership structures. Similar to the memorandum of understanding referred to in the Company's announcement dated 28 November 2012, the Letter of Intent does not create legally binding obligations on the parties to proceed with the transaction.

On 8 January 2015, the Company has made an Announcement relating to the Proposed Acquisition to the effect that whilst the Company has continued since its last updated announcement to work with the Possible Vendors in relation to the Proposed Acquisition, recent significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in such prices are presenting challenges in pursuing the Proposed Acquisition based on the basic purchase price range set out in the memorandum of understanding entered into between the parties in November 2012. The Company and the Possible Vendors will decide whether or not it is desirable to resume negotiations for a possible revised terms after oil prices stabilise.

FINANCIAL POSITION

As at 31 December 2014, the net asset value of the Group was HK\$30.7 million (2013: HK\$218.2 million) and the net asset value per share was HK\$0.006 (2013: HK\$0.05).

The Company has entered into a bank loan agreement with China Development Bank, of which the outstanding balance was approximately HK\$218,400,000 as at 31 December 2014. Pursuant to the terms of the bank loan agreement, if, among others, Mr. Wu Shaozhang ("**Mr. Wu**"), the substantial shareholder of the Company, maintains less than 10% of the beneficial shareholding interest in the issued share capital of the Company, the loan together with accrued interest may become immediately due and payable. As at 31 December 2014 and up to the date of these financial statements, Mr. Wu directly and/or indirectly holds 10.01% of the Company's shares and remains a substantial shareholder of the Company. Nevertheless Mr. Wu has signed a deed of undertaking with the Company that he undertakes to maintain his position as a substantial shareholder of the Company.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. 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. The Gearing ratio of the Group as at 31 December 2014 of 5.34, that equals to the Group's non-current borrowings divided by total equity.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2014, the carrying amounts of borrowings are denominated in US\$ amounted to HK\$218,400,000. The carrying amount of cash and cash equivalents are denominated in ARS, US\$, HK\$ and others amounted to HK\$3,744,000, HK\$22,420,000, HK\$2,372,000 and HK\$29,000 respectively.

As of 31 December 2014, total borrowings to the extent of HK\$0 is at fixed interest rate, none of the foreign currency investment are hedged by currency borrowings and other hedging instruments.

Details of the above are set out in Notes 23 & 27 to the Consolidated Financial Statements.

LIQUIDITY AND FINANCIAL RESOURCES

The following states the fund raising activity conducted by the Company during the year ended 31 December 2014:

Reference is made to the announcements of the Company dated 11 March 2014 and 22 April 2014 (the **"Placing Completion Announcement"**) and the shareholders circular dated 20 March 2014 (the **"Circular"**) pursuant to which the Company raised approximately HK\$149.4 million net proceeds by the issue of 682,480,000 shares. Except where the context otherwise requires, terms defined in the Circular have the same meanings when used in this section.

A total of 682,480,000 Placing Shares had been placed to not less than six independent placees at the placing price of HK\$0.228 per Placing Share, details of which have been disclosed in the Company's announcement dated 22 April 2014. The placing price of HK\$0.228 per Placing Share represented (i) a discount of approximately 10.6% over the closing price of HK\$0.255 per share as quoted on the Stock Exchange on 11 March 2014, being the date of the placing agreement; and (ii) a discount of approximately 7.3% over the closing price of HK\$0.246 per share as quoted on the Stock Exchange on 7 April 2014, being the date of the SGM to approve the issue of the Placing Shares. The Directors considered the Placing represent an opportunity to raise capital for the Company and enlarge the equity and shareholder base of the Company. The ordinary resolution approving the share placing was passed by the shareholders of the Company at the SGM. On 22 April 2014, all the conditions set out in the placing agreement had been fulfilled and the Placing was completed, details of which have been disclosed in the Company's announcement dated 22 April 2014.

The net proceeds, after deduction of the placing commission and other related expenses, was approximately HK\$149.4 million. The Company stated in the Placing Completion Announcement that a portion of the net proceeds of the Placing was earmarked to be used in and towards the payment of part of an indicative deposit to the Possible Vendors. The remainder of the deposit would have had to be funded by further debt or equity financing. However, given that the Proposed Acquisition is still under discussions, the payment of deposit has not yet been scheduled. In order to deploy funds available to the Group more efficiently, the Company is reallocating part of the proceeds of the Placing instead to pay down its debt financings raised in 2012 and 2013 that primarily funded or refinanced borrowings for the Group's oil and gas project in Argentina and working capital, as this can help reduce the gearing of and borrowing costs to the Group and the balance in and towards general working capital and professional fees in connection with the Proposed Acquisition. As such, it has been disclosed in the announcement of the Company dated 30 September 2014 regarding **"Change In Use Of Proceeds In Relation To New Shares Issued Under Specific Mandate"** (the **"Change In Use Of Proceeds Announcement"**).

MANAGEMENT DISCUSSION AND ANALYSIS

The revised use of the net proceeds, HK\$149.4 million, as stated in the Change In Use Of Proceeds Announcement, would be applied as to (i) approximately HK\$17.4 million for the professional fees to be incurred in the Proposed Acquisition; (ii) approximately HK\$94.6 million for paying down the Company's debt financing as mentioned above; and (iii) the remaining balance of approximately HK\$37.4 million as general working capital of the Company. Accordingly, the actual use of the net proceeds raised under the Placing were all used as intended as at 31 December 2014.

Reference is also made to the announcement of the Company dated 8 January 2015 (Update On Possible Acquisition Of Target Oil And Gas Properties In The United States Of America) in relation to the Proposed Acquisition, whilst the Company has continued to work with the Possible Vendors, recent significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in such prices are presenting challenges in pursuing the Proposed Acquisition based on the basic purchase price range set out in the MOU entered into between the parties in November 2012. The Company and the Possible Vendors will decide whether or not it is desirable to resume negotiations for a possible revised terms after oil prices stabilise.

Save for the equity fund raising exercise as stated above, the Company has not undertaken any other fund raising activity for the year ended 31 December 2014.

The Company plans to raise additional funds to finance its general working capital requirements in the coming year. Fund raising activities under consideration includes and are not limited to issue by way of rights, issue of convertible notes, placement of shares and/or other means of financing activities.

PLEDGE OF ASSETS

At 31 December 2014, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

- (a) The entire stock capital of EP Energy whose principal asset is the 72% equity interest in the joint venture company formed under the New JV Agreement.
- (b) The entire issued share capital of Have Result.
- (c) The entire issued share capital of two wholly-owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE CHAIRMAN

Mr. HO King Fung, Eric, Non-Executive Chairman, aged 38

Mr. Ho is EPI's Non-executive Chairman. Mr. Ho joined EPI as Non-executive Director on 4 April 2013 and was re-designated as the Non-executive Chairman on 30 July 2013.

Mr. Ho has extensive experience in investment banking origination, capital markets and legal practice. Prior to joining EPI, he was an analyst at JP Morgan in 2000 and then was a solicitor at Linklaters between 2003 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and the head of Hong Kong and Macau Origination.

Mr. Ho is a committee member of the Chinese People's Political Consultative Conference of Beijing, a role which he has been in since 2008. He is also the president of the Macau Money Exchangers' Association. Mr. Ho was awarded the Chinese Economics Elite Award in 2009. From April 2011 and April 2012, Mr. Ho was the non-executive director of United Energy Group Limited (HKSE Stock Code: 467). He has been appointed as the independent non-executive director of Nature Home Holding Company Limited (HKSE Stock Code: 2083) since May 2011. And, Mr. Ho has also been appointed as a non-executive director of AGTech Holdings Limited (HKSE Stock Code: 8279) since 23 May 2013. In Macau, Mr. Ho is the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited.

Mr. Ho graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree, majoring in Finance. Mr. Ho has also obtained his Bachelor of Laws degree from the University of New South Wales. He has been designated as a practicing solicitor in the Hong Kong Special Administrative Region.

EXECUTIVE DIRECTORS

Mr. TSE Kwok Fai, Sammy, Executive Director and Chief Executive Officer, aged 51

Mr. Tse joined the Company in 2009 as a consultant for the business development in Argentina and has been appointed as the Executive Director and Chief Executive Officer of the Company since April 2013.

Mr. Tse's wealth of managerial and executive experience is derived from working at various major corporations including the Hongkong Telecom 2 Group, Hutchison Whampoa Group and South China Group. He had been involved in the day-to-day operations of telecommunications, technology, media, energy and resources businesses in Hong Kong, the PRC and other countries. Mr. Tse has developed an extensive business network in the resources and energy sector and specializes in mergers and acquisitions, listings and asset injections, as well as business development.

Mr. Tse graduated from the University of Hong Kong majoring in Geography and Geology. He also obtained his MBA from the Chinese University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. CHAN Chi Hung, Anthony, Executive Director, aged 42

Mr. Chan is EPI's Executive Director and he was appointed as Executive Director on July 2013.

Prior to joining the Company, Mr. Chan has held senior management positions at other Hong Kong listed companies. He was the executive director of China Financial Leasing Group Limited (HKSE Stock Code: 2312) from April 2007 to July 2013. Mr. Chan has also held the position of non-executive director at Build King Holdings Limited (HKSE Stock Code: 240) since December 2008.

In December 2014, Mr. Chan was appointed as independent non-executive director of South East Group Limited (HKSE Stock Code: 726). Prior to his managerial career, Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios for four years. Mr. Chan started his career as a banker in J.P. Morgan covering Asia ex-Japan region.

Mr. Chan is a graduate of the University of Minnesota — Twin Cities and Stanford Graduate School of Business, both in United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. QIAN Zhi Hui, Independent Non-executive Director, aged 52

Mr. Qian joined the Company in September 2008. He joined China National Native Produce & Animal By-Products Import & Export Corporation, Guangdong Province, as chief legal advisor in 1988. He joined Guangzhou King Pound Law Firm as a lawyer in 1993 and is currently a partner of Guangdong Justwin Law Firm. From 2006 to 2008, he was an independent non-executive director of New Times Energy Corporation Limited (HKSE stock code: 166). He has a Master degree in Procedural Law from Southwest University of Political Science and Law, China.

Mr. ZHU Tiansheng, Independent Non-executive Director, aged 70

Mr. Zhu joined the Company in November 2009. He has over 41 years extensive experience in project management, operations, design and construction process of oil and natural gas transmission pipeline, exploration, production and transporting heavy oil, recycling of light hydrocarbon, design and construction of natural gas treatment plants in numerous oil field projects in China.

Mr. Zhu has been employed by China National Offshore Oil Corporation ("CNOOC") since 1986. Since 2005, he is the Senior Consultant and the Chief Project Officer for China Offshore Oil & Gas Development & Utilization Company of CNOOC, participating in the construction of asphalt plant. From 2004 to 2005, he was the Deputy Director of Coordination Office of CNOOC and Mr. Fu Chengyu, was the director and currently the General Manager of CNOOC.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

From 2001 to 2004, Mr. Zhu was the General Manager of China Ocean Oilfields Services (Hong Kong) Limited. During the period of 1997 to 2001, Mr. Zhu was the General Manager of the Construction Department of CNOOC. The Construction Department was responsible for the organization and investigation of concept design and plans of development, an immediate and final investigation of the basic design. The detailed designs, constructions and installations were managed by the Project Units, which were organized by the Construction Department. The Construction Department also organized and cooperated with foreign companies for the development and construction of oil and gas fields.

From 1992 to 1997, Mr. Zhu was the Deputy Manager of Development and Production Department of CNOOC and he was responsible for construction development. During the period of 1986 to 1992, he was offered the position of Chief of Project Management Office of Construction Department of CNOOC.

In 1986, Mr. Zhu was transferred to CNOOC from Liaohe Oil Field, China where he had worked there for over 11 years in the 70s and his last position was the Chief of Oil and Gas Management Office of Liaohe Oil Field.

Mr. Zhu graduated from the Beijing Petroleum Institute and was majoring in oil and gas storage and transportation engineering since 1969. During his work tenor, Mr. Zhu was trained in Japan for 3 months in recycling of light hydrocarbon and studied project management in EGT in United Kingdom during 1994.

Mr. TEOH Chun Ming, Independent Non-executive Director, aged 44

Mr. Teoh joined the Company in January 2014. He is currently a non-executive director of Nature Home Holding Company Limited (HKSE Stock Code: 2083) since July 2012 and the chief financial officer and company secretary of Joyer Auto HK Company Limited. Mr. Teoh joined Nature Home Holding Company Limited in 2008 and was appointed as the chief financial officer and the company secretary on 1 September 2008 and 26 March 2009 respectively. Mr. Teoh was also the authorised representative of Nature Home Holding Company Limited for the purpose of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and The Companies Ordinance. Mr. Teoh held the positions of chief financial officer, company secretary and authorised representative of Nature Home Holding Company Limited until his appointment as a non-executive director of Nature Home Holding Company Limited on 1 July 2012. Mr. Teoh was also the investor relations officer of Nature Home Holding Company Limited. Mr. Teoh has over 20 years of accounting and finance experience and had held senior positions in accounting and finance in various companies listed on The Stock Exchange of Hong Kong Limited.

Mr. Teoh obtained a Master degree in Professional Accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a member of The Institute of Chartered Accountants in England and Wales.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT PROFILE

Mr. TSANG Wing Hung, Company Secretary, aged 52

Mr. Tsang joined the Company in May 2013 as Vice President of Finance and has been appointed as the company secretary of the Company since June 2014.

Mr. Tsang is a member of The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Tsang has been a professional accountant since 1986 and has extensive experience in auditing, accounting, management and taxation. Mr. Tsang holds a Bachelor Degree of Economics from University of Manchester, United Kingdom and a Master Degree of Information Management and Systems from Monash University, Australia.

Mr. PAK Ka Kei, Financial Controller, aged 44

Mr. Pak joined the Company in November 2009 as a Financial Controller.

Mr. Pak has over 18 years experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, Mr. Pak had been working for TCL Multimedia Technology Holdings Limited for over 10 years on the finance departments in Hong Kong, Emerging Markets and Europe and he had held the positions of Deputy Internal Control Director and Deputy Financial Controller for Emerging Markets and Europe there.

Mr. Pak graduated from City University of Hong Kong with a Bachelor of Arts degree in Accounting and has been working for Ernst & Young for 5 years.

Mr. QUIROGA Daniel Federico, General Manager, Argentina, aged 49

Mr. Quiroga joined the Company in December 2010 as the General Manager of Argentina Business. Mr. Quiroga oversees the Company's oil project in Argentina as the General Manager of Argentina Operation. He has over 28 years 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 year 1991. The last position held by Mr. Quiroga in year 2000 was the Head of Secondary Recovery Division. During the 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.

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. during 2002 to 2006. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol.

Before joining the Company, Mr. Quiroga had been working 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 and was majoring in Petroleum Engineer in year 1991. Mr. Quiroga was the Postgrade in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

CORPORATE GOVERNANCE REPORT

The board of Directors (the **"Board"**) of the Company hereby presents the Corporate Governance Report of the Company for the year ended 31 December 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises 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 processes are properly regulated. During the year under review, the Company has applied the principles and has complied with the code provisions set out in the Corporate Governance Code (the **"CG Code"**) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) with deviations from the code provision A.4.1 of the CG Code as summarised below.

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 enquiries of all directors, the Company confirms that all the directors have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and of its shareholders.

CORPORATE GOVERNANCE

Types of decisions taken by the Board include the following:

1. setting the Company's mission and values;
2. formulating strategic directions of the Company;
3. reviewing and guiding corporate strategies; setting performance objectives, monitoring implementation and corporate performance;
4. monitoring and managing potential conflicts of interests between the Board members and the management of the Company; and
5. ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control and compliance with the law.

CORPORATE GOVERNANCE REPORT

The Board gives clear directions as to the powers delegated to the management for the administration and management functions of the Group, in particular, with respect to circumstances where management should report back and obtain prior approvals from the Board before making decisions or entering into any commitments on behalf of the Group. The Board reviews these arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2014, the Board:

1. reviewed and approved the audited annual results of the Group for the year ended 31 December 2013 and the unaudited interim results of the Group for the six months ended 30 June 2014;
2. reviewed the performance of and formulated the business strategies of the Group;
3. reviewed the internal controls of the Group;
4. reviewed and approved the new shares placing of 682,480,000 shares at HK\$0.228 per share under specific mandate;
5. reviewed and approved the price-sensitive transactions.

Regular Board meetings are scheduled in advance to give all directors an opportunity to attend. All directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary. No request was made by any director for such independent professional advice in 2014. The company secretary prepares minutes and keeps records of matters discussed and of decisions resolved at all Board meetings, which are available for inspections by any director upon request.

BOARD COMPOSITION

The Board currently comprises one Non-executive Chairman, two Executive Directors and three Independent Non-executive Directors, whose biographical details are set out in "Directors and Senior Management Profile" on page 16. The composition of the Board is well balanced with each director having sound knowledge, experience and expertise relevant to the business operations and developments of the Group. The Company has also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

All directors are aware of their collective and individual responsibilities to the shareholders and have exercised their duties with care, skill and diligence contributing to the successful performance of the Group.

CORPORATE GOVERNANCE REPORT

BOARD MEETING RECORDS

There were eight meetings held during the financial year 2014 and the attendance summary of each Board member is as follows:

Name of Directors	Number of board meetings attended in 2014
Mr. Ho King Fung, Eric	8/8
Mr. Tse Kwok Fai, Sammy	8/8
Mr. Chan Chi Hung, Anthony	8/8
Mr. Qian Zhi Hui	6/8
Mr. Teoh Chun Ming (<i>appointed on 10 January 2014</i>)	7/8
Mr. Lam Ting Lok (<i>appointed on 4 April 2013 and resigned on 10 January 2014</i>)	N/A
Mr. Zhu Tiansheng	7/8

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires the roles of Chairman and Chief Executive Officer be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

The Chairman's responsibility is to provide leadership to the Board and to formulate the Group's business strategies. Mr. Ho King Fung, Eric ("**Mr. Ho**") is the Non-executive Chairman of the Company. The Chief Executive Officer is responsible for the day to day operation of the Company and the implementation of the development strategy adopted by the Board. Mr. Tse Kwok Fai, Sammy ("**Mr. Tse**") is the Chief Executive Officer of the Company.

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 directors receive adequate information, which must be complete and reliable, in a timely manner. Both Mr. Ho and Mr. Tse had complied with the relevant CG Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. The Independent Non-executive Directors of the Company have been appointed to hold office until the next Annual General Meeting and shall retire and offer themselves for re-election according to the Company's Bye-laws.

All Independent Non-executive Directors are financially independent from the Company and from any of its subsidiaries.

Each of the Independent Non-executive Director has provided semiannually a written confirmation to the Company confirming that he has met the criteria as set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of the independence of being an independent non-executive director.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the following committees with defined terms of reference:

1. Corporate Governance Committee
2. Audit Committee
3. Remuneration Committee
4. Nomination Committee

Each board committee makes decisions on matters within its terms of reference and applicable limit of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

(1) Corporate Governance Committee

(a) Members of the Corporate Governance Committee

Mr. Ho King Fung, Eric (*Chairman of the Committee, appointed on 31 March 2014*)

Mr. Chan Chi Hung, Anthony (*appointed on 31 March 2014*)

(b) Role and function

The Corporate Governance Committee is mainly responsible for:

- i. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- ii. reviewing and monitoring the training and continuous professional development of Directors and senior management;
- iii. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- iv. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- v. reviewing the Company's compliance with the code provision of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong.

CORPORATE GOVERNANCE REPORT

(c) Meeting records

The Corporate Governance Committee was established on 31 March 2014. One meeting was held during the financial year 2014 and the attendance summary of each committee member is as follows:

Members of the Committee	Number of committee meeting(s) attended in 2014
Mr. Ho King Fung, Eric	1/1
Mr. Chan Chi Hung, Anthony	1/1

During the meeting, the Corporate Governance Committee reviewed the duties and responsibilities of the Chairman and the Chief Executive Officer, Directors' attendance at Board meetings, the independence of the Independent Non-executive Directors and the training and professional development of the Directors.

(2) Audit Committee

(a) Members of the Audit Committee

Mr. Teoh Chun Ming (*Chairman of the Committee, appointed on 10 January 2014*)

Mr. Lam Ting Lok (*appointed on 4 April 2013, redesignated as Chairman of the Committee on 3 July 2013 and resigned on 10 January 2014*)

Mr. Qian Zhi Hui

Mr. Zhu Tiansheng

(b) Role and function

The Audit Committee is mainly responsible for:

- i. reviewing the financial statements and annual reports and considering any significant or unusual items raised by the external auditor before submission to the Board;
- ii. reviewing the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and making recommendations to the Board on the appointment, reappointment and removal of external auditor;
- iii. reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures;
- iv. reviewing the Group's financial and accounting policies; and
- v. reviewing the external auditor's management letter and ensuring a timely response to the issues raised there.

CORPORATE GOVERNANCE REPORT

(c) Meeting records

Three meetings were held during the financial year 2014 and the attendance summary of each committee member is as follows:

Members of the Committee	Number of committee meetings attended in 2014
Mr. Teoh Chun Ming (<i>appointed on 10 January 2014</i>)	3/3
Mr. Lam Ting Lok (<i>resigned on 10 January 2014</i>)	N/A
Mr. Qian Zhi Hui	3/3
Mr. Zhu Tiansheng	3/3

During the meetings, the Audit Committee discussed the following matters:

I. Financial Reporting

The Audit Committee reviewed with the Chief Executive Officer and the financial controller of the Company the audited results for the year ended 31 December 2013 and the unaudited interim results for the six months ended 30 June 2014.

II. External Auditor

The Audit Committee reviewed the audit fee for the year ended 31 December 2013 and recommended it to the Board.

The Audit Committee reviewed the Audit Committee Report prepared by PricewaterhouseCoopers for the year ended 31 December 2013.

(3) Remuneration Committee**(a) Members of the Remuneration Committee**

Mr. Qian Zhi Hui (*Chairman of the Committee*)
 Mr. Ho King Fung, Eric (*appointed on 31 March 2014*)
 Mr. Tse Kwok Fai, Sammy
 Mr. Zhu Tiansheng

CORPORATE GOVERNANCE REPORT

(b) Role and function

The Remuneration Committee is mainly responsible for:

- i. reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board;
- ii. determining the remuneration packages of individual executive directors and senior management, and recommending to the Board on the remuneration packages of individual executive directors and senior management;
- iii. recommending to the Board the remuneration of non-executive directors;
- iv. making recommendations to the Board on the Company's policy and the structure of all remuneration of the directors and senior management as well as on the establishment of formal and transparent procedures for developing policy on such remuneration;
- v. reviewing and approving the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
- vi. ensuring that no director or any of his associates is involved in deciding his or her own remuneration.

(c) Meeting records

Two meetings was held during the financial year 2014 and the attendance summary of each committee member is as follows:

Members of the Committee	Number of committee meetings attended in 2014
Mr. Qian Zhi Hui	2/2
Mr. Ho King Fung, Eric (<i>appointed on 31 March 2014</i>)	1/2
Mr. Tse Kwok Fai, Sammy	2/2
Mr. Zhu Tiansheng	2/2

During the year under review, the Remuneration Committee reviewed the policies for the remuneration of the directors and senior management of the Group, the staff costs and the headcount of the Group. The Remuneration Committee also reviewed the remuneration package of the directors and senior management to ensure they were in line with the market.

CORPORATE GOVERNANCE REPORT

(4) Nomination Committee**(a) Members of the Nomination Committee**

Mr. Qian Zhi Hui (*Chairman of the Committee*)
 Mr. Ho King Fung, Eric (*appointed on 31 March 2014*)
 Mr. Tse Kwok Fai, Sammy
 Mr. Zhu Tiansheng

(b) Role and function

The Nomination Committee is mainly responsible for:

- i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- ii. identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- iii. assessing the independence of the independent non-executive directors; and
- iv. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

(c) Meeting Records

One meeting was held during the financial year of 2014 and the attendance summary of each committee member is as follows:

Members of the Committee	Number of committee meetings attended in 2014
Mr. Qian Zhi Hui	1/1
Mr. Ho King Fung, Eric (<i>appointed on 31 March 2014</i>)	N/A
Mr. Tse Kwok Fai, Sammy	1/1
Mr. Zhu Tiansheng	1/1

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements of each financial year, which give a true and fair view of the state of affairs of the Group. The directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's systems of internal control so as to maintain sound and effective controls to safeguard the shareholders' investments and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control systems of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

CONTINUOUS PROFESSIONAL DEVELOPMENT

From 1 July 2013 onwards, upon appointment to the Board, Directors receive an induction package including "A Guide on Directors' Duties" issued by the Companies Registry, "Good Governance and Internal Control — A Corruption Prevention Guide for Listed Companies" issued by Independent Commission Against Corruption, Hong Kong, "A Guide for Effective Audit Committees" issued by HKSA Corporate Governance Committees and information regarding the duties and responsibilities of a director of a company listed on The Stock Exchange of Hong Kong Limited, from the Company's legal adviser on directors' legal role and responsibilities.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors. For the year ended 31 December 2014, all Directors have attended the training sessions arranged by the Company, except Mr. Qian Zhi Hui as he was away on business.

INSURANCE ARRANGEMENT

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Senior Management.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the Company engaged PricewaterhouseCoopers, auditor of the Company, to perform audit service. Their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on page 38 of this annual report.

During the year under review, the services provided by PricewaterhouseCoopers and the fees thereof were as follows:

Nature of services	2014 HK\$'000
Audit services	3,000
Non-audit related services	4,945
	7,945

COMPANY SECRETARY

Mr. Tsang Wing Hung was appointed as the Company Secretary following the resignation of Mr. Cheng Sing Wai, the former Company Secretary with effect from 5 June 2014.

The Company Secretary directly reports to the Board and is responsible for facilitating the Board's processes and communications among Board members, with shareholders and with management. For the year ended 31 December 2014, the Company Secretary undertook 18 hours of professional training to keep abreast of latest legislative and regulatory changes.

COMMUNICATION WITH SHAREHOLDERS

The Company uses various communication methods to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of shareholders to demand a poll were included in all circulars accompanying notices convening general meeting and the detailed procedures for conducting a poll have been read out by the company secretary at all general meetings.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Non-executive Chairman, the Executive Directors, the chairman and the members of the board committees and the external auditor will be available to answer questions at the meeting. To ensure all shareholders timely access to important corporate information, the Company utilizes its corporate website to disseminate to the shareholders information such as announcements, circulars, annual and interim reports.

REPORT OF THE DIRECTORS

The Directors of the Company (the **"Directors"**) have pleasure in submitting their report and the audited consolidated financial statements of the Company and its subsidiaries (together the **"Group"**) for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the petroleum exploration and production. Particulars of the Company's principal subsidiaries are set out in Note 18 to the consolidated financial statements. The analysis of the principal activities and segments of the operations of the Group is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive income on page 40.

No interim dividend was declared (2013: Nil) and the Directors do not recommend the payment of any dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 115.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 26 to the consolidated financial statements and the consolidated statement of changes in equity on page 45 respectively.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in Note 24 to the consolidated financial statements.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance standards to safeguard the interests of shareholders and to enhance corporate value and accountability.

Details of the corporate governance practices adopted by the Company are set out on page 20 under Corporate Governance Report.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Non-executive Chairman:

Mr. Ho King Fung, Eric

Executive Directors:

Mr. Tse Kwok Fai, Sammy (*Chief Executive Officer*)

Mr. Chan Chi Hung, Anthony

Independent Non-executive Directors:

Mr. Qian Zhi Hui

Mr. Teoh Chun Ming (*appointed on 10 January 2014*)

Mr. Zhu Tiansheng

Mr. Lam Ting Lok (*resigned on 10 January 2014*)

Biographical details of the Directors are set out on page 16 under "Directors and Senior Management Profile".

In accordance with Article 99(A) of the Company's bye-laws, all Directors, except the Managing Director, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company in accordance with the Company's bye-laws.

The Company has received from each of the Independent Non-executive Directors biannually confirmations of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company, or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTEREST

None of the Directors or their respective associates (as defined in the Listing Rules) has an interest in a business, which competes or may compete with the business of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in any shares of the Company (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 in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of Part XV 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

Directors	Nature of interest	Number of ordinary shares held	Number of share options held	Total interests	Approximate % of issued share capital (Note)
Mr. Ho King Fung, Eric	Personal	—	217,000,000	217,000,000	4.47%
Mr. Tse Kwok Fai, Sammy	Personal	2,200,000	88,000,000	90,200,000	1.86%
Mr. Chan Chi Hung, Anthony	Personal	—	78,000,000	78,000,000	1.61%

Note: The calculation of percentages is based on 4,852,357,588 Shares in issue as at 31 December 2014.

Save as disclosed above and as at 31 December 2014, no Directors or chief executive of the Company had any other 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, according to the register of interests maintained by the Company pursuant to section 336 of the 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 are as follows:

Long/Short Positions in the Shares and Underlying Shares of the Company

Name of Shareholders	Long/short positions	Capacity/ nature of interest	Number of shares/ underlying shares held	Approximate % of issued share capital (Note 1)
City Smart International Investment Limited (Note 2)	Long	Beneficial owner	7,466,856	0.15%
City Wise Investment Limited (Note 2)	Long	Beneficial owner	478,232,975	9.86%
South America Petroleum Investment Holdings Limited (Note 2)	Long	Interest of a controlled corporation	478,232,975	9.86%
Mr. Wu Shaozhang (Note 2)	Long	Interest of a controlled corporation	485,699,831	10.01%

Notes:

1. The calculation of percentages is based on 4,852,357,588 Shares in issue as at 31 December 2014.
2. 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.

Saved as disclosed above, as at 31 December 2014 and 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 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 member of the Group or had any options in respect of such capital.

REPORT OF THE DIRECTORS

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 directors and employees for their contribution to the Group.

Under the Scheme, the Company may grant options to selected directors and employees 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; nor to exceed 30% of the shares of the Company in issue from time to time. 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 also be 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 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.

REPORT OF THE DIRECTORS

As at 31 December 2014, options to subscribe for an aggregate of 1,204,000,000 shares granted to the Directors, certain employees and other participants pursuant to the Scheme remained outstanding, details of which are as follows:

Category and name of participant(s)	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Outstanding at 1.1.2014	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2014
Non-executive Chairman								
Mr. Ho King Fung, Eric	30 July 2013 (Note 1)	16 September 2013– 29 July 2016	0.206	108,500,000	–	–	–	108,500,000
		16 September 2014– 29 July 2016	0.206	54,250,000	–	–	–	54,250,000
		16 September 2015– 29 July 2016	0.206	54,250,000	–	–	–	54,250,000
Executive Directors								
Mr. Tse Kwok Fai, Sammy	11 April 2013 (Note 2)	3 July 2013– 10 April 2016	0.255	88,000,000	–	–	–	88,000,000
Mr. Chan Chi Hung, Anthony	30 July 2013 (Note 1)	16 September 2013– 29 July 2016	0.206	39,000,000	–	–	–	39,000,000
		16 September 2014– 29 July 2016	0.206	19,500,000	–	–	–	19,500,000
		16 September 2015– 29 July 2016	0.206	19,500,000	–	–	–	19,500,000
Employees	25 November 2013	25 November 2013– 24 November 2016	0.219	64,000,000	–	(7,000,000)	–	57,000,000
	17 July 2014	17 July 2014– 16 July 2017	0.200	–	3,000,000	–	–	3,000,000
Other participants	11 April 2013	11 April 2013– 10 April 2016	0.255	128,000,000	–	–	–	128,000,000
	11 April 2013	11 April 2013– 28 February 2014	0.255	32,000,000	–	(32,000,000)	–	–
	25 November 2013	25 November 2013– 24 November 2016	0.219	32,000,000	–	–	–	32,000,000
	25 November 2013	25 February 2014– 24 November 2016	0.219	64,000,000	–	–	–	64,000,000
	4 June 2014	4 June 2014– 3 June 2017	0.189	–	70,000,000	–	–	70,000,000
	17 July 2014	17 July 2014– 16 July 2017	0.200	–	467,000,000	–	–	467,000,000
				703,000,000	540,000,000	(39,000,000)	–	1,204,000,000

Note 1: Date of approval by shareholders was 16 September 2013.

Note 2: Date of approval by shareholders was 3 July 2013.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the human resources department on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are decided by the Remuneration Committee, having regard to factors including the Group's operating results, their responsibilities and comparable market statistics. Details of the Directors' fees and emoluments, and the five highest paid individuals in the Group are set out in Note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

— the largest customer	100%
— five largest customers combined	100%

Purchases

— the largest supplier	100%
— five largest suppliers combined	100%

None of the Directors and their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

EMPLOYEES

As at 31 December 2014, the Group had a total of 17 employees in Hong Kong and 8 employees in Argentina. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$12.1 million (2013: HK\$23.45 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PUBLIC FLOAT

As at the date of this report, 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 share capital was held by the Public.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and also discussed auditing, internal controls and financial reporting matters, including the review of the consolidated financial statements for the year ended 31 December 2014 with external auditor PricewaterhouseCoopers and with management.

AUDITORS

Deloitte Touche Tohmatsu resigned as auditor of the Company during year 2013. Pursuant to a board resolution dated 15 January 2014, PricewaterhouseCoopers was appointed by the Board to act as the new auditor of the Company.

The financial statements for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers, who will retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting ("**AGM**").

A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM of the Company.

EVENTS AFTER THE REPORTING YEAR

Details of significant events occurring after the date of statement of financial position are set out in Note 36 to the consolidated financial statements.

On behalf of the Board

Tse Kwok Fai, Sammy
Executive Director and CEO

Hong Kong, 27 March 2015

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF EPI (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 114, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF EPI (HOLDINGS) LIMITED — continued*(Incorporated in Bermuda with limited liability)***OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to Note 2.1.1 to the consolidated financial statements which states that the Group incurred a loss attributable to the owners of the Company of approximately HK\$381,143,000 and had a net operating cash outflow of approximately HK\$51,162,000 during the year ended 31 December 2014, and as at that date, the Group's current liabilities exceeded its current assets by approximately HK\$76,722,000. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, 27 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000 (restated)
Continuing operation:			
Revenue	6	85,689	89,853
Purchases, processing and related expenses		(38,881)	(44,333)
Other (losses)/gains, net	7	(16,542)	13,689
Wages, salaries and other benefits	8	(34,253)	(56,201)
Depreciation and depletion		(18,043)	(27,443)
Provision of impairment losses	9	(73,576)	(492,648)
Fair value gains/(losses) on financial instruments	10	49,109	(18,402)
Expenses incurred in exploring potential investment opportunities		(25,260)	(16,248)
Other expenses		(73,783)	(69,623)
Finance costs	11	(34,693)	(43,757)
Loss and total comprehensive loss for the year from continuing operation	13	(180,233)	(665,113)
Discontinued operation:			
Loss and total comprehensive loss for the year from a discontinued operation	5	(200,910)	(14,058)
Loss and total comprehensive loss attributable to the owners of the Company		(381,143)	(679,171)
Basic and diluted loss per share attributable to owners of the Company (expressed in HK\$ per share)			
	14		
— From continuing operation (HK\$)		(0.04)	(0.19)
— From discontinued operation (HK\$)		(0.04)	—
— From loss for the year (HK\$)		(0.08)	(0.19)

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Non-current assets			
Exploration and evaluation assets	16	115,222	206,271
Property, plant and equipment	17	138,422	153,458
Other tax recoverables	19	17,563	28,542
		271,207	388,271
Current assets			
Trade and other receivables and prepayments	21	45,928	227,192
Other tax recoverables	19	16,140	12,753
Held-for-trading investments	22	52	98
Cash and cash equivalents	23	28,565	48,029
		90,685	288,072
Total assets		361,892	676,343
Equity			
Share capital	24	485,236	416,988
Reserves		(454,551)	(198,802)
Total equity		30,685	218,186
Liabilities			
Non-current liabilities			
Borrowings	27	163,800	218,400
Convertible notes	28	–	76,054
Derivative financial liabilities	28, 29	–	58,903
Other non-current liabilities		–	1,410
		163,800	354,767
Current liabilities			
Trade and other payables	30	44,013	38,790
Borrowings	27	54,600	56,600
Convertible notes	28	62,877	8,000
Derivative financial liabilities	28, 29	5,917	–
		167,407	103,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Total liabilities		331,207	458,157
Total equity and liabilities		361,892	676,343
Net current (liabilities)/assets		(76,722)	184,682
Total assets less current liabilities		194,485	572,953

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 40 to 114 were approved by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Tse Kwok Fai, Sammy
Director

Chan Chi Hung, Anthony
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Assets			
Non-current assets			
Property, plant and equipment	17	1,018	1,231
Investments in subsidiaries	18	8	8
		1,026	1,239
Current assets			
Other receivables	21	577	596
Amounts due from subsidiaries	18	427,955	715,539
Cash and cash equivalents	23	9,399	21,179
		437,931	737,314
Total assets		438,957	738,553
Equity			
Share capital	24	485,236	416,988
Reserves	26	(462,908)	(210,910)
Total equity		22,328	206,078
Liabilities			
Non-current liabilities			
Borrowings	27	163,800	218,400
Convertible notes	28	–	76,054
Derivative financial liabilities	28, 29	–	58,903
		163,800	353,357
Current liabilities			
Other payables	30	38,644	23,704
Amounts due to subsidiaries	18	90,791	90,814
Borrowings	27	54,600	56,600
Convertible notes	28	62,877	8,000
Derivative financial liabilities	28, 29	5,917	–
		252,829	179,118

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Total liabilities		416,629	532,475
Total equity and liabilities		438,957	738,553
Net current assets		185,102	558,196
Total assets less current liabilities		186,128	559,435

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 40 to 114 were approved by the Board of Directors on 27 March 2015 and are signed on its behalf

Tse Kwok Fai, Sammy
Director

Chan Chi Hung, Anthony
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note (a))	Share options reserve HK\$'000	Accumulated losses HK\$'000	
Balance at 1 January 2013	313,038	4,022,678	60,322	39,747	(3,762,183)	673,602
Loss and total comprehensive loss for the year	—	—	—	—	(679,171)	(679,171)
Issue of shares upon placements (Note (b))	77,500	53,748	—	—	—	131,248
Share issue expenses	—	(5,006)	—	—	—	(5,006)
Issue of shares upon conversion of convertible notes	12,450	16,354	—	—	—	28,804
Issue of shares upon exercise of share options	14,000	12,306	—	(6,566)	—	19,740
Recognition of equity settled share-based payments	—	—	—	48,969	—	48,969
Balance at 31 December 2013	416,988	4,100,080	60,322	82,150	(4,441,354)	218,186
Balance at 1 January 2014	416,988	4,100,080	60,322	82,150	(4,441,354)	218,186
Loss and total comprehensive loss for the year	—	—	—	—	(381,143)	(381,143)
Issue of shares upon placements (Note (b))	68,248	87,357	—	—	—	155,605
Share issue expenses	—	(5,639)	—	—	—	(5,639)
Recognition of equity settled share-based payments	—	—	—	43,676	—	43,676
Balance at 31 December 2014	485,236	4,181,798	60,322	125,826	(4,822,497)	30,685

Notes:

- (a) The contributed surplus reserve represents the credit arising from the capital reduction in 2006.
- (b) During the year ended 31 December 2014, the Company completed one placement by which total of 682,480,000 (2013: 775,000,000) shares of the Company were issued. Details of the placements are set out in Note 24.

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Cash used in operations	31	(51,162)	(91,687)
Net cash used in operating activities		(51,162)	(91,687)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,471)	(27,720)
Interest received		1,016	—
Net cash used in investing activities		(2,455)	(27,720)
Cash flows from financing activities			
Proceeds from issue of new shares		155,605	146,000
Proceeds from exercise of share options		—	19,740
Proceeds from other loans		—	5,335
Interest paid		(19,213)	(28,670)
Repayment of other loans		(2,000)	(45,743)
Repayment of bank borrowings		(54,600)	(23,400)
Share issue expenses		(5,639)	(5,006)
Proceeds from issue of convertible notes		—	100,000
Redemption of convertible notes		(40,000)	—
Expenses on issuance of convertible notes		—	(3,500)
Net cash generated from financing activities		34,153	164,756
Net (decrease)/increase in cash and cash equivalents		(19,464)	45,349
Cash and cash equivalents at 1 January		48,029	2,680
Cash and cash equivalents at 31 December	23	28,565	48,029

The notes on pages 47 to 114 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 GENERAL INFORMATION

EPI (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the petroleum exploration and production.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of held-for-trading investments and financial liabilities (including derivative instruments) at fair value through consolidated profit or loss, which are carried at fair value.

2.1.1 Going concern

The Group incurred a loss attributable to the owners of the Company of approximately HK\$381,143,000 and had a net operating cash outflow of approximately HK\$51,162,000 during the year end 31 December 2014. As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK\$76,722,000, and its cash and cash equivalents balance was reduced to approximately HK\$28,565,000. In addition, the Group had total borrowings of approximately HK\$281,277,000, consisting of convertible notes of approximately HK\$62,877,000 (the "2013 CN") and a bank loan of approximately HK\$218,400,000 as at 31 December 2014. Total borrowings amounting to approximately HK\$117,477,000, including the current portion of bank loan of approximately HK\$54,600,000 and the 2013 CN of approximately HK\$62,877,000, will be due for repayment within twelve months from the statement of financial position date.

Pursuant to the bank loan agreement of the bank loan of approximately HK\$218,400,000, the Group is required to comply with certain requirements, including to maintain Mr. Wu Shaozhang ("Mr. Wu") as a substantial shareholder of the Company as defined under the Listing Rules of the Stock Exchange ("Substantial Shareholder") (Note 27). A Substantial Shareholder is one who is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company. The failure to comply with such requirements would constitute an event of default, which may cause the relevant bank loan totalling HK\$218,400,000 become immediately repayable.

All of the above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – continued

2.1.1 Going concern – continued

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors are of the opinion that, taking into account the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the statement of financial position date:

- (1) On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the maturity date of the 2013 CN issued by the Company on 11 April 2013 for one year from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by the Company's shareholders at the special general meeting to approve the amendment deed.
- (2) On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as the Substantial Shareholder, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as the Substantial Shareholder in any event that he is reasonably expected to cease to be the Substantial Shareholder as a result of issue of new shares by the Company (Note 27). As at 31 December 2014 and up to the date of approval of these consolidated financial statements, Mr. Wu, directly or indirectly, holds 10.01% of the Company's shares and remains as the Substantial Shareholder.
- (3) The Company is planning to raise additional financial resources by carrying out various financing activities, including but not limited to, rights issue and other means of financing activities. The completion of these financing activities are subject to the approval from the shareholders and relevant regulatory bodies, where applicable, and will also depend on Mr. Wu's commitment and ability to subscribe for or acquire additional shares of the Company, where necessary, in order to maintain his position as the Substantial Shareholder.
- (4) The Group will be introducing procedures to enhance the production of its existing oil wells and is also implementing tighter cost control measures. It is expected that these measures will improve its operating cash inflows from its continuing operations.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and fulfil its financial obligations as and when they fall due in the coming twelve months from the statement of financial position date. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**2.1 Basis of preparation – continued****2.1.1 Going concern – continued**

Notwithstanding the above, material uncertainties exist as to whether management of the Company will be able to obtain the necessary funding as described above as and when needed. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate cash inflows through continuous compliance with the bank loan requirement, which in turn depends on the commitment and ability of Mr. Wu to maintain as the Substantial Shareholder; successfully securing additional financial resources from its planned financing activities; and generating adequate operating cash inflows. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for any further financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.2 Changes in accounting policy and disclosures**(a) *New standards, revisions and amendments to existing standards and interpretations effective for annual periods beginning 1 January 2014 and adopted by the Group***

Amendment to HKAS 32	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
Amendments to HKFRS 10, 11 and 12	Transition guidance
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment entities
HKAS 39 Amendment	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

The adoption of the new standards, revisions and amendments to existing standards and interpretations did not have any material impact on the preparation of the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of preparation – continued

2.1.2 Changes in accounting policy and disclosures – continued

(b) New standards, amendments to existing standards and interpretations which have been issued but are not effective and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 16 and 38	Clarification of acceptance methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and 41	Agriculture bearer, plants	1 January 2016
Amendment to HKAS 19	Defined benefit plans: Employee contributions	1 July 2014
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 14	Regulatory deferred accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Amendments to HKFRSs	Annual improvements 2010–2012 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements 2011–2013 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements 2012–2014 cycle	1 January 2016

The Group is assessing the impact of these amendments, standards and interpretations and will apply them once they are effective.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**2.2 Subsidiaries****2.2.1 Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in consolidated profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in consolidated profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit or loss. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.2 Subsidiaries – continued

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be 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 arrangement. Those parties are called joint operators.

A joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

2.4 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the disposal group(s) constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2.6 Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars ("US\$") and since the Company's shares are listed on the Main Board of the Stock Exchange, the Board of Directors considered that it is more appropriate to adopt HK\$ as the Group's and the Company's presentation currency in the preparation of the consolidated financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented in the consolidated profit or loss within "other (losses)/gains, net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.6 Foreign currency translation – continued

(c) Group companies – continued

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 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 expense.

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 and depletion 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. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

2.8 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 and depletion 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 depletion 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.

Proven oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.9 Property, plant and equipment

Property, plant and equipment, including oil and gas properties (Note 2.8), is stated at historical cost less depreciation, depletion 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 the consolidated profit or loss during the financial period in which they are incurred.

Except for oil and gas properties (Note 2.8) and construction in progress, depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives ranging from 3 to 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress in respect of exploratory wells is classified to oil and gas properties when production of oil starts. Construction in progress in respect of other assets is classified to the appropriate category of property, plant and equipment when construction is completed and the asset is ready for intended use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated profit or loss.

2.10 Impairment of non-financial assets

Assets that are subject to depreciation, depletion or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: held-for-trading investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Held-for-trading investments*

Held-for-trading investments are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Such derivatives are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 2.15 and 2.16).

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Held-for-trading investments are initially recognised at fair value, and transaction costs are expensed in the consolidated profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Held-for-trading investments are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "held-for-trading investments" category are presented in the consolidated profit or loss within "fair value gains/(losses) on financial instruments" in the period in which they arise.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future event and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit or loss.

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivative instruments not qualified for hedge accounting are recognised immediately in the consolidated profit or loss.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.20 Borrowing costs

General and specific 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.21 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The derivative component of the convertible notes is recognised initially at fair value. The liability component is recognised initially at the difference between the fair value of the convertible notes as a whole and the fair value of the derivative component. Any directly attributable transaction costs are allocated to the derivative financial liability and the liability components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The derivative are subsequently measured at fair value and any gains or losses derived from its changes are recognised in the consolidated profit or loss.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.22 Current and deferred income tax – continued

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.23 Employee benefits

The Group maintains a number of defined contribution plans in the countries in which it operates, the assets of the retirement benefit are generally held in separate trustees-administered funds. The retirement plans are generally funded by payments from employees and by the Group.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the owners of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.24 Share-based payments

The Group operates an equity-settled, share-based compensation scheme, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Share options issued to non-employees are for exchange for goods or services and are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair value of the services is recognised as expenses while the fair value of the goods is recognised as assets. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) 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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.25 Provisions

The Group is required to make payments for restoration and rehabilitation of the land at the end of the productive life of oil and gas fields. Provisions for restoration are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restoration cost is recorded in the period in which the obligation is identified and is capitalised to the costs of oil and gas properties. This cost is charged to consolidated profit or loss through depreciation of the assets, which are depreciated using the unit-of-production method based on the actual production volume over the expected reserves of the developed wells.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit or loss on a straight-line basis over the period of the lease.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated profit or loss on a straight-line basis over the expected lives of the related assets.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$ and the Argentina peso ("ARS"). The Group considers there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged.

At 31 December 2014 and 2013, the Group has minimal exposure to foreign currency risk with respect to ARS as most of the financial assets and liabilities held by the Group's overseas subsidiaries and their future commercial transactions are denominated in the respective local currency of such subsidiaries. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED**3.1 Financial risk factors – continued****(a) Market risk – continued****(ii) Price risk**

The Group is engaged in a wide range of petroleum-related activities. Prices of crude oil and petroleum products are affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts to the Group. The Group did not enter into any material hedging against such price risk during the year.

The Group is also exposed to equity securities price risk because of the Group's issuance of warrants and derivative component of convertible notes. If the input of the Company's share price to the valuation models of the warrants and derivative component of the convertibles notes had been higher/lower while all other variables held constant, the loss for the year ended 31 December 2014 and 2013 would increase/decrease.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Company's amounts due from subsidiaries were interest free, and expose the Company to fair value interest rate risk.

At 31 December 2014, if interest rates on US\$-denominated bank borrowings had been 50 basis points (2013: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been HK\$951,000 (2013: HK\$1,125,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – continued

(b) Credit risk

As at 31 December 2014 and 2013, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk for trade receivables by geographical locations is mainly in Argentina, which accounted for 100% (2013: 100%) of the total trade receivables as at 31 December 2014. For the years ended 31 December 2013 and 2014, the entire Group's revenue was derived from one customer. The Group had concentration of credit risk as 100% (2013: 100%) of the total trade receivables was due from the Group's only customer as at 31 December 2014. The Group's only customer is a state owned enterprise oil company based in Argentina and with good creditability. In this regard, the management considers that the Group's credit risk is significantly reduced.

(c) Liquidity risk

Save as disclosed in Note 2.1.1, the Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and internally generated funds and funds arose from financing activities, such as issue of convertible notes or equity instruments, if necessary.

The table below analyses the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – continued

(c) Liquidity risk – continued

	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	1 to 5 years HK\$'000	Total undiscounted Cash flows HK\$'000	Carrying Amount HK\$'000
Group							
At 31 December 2014							
Non-derivative financial liabilities							
Trade payables	N/A	253	–	–	–	253	253
Other payables	N/A	1,876	–	–	–	1,876	1,876
Borrowings							
— variable-rate	4.33%	–	–	64,057	177,985	242,042	218,400
Convertible notes	37.34%	–	–	–	66,000	66,000	62,877
		2,129	–	64,057	243,985	310,171	283,406
At 31 December 2013							
Non-derivative financial liabilities							
Trade payables	N/A	3,050	–	–	–	3,050	3,050
Other payables	N/A	2,322	–	–	–	2,322	2,322
Borrowings							
— variable-rate	4.35%	–	–	66,476	242,151	308,627	273,000
— fixed-rate	24%	–	2,049	–	–	2,049	2,000
Convertible notes	37.34%	–	–	–	110,000	110,000	84,054
		5,372	2,049	66,476	352,151	426,048	364,426

Note: As the conversion component in convertible notes and warrants issued (if exercised) would be settled by shares of the Company, they are not included in the maturity table above. A payable of HK\$104,140,000 (2013: HK\$104,140,000) arisen from the financial guarantee provided by the Company to third parties in respect of a bank loan (Note 27 and 33), is interest free and payable in the event that the Company defaults on the repayment of the bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.1 Financial risk factors – continued

(c) Liquidity risk – continued

	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	1 to 5 years HK\$'000	Total undiscounted Cash flows HK\$'000	Carrying Amount HK\$'000
Company							
At 31 December 2014							
Non-derivative financial liabilities							
Other payables	N/A	1,876	–	–	–	1,876	1,876
Amount due to subsidiaries	N/A	90,791	–	–	–	90,791	90,791
Borrowings							
— variable-rate	4.33%	–	–	64,057	177,985	242,042	218,400
Convertible notes	37.34%	–	–	–	66,000	66,000	62,877
		92,667	–	64,057	243,985	400,709	373,944
At 31 December 2013							
Non-derivative financial liabilities							
Other payables	N/A	2,322	–	–	–	2,322	2,322
Amount due to subsidiaries	N/A	90,814	–	–	–	90,814	90,814
Borrowings							
— variable-rate	4.35%	–	–	66,476	242,151	308,627	273,000
— fixed-rate	24%	–	2,049	–	–	2,049	2,000
Convertible notes	37.34%	–	–	–	110,000	110,000	84,054
		93,136	2,049	66,476	352,151	513,812	452,190

Note: As the conversion component in convertible notes and warrants issued (if exercised) would be settled by shares of the Company, they are not included in the maturity table above. A payable of HK\$104,140,000 (2013: HK\$104,140,000) arisen from the financial guarantee provided by the Company to third parties in respect of a bank loan (Note 27 and 33), is interest free and payable in the event that the Company defaults on the repayment of the bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value on recurring basis at 31 December 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Held-for-trading investments				
— Trading securities	52	—	—	52
Total assets	52	—	—	52
Liabilities				
Derivatives financial instruments				
— Convertible note — conversion component	—	—	5,917	5,917
— Warrants	—	—	—	—
Total liabilities	—	—	5,917	5,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation – continued

The following table presents the Group's financial assets and liabilities that are measured at fair value on recurring basis at 31 December 2013.

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Held-for-trading investments				
— Trading securities	98	—	—	98
Total assets	98	—	—	98
Liabilities				
Derivatives financial instruments				
— Convertible note — conversion component	—	—	38,152	38,152
— Warrants	—	—	20,751	20,751
Total liabilities	—	—	58,903	58,903

There were no transfers among levels 1, 2 and 3 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Hong Kong Stock Exchange equity investments classified as trading securities.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

Specific valuation techniques used to value financial instruments include the use of appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation – continued

(c) Financial instruments in level 3 – continued

The following table presents the changes in level 3 instruments for the year ended 31 December 2014

	2013 CN- conversion component (Note 28) HK\$'000	Warrants HK\$'000	Total HK\$'000
1 January 2014	38,152	20,751	58,903
Gain recognised in profit and loss	(34,687)	(33,187)	(67,874)
Amortisation of deferred loss on conversion component and warrants	5,347	12,436	17,783
Redemption of convertible notes	(2,895)	–	(2,895)
31 December 2014	5,917	–	5,917
Total gain for the year included in profit or loss for liabilities held at the end of the year	29,340	20,751	50,091
Changes in unrealised gains for the year included in profit or loss at the end of the year	29,340	20,751	50,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3 FINANCIAL RISK MANAGEMENT – CONTINUED

3.3 Fair value estimation – continued

(c) Financial instruments in level 3 – continued

The following table presents the changes in level 3 instruments for the year ended 31 December 2013

	2011 CN- conversion component (Note 28) HK\$'000	2013 CN- conversion component (Note 28) HK\$'000	Warrants HK\$'000	Total HK\$'000
1 January 2013	4,934	–	–	4,934
At issue date	–	59,899	14,752	74,651
Gain recognised in profit and loss	–	(25,229)	(2,689)	(27,918)
Amortisation of deferred loss on conversion component and warrants	–	3,482	8,688	12,170
Conversion	(4,934)	–	–	(4,934)
31 December 2013	–	38,152	20,751	58,903
Total loss for the year included in profit or loss for liabilities held at the end of the year	–	(12,464)	(5,999)	(18,463)
Changes in unrealised gains or (losses) for the year included in profit or loss at the end of the year	–	21,746	(5,999)	15,747

The higher the Company's share price and the expected volatility used in determining the fair value of the level 3 instruments, the higher the fair value of these instruments.

The lower the interest-free rate used in determining the fair value of the level 3 instruments, the lower the fair value of these instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Going concern consideration

In order to fund the existing operations of the Group and to continue as a going concern, management is required to determine key assumptions adopted in working capital forecast projections and make judgement about future outcome of events or conditions which are inherently uncertain. These assumptions and uncertainties are set out in Note 2.1.1.

(b) Impairment of other receivables

The Group's management determines the provision for impairment of other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its customers and other debtors and the current market condition and requires the use of judgments and estimates. Management reassesses the provision at each of the date of statement of financial position.

(c) Estimation of petroleum reserves

Estimates of petroleum reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved petroleum reserves, particularly proved developed reserves, will affect unit-of-production depreciation and depletion recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation and depletion charges. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

(d) Impairment of exploration and evaluation assets and oil and gas properties under property, plant and equipment

The carrying amounts of the exploration and evaluation assets and oil and gas properties under property, plant and equipment are assessed for impairment when facts and circumstances suggest that the carrying amounts of them may exceed their recoverable amounts. The Group's determination as to whether they are impaired requires an estimation of the recoverable amount of the assets. The Group relied on experts to assess the geological prospects for the discovery of oil in the oil field and estimated the value of oil to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling costs and other exploration and evaluation assets, the Group determined whether the related well costs are expensed if it is determined that such economic viability is not attained after performing further feasibility studies.

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews. Details of the key assumptions adopted and the corresponding impact, refer to Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(e) The fair value of the warrant

The fair value of the warrant issued requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the warrant. Details of the assumptions used in determining the fair value of the warrant have been disclosed in Note 29.

(f) Fair value of convertible notes and the embedded conversion options

The fair value of convertible notes and the embedded conversion options are determined using valuation techniques including reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Details of the assumptions used in determining the fair value of the convertible notes and the embedded conversion options have been disclosed in Note 28.

(g) Recognition of share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the equity receives services from employees and consultants as consideration for equity instruments (options) of the Group. The directors of the Company have used the Binomial Model to determine the total value of the options granted, which is based on fair value and various attributes of the underlying shares of the Company. Significant estimates and assumptions are required to be made in determining the parameters for applying the Binomial Model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the share options. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment or terms with the Group at the end of the vesting period. The Group only recognises an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based payments.

(h) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5 DISCONTINUED OPERATION

On 5 December 2014, the board of directors of the Company passed a resolution to discontinue the operation in EPI Metals Limited, a subsidiary of the Company collectively holds 100% equity interest. EPI Metals Limited is principally engaged in the trading of metals. The discontinued operation decision is based on Company's strategy of focusing on the exploration and production of oil and gas industry.

The discontinued operation represents the whole metal transactions segment. The financial information below serves the purpose of both discontinued operation and segment disclosure in Note 6.

	2014	2013
	HK\$'000	HK\$'000
Loss for the year from a discontinued operation		
Segment results excluding impairment	(100)	(92)
Impairment loss	(200,810)	(13,966)
Loss for the year from a discontinued operation	(200,910)	(14,058)
Cashflows from a discontinued operation		
Net cash flows used in operating activities	(14)	(2)
Net cash outflows	(14)	(2)

As at 31 December 2014, directors considered that the receivable arising from metal contract amounting to HK\$200,810,000 was impaired and fully provided for.

Movements in the Group's allowance for impairment of other receivables and repayments are as follows:

	2014	2013
	HK\$'000	HK\$'000
At 1 January	13,966	—
Recognition of impairment loss	200,810	13,966
At 31 December	214,776	13,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the petroleum exploration and production. Turnover and revenue for the year comprise the following:

	2014 HK\$'000	2013 HK\$'000
Sales of petroleum	85,689	89,853

The chief executive officer of the Company (the "Chief Executive Officer") is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Chief Executive Officer having considered the business of the Group from both a geographic and product perspective and has determined with management that the Group operated only in one geography segment, being Argentina and has a single product in activity segment by petroleum exploration and production.

The Group's reportable segments are (1) Petroleum exploration and production (Continuing operation) and (2) Metal transactions (Discontinued operation). Segment information of metal transaction is set out in Note 5.

The Chief Executive Officer assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenses from the operating segments such as legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6 REVENUE AND SEGMENT INFORMATION – CONTINUED

Continuing operation:

Petroleum exploration and production

	2014 HK\$'000	2013 HK\$'000 (Restated)
Segment revenue (external sales)	85,689	89,853
Result		
Segment results excluding impairment	17,271	4,408
Impairment losses	(91,049)	(493,308)
Segment loss	(73,778)	(488,900)
Unallocated other gains and losses	776	13,360
Unallocated corporate expenses	(72,538)	(145,816)
Finance costs	(34,693)	(43,757)
Loss for the year from continuing operation	(180,233)	(665,113)
Assets		
Petroleum exploration and production	284,969	422,002
Metal transactions	–	200,838
Total segment assets	284,969	622,840
Unallocated	76,923	53,503
Consolidated assets	361,892	676,343
Liabilities		
Petroleum exploration and production	5,363	10,904
Metal transactions	–	6
Total segment liabilities	5,363	10,910
Unallocated	325,844	447,247
Consolidated liabilities	331,207	458,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6 REVENUE AND SEGMENT INFORMATION – CONTINUED

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

- all assets are allocated to reportable segments other than other tax recoverables, held-for-trading investments and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segment other than convertible notes, borrowings, derivative financial liabilities and liabilities for which reportable segment are jointly liable.

	2014 HK\$'000	2013 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:		
Capital expenditure		
— Petroleum exploration and production	3,402	26,473
— Unallocated	69	1,247
	3,471	27,720
Depreciation and depletion		
— Petroleum exploration and production	17,757	27,307
— Unallocated	286	136
	18,043	27,443
Impairment loss recognised in respect of exploration and evaluation assets	91,049	442,197
Impairment loss recognised in respect of property, plant and equipment	—	51,111
Reversal of impairment loss recognised in respect of tax recoverable	(17,473)	(660)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6 REVENUE AND SEGMENT INFORMATION – CONTINUED

The Group's revenue from external customers based on the location of customers and information about its non-current assets, excluding other tax recoverables, by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Argentina	85,689	89,853	252,617	358,480
Others	–	–	1,027	1,249
	85,689	89,853	253,644	359,729

For the year ended 31 December 2014, external revenue of approximately HK\$85,689,000 (2013: HK\$89,853,000) is generated from one major customer which accounts for 100% of the Group's external revenue. The revenue is attributable to petroleum exploration and production segment.

7 OTHER (LOSSES)/GAINS, NET

	2014	2013
	HK\$'000	HK\$'000
Continuing operation:		
Other interest income	1,014	1
Bank interest income	2	–
Total interest income	1,016	1
Government grants (Note)	–	13,313
Exchange (losses)/gains, net	(18,333)	328
Loss on disposal of property, plant and equipment	(464)	(164)
Others	1,239	211
	(17,558)	13,688
	(16,542)	13,689

Note:

The amount represented government subsidy obtained for the Group's petroleum exploration and production in Argentina. No subsidy was granted by the Argentina government during the year 2014 as Chafiáres, the Concession owner of the field, did not meet the requirement for subsidy entitlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8 WAGES, SALARIES AND OTHER BENEFITS (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK\$'000	2013 HK\$'000
Continuing operation:		
Wages, salaries and other benefits	25,295	23,780
Pension costs — defined contribution plans (Note (a))	198	182
Share-based payments (Note 25)	8,760	32,239
	34,253	56,201

Notes:

(a) Pension costs — defined contribution plans

With effect from 1 December 2000, a Mandatory Provident Fund scheme (the "MPF Scheme") has been set up for employees in Hong Kong in accordance with the Mandatory Provident Fund Scheme Ordinance. Commencing on 1 December 2000, the existing employees in Hong Kong may elect to join the MPF Scheme, and all new employees in Hong Kong are required to join the MPF Scheme. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings. Starting from 1 June 2014, the ceiling changed from HK\$1,250 to HK\$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the profit or loss represent the contributions paid or payable to the funds by the Group.

The Group also participates in the employees' pension schemes of the respective municipal governments in the countries where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary 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.

(b) Directors' and chief executive officer emoluments

The remuneration paid or payable to each of the directors and the Chief Executive Officer for the year ended 31 December 2014 is set out below:

Name	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other benefits (Note (i)) HK\$'000	Share-based payments HK\$'000	Retirement benefits scheme contributions HK\$'000	
Non-executive Chairman					
Ho King Fung, Eric	870	—	6,325	—	7,195
Executive directors					
Tse Kwok Fai, Sammy	—	2,882	—	18	2,900
Chan Chi Hung, Anthony	—	1,230	2,273	18	3,521
Independent non-executive directors					
Qian Zhi Hui	188	—	—	—	188
Zhu Tiansheng	188	—	—	—	188
Tech Chun Ming (Note (v))	188	—	—	—	188
Total emoluments	1,434	4,112	8,598	36	14,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8 WAGES, SALARIES AND OTHER BENEFITS (INCLUDING DIRECTORS' EMOLUMENTS) – CONTINUED

Notes – continued:

(b) Directors' and chief executive officer emoluments – continued

The remuneration paid or payable to each of the directors and the Chief Executive Officer for the year ended 31 December 2013 is set out below:

Name	Other emoluments				Total
	Fees	Salaries and	Share-based	Retirement	
		other benefits		benefits	
		(Note (i))	payments	scheme	
	HK\$'000	HK\$'000	HK\$'000	contributions	HK\$'000
Non-executive Chairman					
Ho King Fung, Eric (Note (iv))	450	–	12,378	–	12,828
Executive directors					
Tse Kwok Fai, Sammy (Note (ii))	–	2,130	7,392	11	9,533
Chan Chi Hung, Anthony (Note (iii))	–	276	4,449	8	4,733
Allan Ritchie (Note (vi))	–	658	3,072	–	3,730
Chu Kwok Chi, Robert (Note (vii))	–	561	–	5	566
Hong Kin Choy (Note (viii))	–	890	–	6	896
Independent non-executive directors					
Lam Ting Lok (Note (ix))	90	–	–	–	90
Qian Zhi Hui	150	–	–	–	150
Zhu Tiansheng	150	–	–	–	150
Cheung Yuk Ming (Note (x))	75	–	–	–	75
Total emoluments	915	4,515	27,291	30	32,751

Tse Kwok Fai, Sammy is also the Chief Executive Officer of the Company in 2013 and 2014 and his emoluments disclosed above include those for services rendered by him as the chief executive.

There was no arrangement under which a director and the Chief Executive Officer waived or agreed to waive remuneration during both years. In addition, no remuneration was paid by the Group to any of the directors and the Chief Executive Officer as an inducement to join, or upon joining the Group or as compensation for loss of office.

Notes:

- (i) Other benefits mainly comprise leave pay, and quarter expenses.
- (ii) Appointed on 9 April 2013.
- (iii) Appointed on 16 July 2013.
- (iv) Appointed on 4 April 2013 as Non-executive Director and re-designated as the Non-executive Chairman on 30 July 2013.
- (v) Appointed on 10 January 2014.
- (vi) Appointed on 4 April 2013 and resigned on 29 November 2013.
- (vii) Resigned on 9 April 2013. Compensation for loss of his office as a director of the Company amounting to HK\$8,000,000 was recognised during the year ended 31 December 2014.
- (viii) Resigned on 3 June 2013.
- (ix) Appointed on 4 April 2013 and resigned on 10 January 2014.
- (x) Retired on 3 July 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8 WAGES, SALARIES AND OTHER BENEFITS (INCLUDING DIRECTORS' EMOLUMENTS) — CONTINUED

Notes — continued:

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: one) individual during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	2,039	1,610
Pension costs — defined contribution plans	—	9
Share-based payments	—	2,474
	2,039	4,093

The emoluments fell within the following bands:

	Number of Individuals	
	2014	2013
Emolument bands		
HK\$2,000,001–HK\$3,000,000	1	—
HK\$4,000,001–HK\$5,000,000	—	1
	1	1

9 PROVISION OF IMPAIRMENT LOSSES

	2014 HK\$'000	2013 HK\$'000
Continuing operation:		
Impairment loss of exploration and evaluation assets (Note 16)	91,049	442,197
Impairment loss of property, plant and equipment (Note 17)	—	51,111
Reversal of impairment loss of other tax recoverables (Note 19)	(17,473)	(660)
	73,576	492,648

Provision for impairment loss of a discontinued operation is set out in Note 5.

10 FAIR VALUE GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

	2014 HK\$'000	2013 HK\$'000
Continuing operation:		
Fair value gain/(loss) on derivative component of convertible notes	29,340	(12,464)
Fair value (loss)/gains on held-for-trading investments	(46)	61
Fair value gain/(loss) on warrants	20,751	(5,999)
Loss on disposal of bond	(936)	—
	49,109	(18,402)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11 FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Continuing operation:		
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	11,564	14,345
Other loans	180	9,292
Effective interest expense on convertible notes (Note 28)	22,949	20,120
Total interest expenses	34,693	43,757

12 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in these financial statements as the Group did not have assessable profits arising in Hong Kong for the year (2013: Nil).

Argentina income tax is calculated at 35% (2013: 35%) of assessable profit for the year. No provision for Argentina income tax has been made as there is no net assessable profits arising in Argentina for the year.

The tax on the Group's loss for the year differs from the theoretical amount that would arise using the domestic tax rates applicable to loss of the consolidated entities are as follows:

	2014 HK\$'000	2013 HK\$'000
Continuing operation:		
Loss for the year	(180,233)	(665,113)
Tax credit calculated at weighted average tax rates applicable to loss in the respective countries	26,834	121,575
Income not subject to tax	14,544	4,180
Expenses not deductible for tax purpose	(26,549)	(110,077)
Tax losses for which no deferred income tax asset was recognised	(14,829)	(15,707)
Others	—	29
	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12 INCOME TAX EXPENSE – CONTINUED

	2014 HK\$'000	2013 HK\$'000
Discontinued operation:		
Loss for the year	(200,910)	(14,058)
Tax credit calculated at weighted average tax rates applicable to loss	33,150	2,319
Expenses not deductible for tax purpose	(33,150)	(2,319)
	—	—

At 31 December 2014, the Group had unused tax losses of HK\$199,670,000 (2013: HK\$257,889,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK\$68,814,000 (2013: HK\$47,899,000) that will expire within 5 years. All other tax losses may be carried forward indefinitely.

13 LOSS FOR THE YEAR FROM CONTINUING OPERATION

	2014 HK\$'000	2013 HK\$'000
Loss for the year from continuing operation has been arrived after charging the following items:		
Auditor's remuneration	3,000	2,500
Minimum lease payments under operating leases in respect of office properties and buildings	2,681	2,524
Share-based payments granted to consultants (Note 25)	34,916	16,730
Professional fees	17,466	14,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14 LOSSES PER SHARE

(a) Basic

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

	2014 HK\$'000	2013 HK\$'000
Loss for the year attributable to owners of the Company		
— Continuing operation	(180,233)	(665,113)
— Discontinued operation	(200,910)	(14,058)
	'000	'000
Weighted average number of ordinary shares in issue	4,642,939	3,544,464

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company has three (2013: three) categories of potential dilutive ordinary shares: warrants, convertible notes and share options (2013: warrants, convertible notes and share options). The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options and warrants (2013: share options and warrants), a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

These potential dilutive ordinary shares were anti-dilutive for the years ended 31 December 2014 and 2013.

15 DIVIDEND

The board of directors does not recommend the payment of a dividend during the year (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16 EXPLORATION AND EVALUATION ASSETS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Cost		
At 1 January and 31 December	3,778,574	3,778,574
Impairment		
At 1 January	3,572,303	3,130,106
Charged to consolidated profit or loss (Note 9)	91,049	442,197
At 31 December	3,663,352	3,572,303
Net book amount		
At 1 January	206,271	648,468
At 31 December	115,222	206,271

Note:

The balance relates to exploration and evaluation assets in respect of oil exploration rights through the participating interest in the Puesto Pozo Cercado Concession and Chafiáres Herrados Concession (together, the "Concessions") in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively.

The Puesto Pozo Cercado Concession and Chafiáres Herrados Concession were awarded to Chafiáres Herrados Empresa de Trabajos Petroleros S.A. ("Chafiáres"), the concessionaire. The terms of these oil exploration and production concessions are 25 years commencing from 26 June 1992 and 24 September 1992, respectively, with the possibility of obtaining a 10-year extension under certain conditions.

In 2011, Chafiáres 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.

Since 2012 onwards, the Argentina government has been taking more drastic measures to ensure growth and keeping the currency stable, such as import restrictions and severe capital controls. These policies are exacerbating economic stagnation and leading to political unrest. As a result, the directors of the Company decided to delay the Group's overall drilling plan to later years until the investment climate in Argentina is improved.

In 2013, the economic and political environment in Argentina remained uncertain. With reference to certain future oil price forecast available to the date of approval of the consolidated financial statements for the year ended 31 December 2013, the directors expected that there would be a high probability of deterioration in the growth of future oil price outlook. Taking into account of potential acquisition opportunity identified by the Group, the directors decided to further delay the Group's overall drilling plan to later years. As a result, the directors conducted a review of the Group's petroleum exploration and production business in Argentina and determined that the Group's exploration and evaluation assets, and oil and gas properties under property, plant and equipment should be further impaired. Accordingly, impairment losses of HK\$442,197,000 and HK\$51,111,000 were recognised in respect of the Group's exploration and evaluation assets and oil and gas properties under property, plant and equipment, respectively during the year ended 31 December 2013.

Since the last quarter of 2014, the global oil price has been decreasing drastically. With reference to the latest available future oil price forecast, the directors expect that the deterioration in growth of oil price outlook would continue in the next few years. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. Accordingly, the directors decided to further delay the Group's overall drilling plan. As a result, the directors conducted a review of the Group's petroleum exploration and production business in Argentina and determined that the Group's exploration and evaluation assets, and oil and gas properties under property, plant and equipment should be further impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16 EXPLORATION AND EVALUATION ASSETS – CONTINUED

Note: – continued

The above changes in future oil price outlook and the Group's deferral in the Argentina investment plan would have a significant impact to the timing and amount of expected future cash flows from the operation as well as the recoverable amount of the exploration and evaluation assets, and oil and gas properties under property, plant and equipment of the Group. Consequently, impairment losses of HK\$91,049,000 was recognised in respect of the Group's exploration and evaluation assets during the year ended 31 December 2014.

The recoverable amounts of the exploration and evaluation assets and oil and gas properties under property, plant and equipment were determined from value in use calculations based on a cash flow projection derived from estimated oil reserve at the Concessions up to the expiry of the concession right in 2027 at a discount rate of 18.06% (2013: 17.7%) for exploration and evaluation assets and 16.2% (2013: 17.0%) for oil and gas properties under property, plant and equipment respectively.

The relevant pre-tax discount rates used in these value in use calculation for exploration and evaluation assets and oil and gas properties under property, plant and equipment are 25.6% (2013: 27.2%) and 21.4% (2013: 26.2%) respectively.

The key assumptions for the value in use calculation are those regarding the discount rates, production decline rates and expected changes in future oil prices. The expected future oil prices for our Argentina Operation for the next five years range from US\$66.90 to US\$106.30 (2013: from US\$89.87 to US\$100.45) per barrel.

Should the future oil price be further decreased by 3% (2013: 5%), the carrying amount of the exploration and evaluation assets would have recognised further impairment of HK\$47,221,000 (2013: HK\$206,271,000). In respect of oil and gas properties under property, plant and equipment, if the expected oil price be further decreased by 3% (2013: 5%), the Group would have recognised further impairment of HK\$4,879,000 (2013: HK\$10,442,000).

Should the discount rate used in the value in use calculations for exploration and evaluation assets and oil and gas properties under property, plant and equipment had been one percentage point higher, additional impairment of HK\$27,589,000 (2013: HK\$79,856,000) and HK\$4,413,000 (2013: HK\$8,255,000) would have been recognised respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17 PROPERTY, PLANT AND EQUIPMENT

	Group			Company
	Oil and gas properties	Others	Total	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013				
Cost	458,537	2,453	460,990	997
Accumulated depreciation	(88,034)	(1,571)	(89,605)	(761)
Accumulated impairment losses	(166,929)	–	(166,929)	–
Net book amount	203,574	882	204,456	236
Year ended 31 December 2013				
Opening net book amount	203,574	882	204,456	236
Additions	26,324	1,396	27,720	1,247
Disposals	–	(164)	(164)	(150)
Depreciation and depletion	(27,081)	(362)	(27,443)	(102)
Impairment loss (Notes 9 and 16)	(51,111)	–	(51,111)	–
Closing net book amount	151,706	1,752	153,458	1,231
At 31 December 2013				
Cost	484,861	3,411	488,272	2,048
Accumulated depreciation	(115,115)	(1,659)	(116,774)	(817)
Accumulated impairment losses	(218,040)	–	(218,040)	–
Net book amount	151,706	1,752	153,458	1,231
Year ended 31 December 2014				
Opening net book amount	151,706	1,752	153,458	1,231
Additions	3,402	69	3,471	69
Disposal	(460)	(4)	(464)	(4)
Depreciation and depletion	(17,630)	(413)	(18,043)	(278)
Closing net book amount	137,018	1,404	138,422	1,018
At 31 December 2014				
Cost	487,136	3,473	490,609	2,109
Accumulated depreciation	(132,078)	(2,069)	(134,147)	(1,091)
Accumulated impairment losses	(218,040)	–	(218,040)	–
Net book amount	137,018	1,404	138,422	1,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18 INVESTMENTS IN AND AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	2014	2013
	HK\$'000	HK\$'000
Investments, at cost:		
Unlisted shares	8	8
Amounts due from subsidiaries (Note (a))	4,758,851	4,770,141
Less: Provision for impairment (Note (b))	(4,330,896)	(4,054,602)
	427,955	715,539
Amounts due to subsidiaries (Note (a))	90,791	90,814

Investments in the Group undertakings are recorded at cost, which is the fair value of the consideration paid.

Notes:

- (a) The amounts due from/to subsidiaries are unsecured, interest-free, repayable on demand and mainly denominated in HK\$.
- (b) Movements in the provision for the impairment of amounts due from subsidiaries are as follows:

	Company	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	4,054,602	3,552,335
Recognition of impairment loss	276,294	502,267
At 31 December	4,330,896	4,054,602

- (c) The following is a list of the principal subsidiaries at 31 December 2014:

Name	Place of incorporation/operations	Principal activities	Nominal value of issued and fully paid ordinary share/registered capital	Attributable proportion of nominal value of issued/registered capital indirectly held by the company
EP Energy S.A.	Argentina	Petroleum exploration and production	ARS303,600	100%
Have Result Investments Limited	British Virgin Islands/Argentina	Petroleum exploration and production	US\$10,000	100%

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries 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 2014

19 OTHER TAX RECOVERABLES

	Group	
	2014 HK\$'000	2013 HK\$'000
Total other tax recoverables	33,703	41,295
Less: Current portion	(16,140)	(12,753)
Non-current portion	17,563	28,542

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchasing property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset value-added tax arising from the future sales of petroleum. Management estimated the recoverable amount of the value-added tax based on future revenue which the Group expects to be generated from sales of petroleum, with reference to the current exploration and evaluation stages of the oil field and oil production from wells. During the year ended 31 December 2014, a reversal of provision for impairment loss on recoverable value-added tax expense of HK\$17,473,000 (2013: HK\$660,000) was recognised in profit and loss (Note 9). The directors of the Company expected that an amount of HK\$17,563,000 (2013: HK\$28,542,000) will be recovered from the sales of petroleum after twelve months from the date of statement of financial position and, accordingly, classified the amount as non-current assets.

20 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		
	Loans and receivables HK\$'000	Held-for- trading investments HK\$'000	Total HK\$'000
As at 31 December 2014			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	44,948	—	44,948
Held-for-trading investments	—	52	52
Cash and cash equivalents	28,565	—	28,565
Total	73,513	52	73,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20 FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

	Group		Total HK\$'000
	Liabilities at fair value through profit or loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	
As at 31 December 2014			
Liabilities as per consolidated statement of financial position			
Borrowings	–	218,400	218,400
Convertible notes	–	62,877	62,877
Derivative financial liabilities	5,917	–	5,917
Trade and other payables excluding non-financial liabilities	–	19,935	19,935
Total	5,917	301,212	307,129

	Group		Total HK\$'000
	Loans and receivables HK\$'000	Held-for- trading investments HK\$'000	
As at 31 December 2013			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	26,378	–	26,378
Held-for-trading investments	–	98	98
Cash and cash equivalents	48,029	–	48,029
Total	74,407	98	74,505

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For the year ended 31 December 2014

20 FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

	Group		
	Liabilities at fair value through profit or loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000

As at 31 December 2013

Liabilities as per consolidated statement of financial position

Borrowings	–	275,000	275,000
Convertible notes	–	84,054	84,054
Derivative financial liabilities	58,903	–	58,903
Trade and other payables excluding non-financial liabilities	–	33,187	33,187
Total	58,903	392,241	451,144

	Company		
	Loans and receivables HK\$'000	Held-for- trading investments HK\$'000	Total HK\$'000

As at 31 December 2014			
Assets as per statement of financial position			
Other receivables excluding prepayments	577	–	577
Amounts due from subsidiaries	427,955	–	427,955
Cash and cash equivalents	9,399	–	9,399
Total	437,931	–	437,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20 FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

	Company		Total HK\$'000
	Liabilities at fair value through profit or loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	
As at 31 December 2014			
Liabilities as per statement of financial position			
Borrowings	—	218,400	218,400
Convertible notes	—	62,877	62,877
Derivative financial liabilities	5,917	—	5,917
Other payables excluding non-financial liabilities	—	18,700	18,700
Amount due to subsidiaries	—	90,791	90,791
Total	5,917	390,768	396,685

	Company		Total HK\$'000
	Loans and receivables HK\$'000	Held-for- trading investments HK\$'000	
As at 31 December 2013			
Assets as per statement of financial position			
Other receivables excluding prepayments	596	—	596
Amounts due from subsidiaries	715,539	—	715,539
Cash and cash equivalents	21,179	—	21,179
Total	737,314	—	737,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20 FINANCIAL INSTRUMENTS BY CATEGORY – CONTINUED

	Liabilities at fair value through the profit or loss HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
As at 31 December 2013			
Liabilities as per statement of financial position			
Borrowings	—	275,000	275,000
Convertible notes	—	84,054	84,054
Derivative financial liabilities	58,903	—	58,903
Other payables excluding non-financial liabilities	—	6,454	6,454
Amount due to subsidiaries	—	90,814	90,814
Total	58,903	456,322	515,225

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade receivables (Note (a))	3,596	4,716	—	—
Prepayment to a metal supplier (Note 5)	—	200,810	—	—
Other receivables and other prepayments	26,732	21,666	577	596
Loan to a third party (Note (b))	15,600	—	—	—
	45,928	227,192	577	596

Notes:

- (a) The Group allows on average credit period of 30 to 60 days to its trade customer. The trade receivables of HK\$3,596,000 (2013: HK\$4,716,000) 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. Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – CONTINUED

Notes: – continued

- (b) Loan to a third party of HK\$15,600,000 which is unsecured, interest bearing at fixed interest rate of 12% per annum, denominated in US\$, repayable within six months from the agreement date.
- (c) The other classes within trade and other receivables do not contain impaired assets.
- (d) The maximum exposure to credit risk at the date of statement of financial position is the carrying value of each class of receivables mentioned above. As at 31 December 2014, the Group does not hold any collateral as security.

The carrying amount of trade and other receivables and prepayments are denominated in currencies:

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ARS	28,604	25,722	—	—
US\$	16,302	—	—	—
HK\$	1,022	660	577	596
RMB	—	200,810	—	—
	45,928	227,192	577	596

22 HELD-FOR-TRADING INVESTMENTS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Listed securities — held-for-trading at fair value		
— Equity securities — Hong Kong	52	98

Held-for-trading investments are presented within “operating activities” as part of changes in working capital in the consolidated statement of cash flows (Note 31).

Changes in fair values of held-for-trading investments are recorded in “fair value gains/(losses) on financial instruments” in the consolidated profit or loss (Note 10).

The fair value of all equity securities is based on their current bid prices in an active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	28,565	48,029	9,399	21,179

Bank balances carry interest at market rates which range from 0.01% to 1.25% (2013: 0.01% to 1.25%) per annum.

The carrying amount of cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ARS	3,744	9,267	5	11
US\$	22,420	16,402	7,892	62
HK\$	2,372	22,360	1,473	21,106
Others	29	—	29	—
	28,565	48,029	9,399	21,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24 SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of ordinary shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1 January, 31 December 2013 and 2014	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1 January 2013	3,130,378	313,038
Issue of new shares upon placements (Note (a))	125,000	12,500
Issue of new shares upon placements (Note (b))	650,000	65,000
Issue of shares upon conversion of convertible notes (Note (c))	124,500	12,450
Issue of shares upon exercise of share options (Note (d))	140,000	14,000
At 31 December 2013	4,169,878	416,988
Issue of new shares upon placements (Note (e))	682,480	68,248
At 31 December 2014	4,852,358	485,236

Notes:

- (a) On 1 March 2013, the Company completed a placement of 125,000,000 ordinary shares of HK\$0.10 each (the "March 2013 Placing Shares") at a placing price of HK\$0.18 per share to independent third parties. Accordingly, 125,000,000 ordinary shares of HK\$0.10 each were issued at a premium of HK\$0.08 each. The premium on issue of shares of HK\$10,000,000 was credited to the share premium account. The Company also issued unlisted warrants ("Warrants"), on the basis of 5 Warrants for each March 2013 Placing Share issued. Details of the Warrants are set out in Note 29.
- (b) On 27 August 2013, the Company completed a placement of 650,000,000 ordinary shares of HK\$0.10 each at a placing price of HK\$0.19 per share to independent third parties. Accordingly, 650,000,000 ordinary shares of HK\$0.10 each were issued at a premium of HK\$0.09 each. The premium on issue of shares of HK\$58,500,000 was credited to the share premium account.
- (c) During the year ended 31 December 2013, 124,500,000 ordinary shares of HK\$0.10 each were issued upon conversion of 2011 CN with an aggregate principal amount of HK\$18,675,000.
- (d) During the year ended 31 December 2013, the Company allotted and issued 140,000,000 ordinary shares of HK\$0.10 each for cash at the exercise price of HK\$0.141 per share as a result of the exercise of options under the share option scheme approved by the shareholders of the Company.
- (e) On 22 April 2014, the Company completed a placement of 682,480,000 ordinary shares of HK\$0.10 each at a placing price of HK\$0.228 per share to independent third parties. Accordingly, 682,480,000 ordinary shares of HK\$0.10 each were issued at a premium of HK\$0.128 each and the premium on issue of shares of HK\$87,357,000 was credited to the share premium account.
- (f) All shares issued by the Company in 2013 and 2014 rank pari passu in all respects with the existing shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 SHARE OPTIONS

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 directors and employees 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 suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors of the Company.

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; nor to exceed 30% of the shares of the Company in issue from time to time. 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 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 highest 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.

As at 31 December 2014, options to subscribe for an aggregate of 1,204,000,000 shares (2013: 703,000,000 shares) of the Company granted to the directors, certain employees and other participants pursuant to the Scheme remained outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25 SHARE OPTIONS – CONTINUED

Details of the movements in the number of share options during the year ended 31 December 2014 under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2014
Employees:								
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	64,000,000	–	–	(7,000,000)	57,000,000
R	17 July 2014	17 July 2014 – 16 July 2017	0.200	–	3,000,000	–	–	3,000,000
				64,000,000	3,000,000	–	(7,000,000)	60,000,000
Directors:								
J	11 April 2013 (Note (a))	3 July 2013 – 10 April 2016	0.255	88,000,000	–	–	–	88,000,000
K	30 July 2013 (Note (b))	16 September 2013 – 29 July 2016	0.206	147,500,000	–	–	–	147,500,000
L	30 July 2013 (Note (b))	16 September 2014 – 29 July 2016	0.206	73,750,000	–	–	–	73,750,000
M	30 July 2013 (Note (b))	16 September 2015 – 29 July 2016	0.206	73,750,000	–	–	–	73,750,000
				383,000,000	–	–	–	383,000,000
Suppliers and others:								
H	11 April 2013	11 April 2013 – 10 April 2016	0.255	128,000,000	–	–	–	128,000,000
I	11 April 2013 (Note (c))	11 April 2013 – 28 February 2014	0.255	32,000,000	–	–	(32,000,000)	–
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	32,000,000	–	–	–	32,000,000
O	25 November 2013	25 November 2014 – 24 November 2016	0.219	64,000,000	–	–	–	64,000,000
P	4 June 2014	4 June 2014 – 3 June 2017	0.189	–	70,000,000	–	–	70,000,000
Q	17 July 2014	17 July 2014 – 16 July 2017	0.200	–	467,000,000	–	–	467,000,000
				256,000,000	537,000,000	–	(32,000,000)	761,000,000
				703,000,000	540,000,000	–	(39,000,000)	1,204,000,000

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For the year ended 31 December 2014

25 SHARE OPTIONS – CONTINUED

Details of the movements in the number of share options during the year ended 31 December 2013 under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise Price HK\$	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013
Employees:								
A	10 February 2010	10 February 2010 – 9 February 2013	1.564	2,096,667	–	–	(2,096,667)	–
B	10 February 2010	10 November 2010 – 9 February 2013	1.564	2,096,667	–	–	(2,096,667)	–
C	10 February 2010	10 August 2011 – 9 February 2013	1.564	2,096,667	–	–	(2,096,667)	–
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	–	64,000,000	–	–	64,000,000
				6,290,001	64,000,000	–	(6,290,001)	64,000,000
Directors:								
D	19 March 2010	19 March 2010 – 9 February 2013	1.610	90,000	–	–	(90,000)	–
E	19 March 2010	10 November 2010 – 9 February 2013	1.610	90,000	–	–	(90,000)	–
F	19 March 2010	10 August 2011 – 9 February 2013	1.610	90,000	–	–	(90,000)	–
J	11 April 2013 (Note (a))	3 July 2013 – 10 April 2016	0.255	–	88,000,000	–	–	88,000,000
K	30 July 2013 (Note (b))	16 September 2013 – 29 July 2016	0.206	–	147,500,000	–	–	147,500,000
L	30 July 2013 (Note (b))	16 September 2014 – 29 July 2016	0.206	–	73,750,000	–	–	73,750,000
M	30 July 2013 (Note (b))	16 September 2015 – 29 July 2016	0.206	–	73,750,000	–	–	73,750,000
				270,000	383,000,000	–	(270,000)	383,000,000
Suppliers and others:								
A	10 February 2010	10 February 2010 – 9 February 2013	1.564	1,939,999	–	–	(1,939,999)	–
B	10 February 2010	10 November 2010 – 9 February 2013	1.564	1,939,999	–	–	(1,939,999)	–
C	10 February 2010	10 August 2011 – 9 February 2013	1.564	1,940,000	–	–	(1,940,000)	–
G	11 October 2011	11 October 2011 – 10 October 2013	0.141	140,000,000	–	(140,000,000)	–	–
H	11 April 2013	11 April 2013 – 10 April 2016	0.255	–	128,000,000	–	–	128,000,000
I	11 April 2013 (Note (c))	11 April 2013 – 28 February 2014	0.255	–	32,000,000	–	–	32,000,000
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	–	32,000,000	–	–	32,000,000
O	25 November 2013	25 November 2014 – 24 November 2016	0.219	–	64,000,000	–	–	64,000,000
				145,819,998	256,000,000	(140,000,000)	(5,819,998)	256,000,000
				152,379,999	703,000,000	(140,000,000)	(12,379,999)	703,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25 SHARE OPTIONS – CONTINUED

Pursuant to the resolution of the Company passed on, 4 June and 17 July 2014, the Company has granted total 3,000,000 and 537,000,000 share options were granted to employees and consultants of the Company, respectively under the Scheme.

The closing price of the Company's shares on the approval date on 4 June and 17 July 2014, the respective dates of grant of the options, were HK\$0.189 and HK\$0.200, respectively.

The Binominal model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the independent professional valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions. The estimated fair values of the options on their respective grant dates are as follows:

Option type	Grant date	Fair value
		HK\$
A	10 February 2010	0.372
B	10 February 2010	0.417
C	10 February 2010	0.459
D	19 March 2010	0.384
E	19 March 2010	0.425
F	19 March 2010	0.469
G	11 October 2011	0.0469
H	11 April 2013	0.096
I	11 April 2013 (note (c))	0.096
J	11 April 2013 (note (a))	0.084
K	30 July 2013 (note (b))	0.093
L	30 July 2013 (note (b))	0.095
M	30 July 2013 (note (b))	0.098
N	25 November 2013	0.077
O	25 November 2013	0.077
P	4 June 2014	0.0693
Q	17 July 2014	0.058
R	17 July 2014	0.054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25 SHARE OPTIONS – CONTINUED

The inputs into the model in respect of the share options granted were as follows:

	Option type										
	H	I	J	K	L	M	N	O	P	Q	R
Share price on grant date (HK\$)	0.255	0.255	0.243	0.234	0.234	0.234	0.215	0.215	0.189	0.200	0.200
Exercise price (HK\$)	0.255	0.255	0.255	0.206	0.206	0.206	0.219	0.219	0.189	0.200	0.200
Expected volatility	60.22%	60.22%	58.03%	58.19%	58.19%	58.19%	57.77%	57.77%	57.13%	55.35%	55.35%
Expected life (years)	3.00	0.88	2.77	2.87	1.87	0.87	3.00	2.75	3	3	3
Risk-free rate	0.19%	0.19%	0.51%	0.54%	0.54%	0.54%	0.37%	0.37%	1.10%	0.80%	0.80%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years.

The fair value of the share options granted was HK\$43,676,000 (2013: HK\$48,969,000), of which HK\$8,760,000 (Note 8) (2013: HK\$32,239,000) was related to services provided by the directors and employees of the Company and HK\$34,916,000 (Note 13) (2013: HK\$16,730,000) was related to services provided by the Group's consultants for the year ended 31 December 2014. Share based arrangement with consultants were measured at the fair value of related services rendered.

Notes:

- (a) Date of approval by shareholders was 3 July 2013.
- (b) Date of approval by shareholders was 16 September 2013.
- (c) These share options were granted to one of the executive directors on 11 April 2013 and the director resigned on 29 November 2013. According to the Scheme, the outstanding number of share options held by the director can be exercised within 3 months from the date of his resignation. These share options were classified in the category of "other participants" in the above tables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26 RESERVES

	Company				
	Share premium	Contributed surplus reserves	Share options reserves	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2013	4,022,678	60,322	39,747	(3,777,440)	345,307
Loss for the year	—	—	—	(676,022)	(676,022)
Issue of shares upon placements	53,748	—	—	—	53,748
Share issue expenses	(5,006)	—	—	—	(5,006)
Issue of shares upon conversion of convertible notes	16,354	—	—	—	16,354
Issue of shares upon exercise of share options	12,306	—	(6,566)	—	5,740
Recognition of equity settled share-based payments	—	—	48,969	—	48,969
Balance as at 31 December 2013	4,100,080	60,322	82,150	(4,453,462)	(210,910)
Loss for the year	—	—	—	(377,392)	(377,392)
Issue of shares upon placements	87,357	—	—	—	87,357
Share issue expenses	(5,639)	—	—	—	(5,639)
Recognition of equity settled share-based payments	—	—	43,676	—	43,676
Balance as at 31 December 2014	4,181,798	60,322	125,826	(4,830,854)	(462,908)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27 BORROWINGS

	Group and Company	
	2014	2013
	HK\$'000	HK\$'000
Bank loan, secured (Note (a))	218,400	273,000
Other loans, secured (Note (b))	—	2,000
	218,400	275,000
Less: non-current portion	(163,800)	(218,400)
Current portion	54,600	56,600

As at 31 December 2014, the Group's and the Company's borrowings were repayable as follows:

	Group and Company			
	Bank loan		Other loans	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	54,600	54,600	—	2,000
Between 1 and 2 years	54,600	54,600	—	—
Between 2 and 5 years	109,200	163,800	—	—
	218,400	273,000	—	2,000

The carrying amount of the variable-rate borrowing approximates to their fair value. The carrying amount of last year fixed-rate borrowings approximated to their fair value as the impact of discounting was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27 BORROWINGS – CONTINUED

The carrying amounts of borrowings are denominated in the following currencies:

	Group and Company	
	2014 HK\$'000	2013 HK\$'000
US\$	218,400	273,000
HK\$	–	2,000
	218,400	275,000

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

	Effective interest rate		Carrying amount	
	2014	2013	2014 HK\$'000	2013 HK\$'000
Fixed-rate borrowings	–	24%	–	2,000
Variable-rate borrowing	4.33%	4.35%	218,400	273,000
			218,400	275,000

Notes:

- (a) On 3 November 2011, the Company entered into a loan agreement with a bank for a term loan facility of US\$40,000,000 (approximately HK\$312,000,000) for the purpose of funding the project in connection with the petroleum exploration and production in Argentina or to refinance any debt incurred by the Group for the purpose of this project.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu has financial interests. The relevant loan agreement also requires Mr. Wu to continue to be the Substantial Shareholders. On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as the Substantial Shareholders, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as the Substantial Shareholder in any event that he is reasonably expected to cease to be the Substantial Shareholder as a result of issue of new shares by the Company.

- (b) Other loans represented short-term loans from independent third parties and were secured by issued shares of the Company registered in the name of the shareholder of the Company as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28 CONVERTIBLE NOTES

- (a) On 2 September 2011, the Company completed a placing agreement with a placing agent pursuant to which the Company agreed to issue zero coupon convertible notes in an aggregate principal amount of HK\$62,100,000 (the "2011 CN") which could be converted into ordinary shares of HK\$0.10 each of the Company at an initial conversion price of HK\$0.15 per share (subject to anti-dilutive adjustments) through the placing agent to not less than six independent placees.

During the year ended 31 December 2013, the remaining amount of the 2011 CN with an aggregate principal amount of HK\$18,675,000 were converted by the holders into 124,500,000 ordinary shares at a conversion price of HK\$0.15 per ordinary share. The weighted average share price at the date of conversion for the 2011 CN during the year was HK\$0.248.

- (b) On 11 April 2013, the Company completed the subscription agreement pursuant to which the Company agreed to issue 8% convertible notes in an aggregate principal amount of HK\$100,000,000 (the "2013 CN") which could be converted into ordinary shares of HK\$0.10 each of the Company at an initial conversion price of HK\$0.19 per share (subject to anti-dilutive adjustments).

The 2013 CN is denominated in HK\$, maturing on the second anniversary of the issue date of 11 April 2013 (the "2013 Maturity Date"). The maturity was subsequently amended on 8 January 2015. Details of which are set out in Note 36. The Company shall redeem all the 2013 CN on the 2013 Maturity Date at 110% of the principal amount outstanding. With the holder's agreement, the Company may at any time and from time to time purchase the outstanding 2013 CN at such price as may be agreed between the Company and the holder thereof.

The holders of the 2013 CN shall, subject to certain conditions, have the right at any time during the conversion period commencing from the day after the issue date of the 2013 CN up to and including the date which is 7 days prior to the 2013 Maturity Date convert the whole or part of the principal amount outstanding under the 2013 CN at an initial conversion price of HK\$0.19 per share (subject to anti-dilutive adjustments) into ordinary shares of the Company.

The 2013 CN contains two components, a liability component and a conversion option. The conversion option gives the holders the right at any time to convert the 2013 CN into ordinary shares of the Company. However, since the conversion option would be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is accounted for as a derivative liability and it is measured at fair value with subsequent changes in fair value recognised at profit or loss.

The fair value of the liability component upon the issuance of the 2013 CN was calculated at the present value of the redemption amount, at 110% of the principal amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28 CONVERTIBLE NOTES – CONTINUED

(b) – continued

The fair value of the conversion option was determined using the binomial option pricing model, and the inputs into the model at the relevant dates were as follows:

	31 December 2013	31 December 2014
Conversion price	HK\$0.190	HK\$0.190
Share price	HK\$0.206	HK\$0.156
Expected volatility	52.840%	47.503%
Remaining life	1.28 years	0.28 year
Risk-free rate	0.424%	0.404%

The liability component and the conversion component are included in “convertible notes” and “derivative financial liabilities” (Note 29) on the statement of financial position, respectively.

The fair value of the 2013 CN at 11 April 2013 amounted to HK\$155,219,000. The difference between the fair value of the 2013 CN and the cash consideration of HK\$100,000,000 received to the extent of (i) HK\$34,210,000 was recognised in the profit or loss on the date of issuance as this portion represented the loss which the Company would have incurred if the 2013 CN was fully converted on the date of issuance; and (ii) HK\$21,009,000 was deferred and allocated between the liability component and conversion option based on the relative fair values of these two components on the date of issuance of the 2013 CN. The portion allocated to the liability component was recognised over the terms of 2013 CN using effective interest method whereas the remaining portion allocated to the conversion option was amortised on a straight-line method over the terms of 2013 CN. The effective interest rate of the liability component is 37.34%. As at 31 December 2014, the unamortised deferred losses amounted to HK\$799,000 (2013: HK\$6,146,000) was included in conversion option.

The Company decided to issue 2013 CN, even though the fair value of 2013 CN was higher than the cash consideration, because the Company required additional capital to finance its general working capital requirements and the potential acquisition in the coming years.

On 20 June 2014, the Company early redeemed 40% of the 2013 CN principal at HK\$40,000,000.

As at 31 December 2014, the fair value of liability component of the 2013 CN was HK\$940,000. The total fair value gain for the year on the 2013 CN is HK\$34,687,000.

During the year 2013 and 2014, none of the 2013 CN was converted into the ordinary shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28 CONVERTIBLE NOTES – CONTINUED

- (c) The movements in the components of the 2011 CN and 2013 CN during the current and prior years are set out below:

	2011 CN			2013 CN		
	Liability	Conversion	Total	Liability	Conversion	Total
	component	component		component	component	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(Note 29) HK\$'000	HK\$'000
At 1 January 2013	20,993	4,934	25,927	–	–	–
2013 CN at issue date	–	–	–	84,089	71,130	155,219
Deferred losses upon issuance	–	–	–	(11,382)	(9,627)	(21,009)
Transaction cost	–	–	–	(1,896)	(1,604)	(3,500)
Gain on derivative component recognised in profit or loss	–	–	–	–	(25,229)	(25,229)
Amortisation of deferred loss on conversion component	–	–	–	–	3,482	3,482
Conversion during the year	(23,870)	(4,934)	(28,804)	–	–	–
Interest charge	2,877	–	2,877	17,243	–	17,243
Interest paid	–	–	–	(4,000)	–	(4,000)
At 31 December 2013	–	–	–	84,054	38,152	122,206
Gain on derivative component recognised in profit or loss	–	–	–	–	(34,687)	(34,687)
Amortisation of deferred loss on conversion component	–	–	–	–	5,347	5,347
Redemption during the year	–	–	–	(37,105)	(2,895)	(40,000)
Interest charge	–	–	–	22,949	–	22,949
Interest paid	–	–	–	(7,021)	–	(7,021)
As at 31 December 2014	–	–	–	62,877	5,917	68,794

Analysed for reporting purpose as:

	Group and Company	
	2014	2013
	HK\$'000	HK\$'000
Current liabilities (Note)	62,877	8,000
Non-current liabilities	–	76,054
	62,877	84,054

Note:

As at 31 December 2014, the amount represented the coupon payments to be made in relation to the 2013 CN within the next twelve months from the date of statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29 DERIVATIVE FINANCIAL LIABILITIES

	Group and Company	
	2014 HK\$'000	2013 HK\$'000
Warrants (Note)	—	20,751
Conversion option of the 2013 CN (Note 28)	5,917	38,152
	5,917	58,903
Less: non-current liabilities	—	(58,903)
Current liabilities	5,917	—

Note:

As part of the placing agreement of March 2013 Placing Shares, the Company issued unlisted warrants (the "Warrants") on the basis of 5 Warrants of each of the March 2013 Placing Shares issued, at no initial price. The exercise price of the Warrant was at HK\$0.20 each and could be exercised at any time for period of three years from the issue date.

On the date of issuance, the fair value of the March 2013 Placing Shares and Warrants amounted to HK\$24,125,000 and HK\$45,938,000, respectively. The difference between the aggregate fair value of the March 2013 Placing Shares and the Warrants on the date of issuance and the total cash consideration of HK\$22,500,000 received was deferred and allocated between the 2013 Placing Shares and the Warrants based on the relative fair value of these two instruments on the date of issuance. The portion to the extent of HK\$31,186,000 allocated to the Warrants was recognised over the terms of the Warrants on a straight-line method and the portion to the extent of HK\$7,748,000 allocated to the March 2013 Placing Shares is not re-measured subsequent to initial recognition. As at 31 December 2014, the unamortised deferred losses amounted to HK\$10,062,000 (2013: HK\$22,499,000) was included in the Warrants.

The Company decided to issue the March 2013 Placing Shares and Warrants, even though the fair value of the 2013 Placing Shares and Warrants were higher than the cash consideration, because the Company was required to raise additional capital to finance its general working capital requirements and the potential acquisition in the coming years.

The fair value of the Warrants was determined using the black-scholes model and the significant inputs are as follows.

	31 December 2013	31 December 2014
Conversion price	HK\$0.200	HK\$0.200
Share price	HK\$0.206	HK\$0.156
Expected volatility	56.684%	43.438%
Remaining life	2.16 years	1.16 years
Risk-free rate	0.375%	0.534%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note (a))	253	3,050	—	—
Interest payable on borrowings	1,575	2,021	1,575	2,021
Other payables and accruals	42,185	33,719	37,069	21,683
	44,013	38,790	38,644	23,704

Notes:

- (a) At 31 December 2013 and 2014, the ageing analysis of trade payables based on invoice date were as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Less than 30 days	253	3,050

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

The carrying amount of trade and other payables are denominated in currencies:

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Equivalent	Equivalent	Equivalent	Equivalent
ARS	25,286	9,521	—	—
US\$	1,596	95	1,575	—
HK\$	17,131	29,174	37,069	23,704
	44,013	38,790	38,644	23,704

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31 CASH USED IN OPERATIONS

	Group	
	2014	2013
	HK\$'000	HK\$'000
Loss for the year	(381,143)	(679,171)
Income tax charge recognised in profit or loss	—	—
Adjustments for:		
— Depreciation and depletion of property, plant and equipment	18,043	27,443
— Impairment loss of property, plant and equipment (Note 9)	—	51,111
— Loss/(gain) on disposal of property, plant and equipment	464	164
— Impairment loss of exploration and evaluation assets (Note 9)	91,049	442,197
— Impairment loss of other receivables (Note 5)	200,810	13,966
— Reversal of impairment loss of other tax recoverables (Note 9)	(17,473)	(660)
— Fair value (gain)/loss on derivative component of convertible notes (Note 10)	(29,340)	12,464
— Fair value (gain)/loss on warrants (Note 10)	(20,751)	5,999
— Share-based payments (Note 25)	43,676	48,969
— Interest income (Note 7)	(1,016)	—
— Interest expense (Note 11)	34,693	43,757
— Loss/(gain) on held-for-trading investments (Note 10)	46	(61)
Changes in working capital:		
— Increase in trade and other receivables and prepayments	(19,546)	(22,523)
— Decrease in other tax recoverable	25,066	21,796
— Increase/(decrease) in trade and other payables	5,670	(57,138)
— Decrease in other non-current liabilities	(1,410)	—
Cash used in operations	(51,162)	(91,687)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32 JOINT OPERATIONS

Chañares entered into a joint venture agreement ("JV Agreement") with a third party ("Third Party") on 14 November 2007 in connection with the development of incremental hydrocarbon production in the "Puesto Pozo Cercado" area and "Chañares Herrados" area ("Areas"), through the investments made by the Third Party. Under the JV Agreement, it was established that the hydrocarbon obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefits obtained from the exploration and production of the works performed thereunder, shall be distributed in the following proportion: 28% for Chañares and 72% for the Third Party.

A subsidiary of the Group — Have Result Investments Limited ("Have Result") entered into an agreement for the 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 Agreements, 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 Areas. The incremental hydrocarbon production derived from the new wells in the Areas will first cover the operating costs and thereafter is 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 go into production, the Third Party shall also reimburse Have Result for 21% of the aggregate investments made by Have Result in the Areas.

On 2 December 2010, Have Result sent a letter to the Third Party stating and confirming the termination of the JV Agreement ("Termination"). As advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remains entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Areas (the "Existing Wells"), provided that Have Result continues to pay the relevant operating costs as required by the production allocated to it.

Another subsidiary of the Group, Southstart Limited ("Southstart") and Chañares entered into a new Joint Venture Agreement ("New JV Agreement") on 2 December 2010. Pursuant to which EP Energy S.A. ("EP Energy"), a wholly-owned subsidiary of Southstart is 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 Areas during the current term of the Concessions.

Pursuant to the New JV Agreement, the total consideration for the oil exploration and production right is subject to adjustment with reference to whether or not Chañares can 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 Executive of the Province of Mendoza has 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 (Note 16). 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 Areas 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32 JOINT OPERATIONS – CONTINUED

According to the New JV Agreement, EP Energy is 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 may render the New JV Agreement to be terminated and EP Energy will be forfeited any right to continue drilling but it will not be forfeited any right in respect of the wells already drilled.

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, retains the right to drill and invest in the Areas during the life of the Concessions awarded with respect to the Areas and any extension thereof. If five or more new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 72% and Chañares shall be entitled to 28% of the hydrocarbon production of the new wells; and if less than five new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 65% and Chañares shall be entitled to 35% of the hydrocarbon production of the new wells. The Operation Agreement confirms that the hydrocarbon production of the existing five wells drilled by EP Energy shall continue to be distributed in accordance with the New JV Agreement (i.e., 72% to EP Energy and 28% to Chañares). On the other hand, Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Areas.

The Operation Agreement reconfirms that Have Result has the right to receive 51% of the hydrocarbon production obtained from the Existing Wells until the termination of the Concessions held in respect of the Areas and any extension thereof. Have Result agreed that part of the proceeds from previous production of the Existing Wells, as well as the future production from the Existing Wells up to 31 December 2013, shall be reinvested in the Areas, including workover of the Existing Wells.

The aggregate amounts 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:

	2014	2013
	HK\$'000	HK\$'000
Assets	318,674	423,246
Liabilities	5,363	11,026
Revenue	85,689	89,853
Expenses	70,768	187,811

33 FINANCIAL GUARANTEES

As at 31 December 2014 and 2013, the Company gave indemnities to two non-controlling shareholders of companies controlled by Mr. Wu, indemnifying them against any loss they may sustain in case of any action or claim against those companies pursuant to the guarantee provided in respect of a bank loan and that the total amount payable will not exceed an aggregate amount of up to US\$13,000,000 (approximately HK\$101,140,000)(see Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34 OPERATING LEASE COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are due as follows:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
No later than 1 year	2,672	2,306	1,339	1,995
Later than 1 year and no later than 5 years	520	1,490	–	1,339
	3,192	3,796	1,339	3,334

35 RELATED PARTY TRANSACTIONS

The shares of the Company are widely held, and the Company has no ultimate controlling party.

Save as disclosed elsewhere to these consolidated financial statements, the following transactions were carried out with related parties:

- (a) Compensation of key management personnel

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

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	16,323	7,450
Post-employment benefits	90	54
Share-based payments	8,598	30,538
	25,011	38,042

36 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

- (a) On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the maturity date of the 2013 CN issued by the Company on 11 April 2013 for 1 year from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by shareholders at the special general meeting to approve the amendment deed.
- (b) Mr. Wu has signed a deed of undertaking with the Company and undertakes to maintain at all time as a substantial shareholder of the Company (Note 27). As at 31 December 2014 and up to the date of approval of these consolidated financial statements, Mr. Wu, directly or indirectly, holds 10.01% of the Company's shares and remains as a substantial shareholder of the Company.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 December 2014

	Year ended 31 December				
	2014 HK\$'000	2013 HK\$'000 (restated)	2012 HK\$'000 (restated)	2011 HK\$'000 (restated)	2010 HK\$'000 (restated)
RESULTS					
Revenue	85,689	89,853	80,854	42,554	35,694
Loss before income tax	(180,233)	(665,113)	(3,343,544)	(225,899)	(312,551)
Income tax (expense)/credit	—	—	(10,351)	7,942	—
Loss for the year from continuing operations	(180,233)	(665,113)	(3,353,895)	(217,957)	(312,551)
(Loss)/profit for the year from discontinued operations — Metals	(200,910)	(14,058)	1,855	220	23,033
Profit for the year from discontinued operations — Electronic	—	—	—	—	890
	(200,910)	(14,058)	1,855	220	23,923
Loss for the year	(381,143)	(679,171)	(3,352,040)	(217,737)	(288,628)
At 31 December					
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES					
Total assets	361,892	676,343	1,136,707	4,525,191	4,377,434
Total liabilities	(331,207)	(458,157)	(463,105)	(606,250)	(325,399)
Equity attributable to owners of the Company	30,685	218,186	673,602	3,918,941	4,052,035

Note: During the year ended 31 December 2010, the Group discontinued the consumer electronics and metals operations.

During the years ended 31 December 2011, 2012, 2013, 2014 the Group discontinued the metals operations.

CORPORATE INFORMATION

NON-EXECUTIVE CHAIRMAN

Mr. Ho King Fung, Eric

EXECUTIVE DIRECTORS

Mr. Tse Kwok Fai, Sammy (*Chief Executive Officer*)
Mr. Chan Chi Hung, Anthony

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qian Zhi Hui
Mr. Teoh Chun Ming
Mr. Zhu Tiansheng

COMPANY SECRETARY

Mr. Tsang Wing Hung

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 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 1108-09, 11/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Phone: (852) 2616 3689
Fax: (852) 2481 2902

AUDIT COMMITTEE

Mr. Teoh Chun Ming (*Chairman*)
(appointed on 10 January 2014)
Mr. Qian Zhi Hui
Mr. Zhu Tiansheng
Mr. Lam Ting Lok (resigned on 10 January 2014)

REMUNERATION COMMITTEE

Mr. Qian Zhi Hui (*Chairman*)
Mr. Ho King Fung, Eric (appointed on 31 March 2014)
Mr. Tse Kwok Fai, Sammy
Mr. Zhu Tiansheng

NOMINATION COMMITTEE

Mr. Qian Zhi Hui (*Chairman*)
Mr. Ho King Fung, Eric (appointed on 31 March 2014)
Mr. Tse Kwok Fai, Sammy
Mr. Zhu Tiansheng

CORPORATE GOVERNANCE COMMITTEE

Mr. Ho King Fung, Eric (*Chairman*)
(appointed on 31 March 2014)
Mr. Chan Chi Hung, Anthony
(appointed on 31 March 2014)

SOLICITORS

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

AUDITOR

PricewaterhouseCoopers

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 31 December 2014: 4,852,357,588
Closing price per Share as at 31 December 2014: HK\$0.156
Market capitalization at 31 December 2014: HK\$756.97 million

WEBSITE ADDRESS

www.epiholdings.com



Stock Code : 0689