

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “**Board**”) of EPI (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	17,782	19,861
Sales of petroleum		1,826	5,669
Interest income		15,884	14,192
Others		72	–
Purchases, processing and related expenses		(1,262)	(4,670)
Other income and losses, net	5	1,430	1,012
Net gain (loss) on financial assets at fair value through profit or loss	6	11,893	(11,901)
(Provision) reversal of expected credit loss on loan and interest receivables		(800)	15,136
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(576)	(680)
Wages, salaries and other benefits		(5,124)	(7,859)
Depreciation		(713)	(643)
Other expenses		(1,887)	(8,146)

* For identification purpose only

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Finance costs	7	(42)	(106)
Profit before tax		20,701	2,004
Income tax (expense) credit	8	(2,247)	131
Profit for the period	9	18,454	2,135
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on debt instruments at fair value through other comprehensive income		(4,348)	(1,940)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		576	680
Exchange differences arising on translation of financial statements of foreign operations		787	(1,662)
Other comprehensive expense for the period, net of income tax		(2,985)	(2,922)
Total comprehensive income (expense) for the period		15,469	(787)
Profit for the period attributable to:			
Owners of the Company		18,073	2,217
Non-controlling interests		381	(82)
		18,454	2,135
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		15,088	(705)
Non-controlling interests		381	(82)
		15,469	(787)
Earnings per share attributable to owners of the Company			
– Basic	11	HK0.34 cent	HK0.04 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		976	985
Right-of-use assets	12	1,917	2,523
Debt instruments at fair value through other comprehensive income	13	67,532	129,985
Loan and interest receivables	14	–	33,425
		70,425	166,918
Total non-current assets			
Current assets			
Debt instruments at fair value through other comprehensive income	13	61,205	2,213
Loan and interest receivables	14	189,146	127,957
Trade and other receivables and prepayments	15	17,674	15,793
Other tax recoverables		673	609
Income tax recoverable		721	2,549
Financial assets at fair value through profit or loss	16	44,085	25,097
Bank balances and cash		106,720	134,627
		420,224	308,845
Total current assets			
Current liabilities			
Trade and other payables	17	6,908	8,744
Income tax payable		5,123	4,170
Lease liabilities		1,305	1,282
		13,336	14,196
Total current liabilities			
Net current assets		406,888	294,649
Total assets less current liabilities		477,313	461,567

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	833	1,491
Deferred tax liabilities	<u>1,513</u>	<u>578</u>
Total non-current liabilities	<u>2,346</u>	<u>2,069</u>
Net assets	<u>474,967</u>	<u>459,498</u>
Capital and reserves		
Share capital	52,403	52,403
Reserves	<u>422,564</u>	<u>407,476</u>
Equity attributable to owners of the Company	474,967	459,879
Non-controlling interests	<u>–</u>	<u>(381)</u>
Total equity	<u>474,967</u>	<u>459,498</u>

Notes:

1. Basis of preparation

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

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

2. Principal accounting policies

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2

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

3. Revenue

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

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of petroleum	1,826	5,669
Interest income from money lending business*	11,048	8,845
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	4,836	5,347
Dividend and interest income from financial assets at fair value through profit or loss ("FVTPL")	72	–
	<u>17,782</u>	<u>19,861</u>

* Under effective interest method

During the periods ended 30 June 2021 and 2020, revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15 "Revenue from contracts with customers".

Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales.

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

4. Segment information

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

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

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

Segment revenue and results

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

For the six months ended 30 June 2021

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Investment in securities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales/sources	<u>1,826</u>	<u>11,048</u>	<u>4,908</u>	<u>17,782</u>
Results				
Segment results before provision of expected credit loss ("ECL")	(893)	10,984	16,626	26,717
Provision of ECL	<u>-</u>	<u>(800)</u>	<u>(576)</u>	<u>(1,376)</u>
Segment results	<u>(893)</u>	<u>10,184</u>	<u>16,050</u>	<u>25,341</u>
Other income and losses, net				322
Corporate expenses				(4,920)
Finance costs				<u>(42)</u>
Profit before tax				20,701
Income tax expense				<u>(2,247)</u>
Profit for the period				<u>18,454</u>

For the six months ended 30 June 2020

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Investment in securities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue				
External sales/sources	5,669	8,845	5,347	19,861
Results				
Segment results before reversal (provision) of ECL	(2,252)	8,874	(6,662)	(40)
Reversal (provision) of ECL	—	15,136	(680)	14,456
Segment results	(2,252)	24,010	(7,342)	14,416
Other income and losses, net				669
Corporate expenses				(12,975)
Finance costs				(106)
Profit before tax				2,004
Income tax credit				131
Profit for the period				2,135

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

Segment assets and liabilities

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

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Segment assets		
Petroleum exploration and production	2,793	3,461
Money lending	193,771	162,716
Investment in securities	184,462	166,396
	<hr/>	<hr/>
Total segment assets	381,026	332,573
Unallocated:		
Property, plant and equipment	976	985
Bank balances and cash	101,992	133,585
Right-of-use assets	1,917	2,523
Other assets	4,738	6,097
	<hr/>	<hr/>
Consolidated assets	<u>490,649</u>	<u>475,763</u>
Segment liabilities		
Petroleum exploration and production	1,990	2,287
Money lending	1,249	517
Investment in securities	860	578
	<hr/>	<hr/>
Total segment liabilities	4,099	3,382
Unallocated:		
Lease liabilities	2,138	2,773
Other liabilities	9,445	10,110
	<hr/>	<hr/>
Consolidated liabilities	<u>15,682</u>	<u>16,265</u>

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

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

Revenue from major products and services

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

5. Other income and losses, net

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Bank interest income	56	517
Exchange gain, net	393	496
Sales of scrap materials	708	–
Loss on disposal of subsidiaries	(45)	–
Others	318	(1)
	<u>1,430</u>	<u>1,012</u>

6. Net gain (loss) on financial assets at fair value through profit or loss

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net unrealised gain (loss) on financial assets at FVTPL	8,221	(7,353)
Net realised gain (loss) on disposal of financial assets at FVTPL	3,672	(4,548)
	<u>11,893</u>	<u>(11,901)</u>

7. Finance costs

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	42	106

8. Income tax (expense) credit

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
Hong Kong	(1,004)	–
The People's Republic of China (the "PRC")	(308)	(69)
	<u>(1,312)</u>	<u>(69)</u>
Overprovision in prior years		
The PRC	–	161
Deferred tax	(935)	39
	<u>(935)</u>	<u>39</u>
Income tax (expense) credit recognised in profit or loss	<u>(2,247)</u>	<u>131</u>

The Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profit and at 16.5% on the estimated assessment profit above HK\$2 million. No provision of the Hong Kong profits tax was made for the previous period as there was no assessable profit.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period under review.

The Argentina withholding tax on interest income from an Argentinean subsidiary received by the Group was calculated at 35% on such income. No withholding tax was paid for both periods.

9. Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	107	120
Depreciation of right-of-use assets	<u>606</u>	<u>523</u>
Total depreciation	<u>713</u>	<u>643</u>
Staff costs		
– directors' emoluments	740	1,388
– other staff costs	3,944	5,726
– other staff retirement benefits schemes contributions (excluding directors)	<u>440</u>	<u>745</u>
Total staff costs	<u>5,124</u>	<u>7,859</u>
Professional and consultancy fees	<u>675</u>	<u>5,178</u>

10. Dividends

No dividend was paid, declared or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: nil), nor has any dividend been proposed since the end of the reporting period.

11. Earnings per share attributable to owners of the Company

The calculation of the earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share attributable to owners of the Company	<u>18,073</u>	<u>2,217</u>

Six months ended 30 June
2021 2020
'000 '000

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share attributable to owners of the Company

	5,240,344	5,240,344
--	------------------	-----------

During the periods ended 30 June 2021 and 2020, the diluted earnings per share attributable to owners of the Company were not presented since all the outstanding share options were lapsed on 4 May 2020 and there were no dilutive potential ordinary shares in issue in both periods.

12. Right-of-use assets

During the current interim period, the Group has not entered into any new lease agreement and has not recognised any right-of-use assets (six months ended 30 June 2020: HK\$3,858,000) and lease liabilities (six months ended 30 June 2020: HK\$3,858,000).

13. Debt instruments at fair value through other comprehensive income

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
--	-------------------------------------------------------------	---------------------------------------------------------------

Listed investments, at fair value:

– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 4.70% to 11.75% (31 December 2020: 4.70% to 11.75%) per annum and maturity dates ranging from 12 February 2022 to 28 June 2025 (31 December 2020: 12 February 2022 to 28 June 2025)

	128,737	132,198
--	----------------	---------

Analysed as:

Current portion

	61,205	2,213
--	---------------	-------

Non-current portion

	67,532	129,985
--	---------------	---------

	128,737	132,198
--	----------------	---------

At 30 June 2021 and 31 December 2020, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange or Singapore Stock Exchange.

Debt instruments at FVTOCI are listed bonds with credit loss allowance measured on 12-month ECL basis as the credit risks on these financial instruments have not increased significantly since initial recognition. The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments by taking into consideration of the historical data from an international rating agency. The Company's management worked closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The Group assessed the ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by the recognised rating agencies (i.e. Moody's), the macroeconomic factors affecting each issuer, and the probability of default and loss given default of each debt instrument. The Group also took into account forward-looking information that was reasonably and supportably available to the Group without undue cost or effort, including information such as Gross Domestic Product ("GDP") growth rate and unemployment rate.

During the six months ended 30 June 2021, provision of ECL of HK\$576,000 (six months ended 30 June 2020: HK\$680,000) was recognised.

14. Loan and interest receivables

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	215,900	190,931
Interest receivables	<u>22,801</u>	<u>20,152</u>
	238,701	211,083
Less: impairment allowance	<u>(49,555)</u>	<u>(49,701)</u>
	<u>189,146</u>	<u>161,382</u>
Analysed as:		
Current portion	189,146	127,957
Non-current portion	<u>–</u>	<u>33,425</u>
	<u>189,146</u>	<u>161,382</u>
Analysed as:		
Secured	174,397	141,669
Unsecured	<u>14,749</u>	<u>19,713</u>
	<u>189,146</u>	<u>161,382</u>

At 30 June 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 8% to 18% (31 December 2020: 8% to 18%) per annum and from 3 July 2021 to 27 April 2022 (31 December 2020: 3 July 2021 to 15 March 2022) respectively.

Before granting loans to borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

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

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Loan and interest receivables:		
Within one year or on demand	189,146	127,957
In more than one year but not more than two years	–	33,425
	189,146	161,382

During the six months ended 30 June 2021, provision of ECL of HK\$800,000 (six months ended 30 June 2020: reversal of ECL of HK\$15,136,000) on loan and interest receivables was recognised in profit or loss.

15. Trade and other receivables and prepayments

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (i)</i>)	–	1,027
Deposits and prepayments	3,243	3,465
Deposits held for petroleum exploration and production operation	1,064	1,085
Others (<i>Note (ii)</i>)	13,367	10,216
	17,674	15,793

Notes:

- (i) The oil selling price for the Argentina operation was quoted in United States dollars and converted into Argentina Peso for invoicing. The Group allowed an average credit period of 30 to 60 days. As at 31 December 2020, the trade receivables of HK\$1,027,000 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 the customers are reviewed regularly.

The Group applies the simplified approach of HKFRS 9 to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates.

- (ii) The amount included a sum of HK\$11,640,000 (31 December 2020: HK\$9,101,000) placed with securities brokers in relation to securities investment activities in Hong Kong.
- (iii) No ECL was recognised on other receivables as the directors of the Company considered that the amount was immaterial.

16. Financial assets at fair value through profit or loss

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	44,085	25,097

At 30 June 2021 and 31 December 2020, listed equity securities were stated at fair values which were determined based on quoted market closing prices available on the Hong Kong Stock Exchange.

17. Trade and other payables

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade payables	220	526
Other tax payables	1,200	1,249
Accrued professional fees	2,279	3,237
Other payables and accruals	3,209	3,732
	<u>6,908</u>	<u>8,744</u>

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
0 – 30 days	<u>220</u>	<u>526</u>

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

BUSINESS REVIEW

For the six months ended 30 June 2021 (“**HY2021**”), the Group continued to principally engaged in the business of petroleum exploration and production, money lending and investment in securities.

During HY2021, there are signs that the launch of vaccination programs in many countries and regions including China, the US, the UK and Hong Kong are effective in easing the global pandemic situation, amid the emergence of the coronavirus variants and the new waves of outbreak in some countries. Some major economies are on their recovery path and international oil prices such as Brent crude oil had gradually increased from around US\$50 per barrel in December 2020 to around US\$73 per barrel in June 2021, for reasons including the expectation of a global economic recovery. In tandem with the easing of the global pandemic situation and the stabilisation of economic conditions of some major economies including China and the US, the conditions of the international financial and investment markets, including Hong Kong, were relatively stable during the current period.

For HY2021, the Group achieved a profit attributable to owners of the Company of HK\$18,073,000 (30 June 2020: HK\$2,217,000), which was mainly attributed to the net gain on financial assets at FVTPL of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000), and the decrease in other expenses to HK\$1,887,000 (30 June 2020: HK\$8,146,000). Basic earnings per share were HK0.34 cent (30 June 2020: HK0.04 cent). The Group’s revenue for the period declined by 10% to HK\$17,782,000 (30 June 2020: HK\$19,861,000), which was mainly due to the drop in revenue of the petroleum exploration and production business.

Petroleum Exploration and Production, Solar Power Generation

As stated in the Company’s announcement dated 16 March 2021, the Group’s interest in an oil concession in the Chañares Herrados area (the “**CHE Concession**”) located in Cuyana Basin, Mendoza Province of Argentina had been taken over by a new concessionaire on 13 March 2021. Accordingly, for HY2021, the Group’s petroleum exploration and production business had recorded a 68% decline in revenue to HK\$1,826,000 (30 June 2020: HK\$5,669,000), due to the cessation of the Group’s interest in the CHE Concession, and an operating loss of HK\$893,000 (30 June 2020: HK\$2,252,000).

Since May 2020, the Group has been actively exploring other investment opportunities in natural resources exploration and production, including an oilfield investment in Canada. As announced by the Company on 27 July 2021, the Company entered into a memorandum of understanding with a target company in Canada and its shareholders' representative in relation to the possible acquisition of the entire issued capital of the target company. The target company is principally engaged in upstream operations in the exploration, development and production of crude oil and gas in Canada. Pursuant to the memorandum of understanding, the Group has the right to conduct legal, financial, commercial and technical due diligence investigations on the target company for a period of three months ending in October 2021. The entering into of a legally binding sale and purchase agreement, and the determination of the amount and payment structure of the consideration for the possible acquisition, will be subject to the results of the due diligence review and the negotiation between the Company and the shareholders' representative of the target company. The Company will inform shareholders of any further update(s) on this possible acquisition as and when appropriate.

In addition to the potential oilfield investment in Canada mentioned above, the Group is actively participating in the bidding process of three oilfield projects located at Tierra del Fuego, Mendoza, and Neuquen province in Argentina. Concurrent with submitting business proposals for the projects under the respective bidding processes, the Group is performing due diligence review on the business, financial and technical aspects of the oilfields. The Company will inform shareholders if these projects are materialised as and when appropriate.

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions. As announced by the Company on 23 July 2021, in order to capture the business opportunities in decarbonization, the Group envisages to expand its footprints in the energy sector to the next level by investing in renewable energy business including solar energy generation projects, which could provide the Group with viable and sustainable business development. To pursue this business initiative, the Group has entered into a cooperation framework agreement with a specialist solar energy total solutions and services provider to invest in solar power generation system projects, from which the electricity generated will be sold to the two power companies in Hong Kong, thereby earning the feed-in tariff income from the two power companies under the Renewable Energy Feed-in Tariff Scheme (“**FiT Scheme**”) jointly launched by the Government of Hong Kong and the two power companies. A number of projects are on the pipeline which are expected to be materialised in the coming months, tariff income to be generated by these projects are expected to provide the Group with a long-term stable source of income which carry a good financial return.

On even date of this announcement, the Group entered into a sale and purchase agreement to acquire a portfolio of solar power generation projects from a vendor for a consideration of not exceeding HK\$75,000,000. In line with the Company's business expansion plan in investing in renewable energy business including solar energy generation projects, the Group will acquire a portfolio of existing and to-be-completed power generation projects which are participating in the FiT Scheme as aforementioned. The portfolio of projects will provide the Group with immediate tariff income or tariff income in the near term upon their completion, which could provide strong recurring cash flow to the Group to support its further development in renewable energy business. Further details of the transaction are stated in the Company's announcement of even date.

Money Lending

For HY2021, the Group's money lending business reported increases in revenue by 25% to HK\$11,048,000 (30 June 2020: HK\$8,845,000) and operating profit (before reversal or provision of ECL) by 24% to HK\$10,984,000 (30 June 2020: HK\$8,874,000). Such increases were mainly due to the higher average amount of loans advanced to borrowers during the current period. Before granting loans to potential borrowers, the management performs internal credit assessment process to assess the borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During HY2021, the management continued to adopt a prudent approach in granting new loans in view of the negative impact on the Hong Kong economy owing to the continuation of COVID-19, though the pandemic situation has eased and is under control following the launch of the vaccination program by the Government of Hong Kong.

For the period under review, a provision of ECL of HK\$800,000 (30 June 2020: reversal of ECL of HK\$15,136,000) was recognised. At the period end, the balance of impairment allowance was HK\$49,555,000 (31 December 2020: HK\$49,701,000), which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans.

At 30 June 2021, the loans portfolio held by the Group amounted to HK\$189,146,000 (after impairment allowance of HK\$49,555,000) (31 December 2020: HK\$161,382,000 (after impairment allowance of HK\$49,701,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Interest rate per annum	Maturity
	Secured %	Unsecured %	Total %		
Corporate	49.40	0.14	49.54	8 - 18	Within one year
Individual	42.80	7.66	50.46	10 - 18	Within one year
	<u>92.20</u>	<u>7.80</u>	<u>100.00</u>		

At 30 June 2021, 92.20% (31 December 2020: 87.79%) of the carrying amount of the loan portfolio (after impairment allowance) was collateral loans with the remaining 7.80% (31 December 2020: 12.21%) being unsecured.

Investment in Securities

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

At 30 June 2021, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$44,085,000 (31 December 2020: HK\$25,097,000), comprising equity securities listed in Hong Kong, and debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK\$128,737,000 (31 December 2020: HK\$132,198,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$4,908,000 (30 June 2020: HK\$5,347,000) and a profit of HK\$16,050,000 (30 June 2020: loss of HK\$7,342,000).

Financial assets at FVTPL

At 30 June 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$44,085,000 (31 December 2020: HK\$25,097,000) measured at market/fair value. For HY2021, the portfolio generated revenue of HK\$72,000 representing dividends from equity securities (30 June 2020: nil). The Group recognised a net gain on financial assets at FVTPL of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000) for the period, which comprised net unrealised gain and net realised gain of HK\$8,221,000 and HK\$3,672,000 (30 June 2020: net unrealised loss and net realised loss of HK\$7,353,000 and HK\$4,548,000) respectively.

The net realised gain recorded during the period represented the net gain on disposal of securities in open market and the net unrealised gain represented the net increase in market value of those equity securities held by the Group at the period end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio though the market conditions were relatively stable during the period.

At 30 June 2021, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$44,085,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Conglomerate	48.38
Pharmaceutical	24.56
Property	18.53
Building decoration	8.53
	100.00

At 30 June 2021, the weightings of the Group's top three and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$44,085,000 (together with other information) are as below:

Investee company's name	Approximate	Approximate	% of	*Acquisition		Market/fair	Accumulated	Unrealised	Dividend
	weighting to the	weighting to the		costs during	unrealised		gain (loss)	income	
	market/fair	carrying	shareholding	the period/	amount at	value at	gain (loss)	recognised	recognised
	value of the	amount of	interest	carrying	1 January 2021	30 June 2021	recognised	during the	during
	Group's	the Group's		amount at	costs	30 June 2021	up to	six months	the six
	financial asset	total assets at		30 June 2021	HK\$'000	HK\$'000	30 June 2021	ended	months
	at FVTPL	30 June 2021		interest	HK\$'000	HK\$'000	HK\$'000	30 June 2021	ended
	portfolio	30 June 2021		%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	%	%	%	%	A	B	C	D = C - A	E = C - B
DTXS Silk Road									
Investment Holdings									
Company Limited									
(HKEX stock code:									
620)	46.07	4.14	0.55	16,354	16,354	20,310	3,956	3,956	-
Austar Lifesciences									
Limited									
(HKEX stock code:									
6118)	24.56	2.21	0.15	3,661	4,677	10,829	7,168	6,152	-
Emperor International									
Holdings Limited									
(HKEX stock code:									
163)	18.53	1.67	0.20	17,667	7,953	8,170	(9,497)	217	72
Others	10.84	0.97	-	7,221	6,880	4,776	(2,445)	(2,104)	-
	<u>100.00</u>	<u>8.99</u>		<u>44,903</u>	<u>35,864</u>	<u>44,085</u>	<u>(818)</u>	<u>8,221</u>	<u>72</u>

* The amount represented the costs of the securities acquired during the six months 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

Debt instruments at FVTOCI

At 30 June 2021, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$128,737,000 (31 December 2020: HK\$132,198,000) was measured at market/fair value. During HY2021, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$4,836,000 (30 June 2020: HK\$5,347,000), representing interest income from debt securities. According to the maturity of the debt instruments, part of the debt instruments at FVTOCI of HK\$61,205,000 (31 December 2020: HK\$2,213,000) was classified as current assets.

At the period end, a fair value loss on debt instruments at FVTOCI amounting to HK\$4,348,000 was recognised as other comprehensive expense (30 June 2020: HK\$1,940,000) and provision of ECL on debt instruments at FVTOCI of HK\$576,000 was recognised in profit or loss (30 June 2020: HK\$680,000). The fair value loss was primarily due to the fall in market price of some of the debt instruments. The provision of ECL was determined by reference to credit rating, probability of default and loss given default of the debt instruments, the macroeconomic factors affecting each issuer, and the forward-looking information that is reasonably and supportably available to the Group.

At 30 June 2021, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$128,737,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instruments at FVTOCI portfolio %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021 %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2021 HK\$'000	Market/fair value at 30 June 2021 HK\$'000	Accumulated fair value loss recognised up to 30 June 2021 HK\$'000	Fair value gain (loss) recognised during the six months ended 30 June 2021 HK\$'000
				A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or Singapore</i>								
Aircraft leasing	11.91	3.12	4.93	15,444	14,455	15,332	(112)	877
Property	88.09	23.11 [#]	5.26 - 12.50	120,497	117,743	113,405	(7,092)	(4,338)
	<u>100.00</u>	<u>26.23</u>		<u>135,941</u>	<u>132,198</u>	<u>128,737</u>	<u>(7,204)</u>	<u>(3,461)</u>

* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

The weighting of individual debt securities to the carrying amount of the Group's total assets at 30 June 2021 does not exceed 5%.

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

Overall Results

For HY2021, the Group achieved a profit attributable to owners of the Company of HK\$18,073,000 (30 June 2020: HK\$2,217,000) which was mainly attributed to the net gain on financial assets at FVTPL of HK\$11,893,000 (30 June 2020: net loss of HK\$11,901,000); and the decrease in other expenses to HK\$1,887,000 (30 June 2020: HK\$8,146,000), which was mainly due to the absence of professional fees incurred for the evaluation and preparation of documentations for the bidding process of an oilfield concession in Argentina in the prior period. The profit attributable to owners of the Company for the current period was partly offset by the provision of expected credit loss on loan and interest receivables of HK\$800,000 (30 June 2020: reversal of expected credit loss of HK\$15,136,000) and provision of expected credit loss on debt instruments at FVTOCI of HK\$576,000 (30 June 2020: HK\$680,000). The Group recorded a total comprehensive income attributable to owners of the Company of HK\$15,088,000 (30 June 2020: total comprehensive expense of HK\$705,000) which included an exchange gain of HK\$787,000 on translation of financial statements of foreign operations (30 June 2020: loss of HK\$1,662,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2021, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the interim period end, the Group had current assets of HK\$420,224,000 (31 December 2020: HK\$308,845,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$150,805,000 (31 December 2020: HK\$159,724,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$13,336,000 (31 December 2020: HK\$14,196,000), was at a liquid level of about 31.5 (31 December 2020: 21.8). The Group has been actively exploring investment opportunities in natural resources exploration and production and renewable energy business, and is preserving its cash resources for the potential investment opportunities.

At 30 June 2021, the Group's total assets increased to HK\$490,649,000 (31 December 2020: HK\$475,763,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$15,682,000 (31 December 2020: HK\$16,265,000) divided by total assets, was at a low level of about 3% (31 December 2020: 3%). Finance costs represented the imputed interest on lease liabilities of HK\$42,000 for the period (30 June 2020: HK\$106,000).

At 30 June 2021, the equity attributable to owners of the Company amounted to HK\$474,967,000 (31 December 2020: HK\$459,879,000) and was equivalent to an amount of approximately HK9.06 cents (31 December 2020: HK8.78 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$15,088,000 was mainly due to the profit earned during the period. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

As announced by the Company on 23 July 2021, 27 July 2021 and even date of this announcement, the Group is in the course of conducting its due diligence review on the oilfield project in Canada, cooperating with a specialist solar energy total solutions and services provider to invest in solar power generation projects under the FiT Scheme, and acquiring a portfolio of existing and to-be-completed solar power generation projects which are participating in the FiT Scheme. While continuing with its business in petroleum exploration and production, the Group is expanding and diversifying its business in the energy sector to the next level by investing in renewable energy business, including solar power generation, which could support the Group's viable and sustainable business development in the long-term, and create new value to shareholders.

From a macro perspective, following the launch of vaccination programs in many countries, there are signs that the conditions of major economies, including China, the US and the UK, have stabilised and moving towards full-reactivation. With the growing vaccination coverage on the population, the pandemic situation in Hong Kong has also stabilised and is under control. However, the emergence of the coronavirus variants and the new wave of outbreaks in some countries have added new uncertainties in predicting the evolution and duration of the pandemic and its impact to the world economy. China has achieved positive GDP growth in the first half of 2021 and there are indications that its economy is undergoing a stable and sustainable recovery, from which Hong Kong, being one of the nation's major cities and gateways, is well positioned to be benefited. Looking forward, against the backdrop of the continuation of COVID-19 while there are signs that major economies including China are gaining the momentum to recovery, the management will actively pursue the oilfield and solar energy projects aforementioned, and will manage the businesses of the Group in a prudent and cautious manner, for the interests of the Company and shareholders as a whole.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision A.2.1

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

Deviation

The Company had deviated from Code Provision A.2.1 of the CG Code during the six months ended 30 June 2021 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Effective communication

Code Provision E.1.2

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

Deviation

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, an Executive Director of the Company, was elected and acted as chairman of the annual general meeting of the Company held on 29 June 2021 in accordance with bye-law 70 of the Company’s Bye-laws.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
EPI (Holdings) Limited
Sue Ka Lok
Executive Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Sue Ka Lok, Mr. Yiu Chun Kong, Mr. Chan Shui Yuen and Mr. Liang Weijie; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.