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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 2024

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 2024 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	36,841	38,618
Sales of petroleum, net of royalties		32,605	32,804
Sales of electricity		3,759	3,790
Interest income		477	2,024
Purchases, processing and related expenses		(9,279)	(10,151)
Other income and losses, net	5	24	7,214
Loss on financial assets at fair value through profit or loss	6	(181)	(1,085)
(Provision) reversal of expected credit loss on loan and interest receivables		(395)	9,719
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(350)	(3,824)
Wages, salaries and other benefits	9	(6,393)	(5,610)
Depreciation	9	(13,989)	(12,611)
Loss on redemption of debt instruments at fair value through other comprehensive income		–	(36)
Other expenses		(3,793)	(4,403)
Finance costs	7	(1,039)	(1,039)

* For identification purpose only

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit before tax		1,446	16,792
Income tax expense	8	(412)	(415)
Profit for the period	9	1,034	16,377
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		(350)	(3,824)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		350	3,824
Release on redemption of debt instruments at fair value through other comprehensive income		–	36
Exchange differences arising on translation of financial statements of foreign operations		(2,423)	1,696
Other comprehensive (expense) income for the period, net of income tax		(2,423)	1,732
Total comprehensive (expense) income for the period attributable to owners of the Company		(1,389)	18,109
Earnings per share attributable to owners of the Company			
– Basic	<i>11</i>	HK0.02 cent	HK0.31 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	12	209,375	229,212
Right-of-use assets	12	2,974	3,770
Deposit paid for decommissioning obligation	13	8,821	8,897
Loan and interest receivables	14	–	4,007
		221,170	245,886
Total non-current assets			
Current assets			
Debt instruments at fair value through other comprehensive income	15	3,312	3,662
Inventories		209	149
Loan and interest receivables	14	21,741	12,591
Trade and other receivables and prepayments	13	11,293	11,736
Financial assets at fair value through profit or loss	16	2,603	2,784
Cash and cash equivalents		176,641	168,287
		215,799	199,209
Total current assets			
Current liabilities			
Other payables	17	4,117	6,485
Income tax payable		522	1,457
Other tax payable		220	674
Lease liabilities		1,080	1,621
		5,939	10,237
Total current liabilities			
Net current assets		209,860	188,972
Total assets less current liabilities		431,030	434,858

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Lease liabilities	2,048	2,298
Decommissioning obligation	<u>26,918</u>	<u>29,107</u>
Total non-current liabilities	<u>28,966</u>	<u>31,405</u>
Net assets	<u><u>402,064</u></u>	<u><u>403,453</u></u>
Capital and reserves		
Share capital	52,403	52,403
Reserves	<u>349,661</u>	<u>351,050</u>
Total equity	<u><u>402,064</u></u>	<u><u>403,453</u></u>

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**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 D2 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 dollar (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. 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 values.

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 2024 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2023.

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 period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendment to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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, solar energy, 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of petroleum	37,516	38,579
Less: Royalties	<u>(4,911)</u>	<u>(5,775)</u>
Sales of petroleum, net of royalties	32,605	32,804
Sales of electricity	3,759	3,790
Interest income from money lending business*	477	1,526
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	<u>–</u>	<u>498</u>
	<u>36,841</u>	<u>38,618</u>

* Under effective interest method

During the six months ended 30 June 2024 and 2023, revenue from sales of petroleum was recognised at a point in time. Revenue from sales of petroleum was recognised once the control of the crude oil was transferred from the Group to the customer. Revenue was measured based on the oil price agreed with the customers at the point of sales.

During the six months ended 30 June 2024 and 2023, revenue from sales of electricity was recognised at a point in time when the electricity generated (by solar energy power generation systems) and transmitted was simultaneously received and consumed by the power companies under the Renewable Energy Feed-in Tariff Scheme (the "FiT Scheme"), jointly launched by the Hong Kong Government and the two power companies in Hong Kong. The Group has no unsatisfied performance obligations at each reporting date.

Interest income falls outside the scope of HKFRS 15.

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) Solar energy
- (iii) Money lending
- (iv) 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 2024

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Solar energy <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>32,605</u>	<u>3,759</u>	<u>477</u>	<u>-</u>	<u>36,841</u>
Results					
Segment results before provision of expected credit loss ("ECL")	<u>7,182</u>	<u>998</u>	<u>381</u>	<u>(182)</u>	<u>8,379</u>
Provision of ECL	<u>-</u>	<u>-</u>	<u>(395)</u>	<u>(350)</u>	<u>(745)</u>
Segment results	<u>7,182</u>	<u>998</u>	<u>(14)</u>	<u>(532)</u>	<u>7,634</u>
Other income and losses, net					(376)
Corporate expenses					(5,782)
Finance costs					<u>(30)</u>
Profit before tax					1,446
Income tax expense					<u>(412)</u>
Profit for the period					<u>1,034</u>

For the six months ended 30 June 2023

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Solar energy <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>32,804</u>	<u>3,790</u>	<u>1,526</u>	<u>498</u>	<u>38,618</u>
Results					
Segment results before reversal (provision) of ECL	7,701	1,218	1,632	(628)	9,923
Reversal (provision) of ECL	<u>–</u>	<u>–</u>	<u>9,719</u>	<u>(3,824)</u>	<u>5,895</u>
Segment results	<u>7,701</u>	<u>1,218</u>	<u>11,351</u>	<u>(4,452)</u>	15,818
Other income and losses, net					6,871
Corporate expenses					(5,843)
Finance costs					<u>(54)</u>
Profit before tax					16,792
Income tax expense					<u>(415)</u>
Profit for the period					<u>16,377</u>

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

5. Other income and losses, net

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank and other interest income	3,610	2,136
Exchange (loss) gain, net	(3,753)	2,417
Refund of deposit written-off in prior year (<i>Note</i>)	–	3,081
Write-off of property, plant and equipment	–	(609)
Others	167	189
	24	7,214

Note: The amount represented the reversal of write-off of deposit paid for the share subscription of a company in the prior year as the entire amount had been refunded to the Group during the six months ended 30 June 2023.

6. Loss on financial assets at fair value through profit or loss

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Unrealised loss on financial assets at fair value through profit or loss (“FVTPL”)	181	1,085

7. Finance costs

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Accretion expense on decommissioning obligation	967	941
Interest on lease liabilities	72	98
	1,039	1,039

8. Income tax expense

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Canada withholding tax	412	415

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

The Corporate Tax rate of the Canadian subsidiary is 23% that composed of federal tax rate at 15% and provincial tax rate at 8%. There is no assessable profit arising in Canada for both periods.

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

9. Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs		
– directors' emoluments	822	654
– other staff costs	5,361	4,781
– other staff retirement benefits schemes contributions (excluding directors)	210	175
Total staff costs	6,393	5,610
Depreciation of property, plant and equipment	13,192	11,846
Depreciation of right-of-use assets	797	765
Total depreciation	13,989	12,611
Professional and consultancy fees	1,934	2,696

10. Dividends

No dividend was paid, declared or proposed for the six months ended 30 June 2024 (30 June 2023: nil), nor has any dividend been proposed since the end of the reporting period (30 June 2023: nil).

11. Earnings per share

Earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>1,034</u>	<u>16,377</u>
	2024	2023
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>5,240,344</u>	<u>5,240,344</u>

For the six months ended 30 June 2024 and 2023, the diluted earnings per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

12. Property, plant and equipment and right-of-use assets

During the six months ended 30 June 2024, the Group had additions of construction in progress related to oil and gas properties amounted to HK\$119,000 (30 June 2023: additions of construction in progress related to oil and gas properties amounted to HK\$9,040,000 and additions of solar photovoltaic systems and leasehold improvements amounted to HK\$13,727,000 and HK\$179,000 respectively), and nil (30 June 2023: HK\$17,487,000) was transferred from construction in progress to oil and gas properties.

During the six months ended 30 June 2023, certain leasehold improvements with an aggregate carrying amount of HK\$609,000 were written off resulting in a loss of HK\$609,000.

During the six months ended 30 June 2024, the Group had not entered into any new lease agreement.

During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms for 2 years. On the date of lease commencement, the Group recognised right-of-use assets of HK\$2,742,000 and lease liabilities of HK\$2,742,000.

13. Deposits and prepayments, trade and other receivables

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Deposit paid for decommissioning obligation (<i>Note (i)</i>)	<u>8,821</u>	<u>8,897</u>
Trade receivables (<i>Note (ii)</i>)	8,159	7,001
Deposits and prepayments	2,296	3,987
Others	<u>838</u>	<u>748</u>
	<u>11,293</u>	<u>11,736</u>

Notes:

- (i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's petroleum exploration and production business in Canada.
- (ii) The Group allows an average credit period of 30 to 60 days (31 December 2023: 30 to 60 days). The trade receivables of HK\$8,159,000 (31 December 2023: HK\$7,001,000) were aged within 60 days from the customers' statement date and were neither past due nor impaired.

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

14. Loan and interest receivables

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	34,000	28,500
Interest receivables	46	8
	<u>34,046</u>	<u>28,508</u>
Less: Impairment allowance	<u>(12,305)</u>	<u>(11,910)</u>
	<u><u>21,741</u></u>	<u><u>16,598</u></u>
Analysed as:		
Current portion	21,741	12,591
Non-current portion	–	4,007
	<u>21,741</u>	<u>16,598</u>
Analysed as:		
Secured	16,306	16,598
Unsecured	5,435	–
	<u>21,741</u>	<u>16,598</u>

For the current interim period, provision of ECL of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000) on loan and interest receivables was recognised in profit or loss.

15. Debt instruments at fair value through other comprehensive income

At	At
30 June	31 December
2024	2023
HK\$'000	HK\$'000
(Unaudited)	(Audited)

Listed investments, at fair value:

– Debt securities listed in Singapore (31 December 2023:

Singapore) with fixed interests ranging from 5.25% to 11.75% (31 December 2023: 5.25% to 11.75%) per annum and contractual maturity dates ranging from 23 March 2022 to 28 June 2025 (31 December 2023: 23 March 2022 to 28 June 2025)

3,312	3,662
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At 30 June 2024 and 31 December 2023, the fair values of the debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

For the current interim period, provision of ECL of HK\$350,000 (30 June 2023: HK\$3,824,000) on debt instruments at FVTOCI was recognised in profit or loss with corresponding adjustment to other comprehensive income.

16. Financial assets at fair value through profit or loss

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>2,603</u>	<u>2,784</u>

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. Other payables

	At 30 June 2024 <i>HK\$'000</i> (Unaudited)	At 31 December 2023 <i>HK\$'000</i> (Audited)
Accrued professional fees	262	273
Payables for additions of property, plant and equipment	79	–
Other payables and accruals (<i>Note</i>)	<u>3,776</u>	<u>6,212</u>
	<u>4,117</u>	<u>6,485</u>

Note: At 30 June 2024, the amount included other payables of HK\$2,295,000 (31 December 2023: HK\$2,982,000) for operating expenses, workover costs and abandonment costs in relation to the Group's petroleum exploration and production business in Canada.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

BUSINESS REVIEW

During the six months ended 30 June 2024 (“**HY2024**”), the Group continued to principally engage in the businesses of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2024, international oil prices continued to fluctuate considerably. The price of Brent crude oil, one of the benchmarks of international oil prices, was around United States dollars (“**US\$**”) 80 per barrel (“**/bbl**”) in January 2024, reached its peak of US\$90/bbl in April 2024, and dropped back to around US\$82/bbl in June 2024, compared with the US\$75 to US\$85/bbl price range in the first half of 2023. International oil prices are expected to remain volatile for the remainder of 2024, driven by continuous changes in global supply and demand forces, which are influenced by factors including production levels of oil-producing nations, demands of advanced and developing economies, geopolitical tensions and the ongoing Russia-Ukraine war.

During HY2024, the Group continued with its business development plan of the oil field in Windy Lake region, located near Calgary in Alberta Province of Canada (the “**Canadian Oil Assets**”), which were acquired in July 2022. For HY2024, the Canadian Oil Assets contributed a revenue of HK\$32,605,000 (30 June 2023: HK\$32,804,000), earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of HK\$18,865,000 (30 June 2023: HK\$18,183,000) and an operating profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000) to the Group’s results. The acquisition of the Canadian Oil Assets represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

To pursue the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, the Group entered into two agreements in July and August 2021 to invest in solar energy power generation projects that are participating in the FiT Scheme, being a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. As of 30 June 2024, the Group had invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For HY2024, the solar energy business contributed a revenue of HK\$3,759,000 (30 June 2023: HK\$3,790,000), an EBITDA of HK\$3,638,000 (30 June 2023: HK\$3,650,000) and an operating profit of HK\$998,000 (30 June 2023: HK\$1,218,000) to the Group’s results.

Overall speaking, for HY2024, the Group recorded a 5% drop in revenue to HK\$36,841,000 (30 June 2023: HK\$38,618,000) and a decrease in profit attributable to owners of the Company to HK\$1,034,000 (30 June 2023: HK\$16,377,000), which was mainly the combined effect of (i) the decrease in provision of ECL on debt instruments at FVTOCI to HK\$350,000 (30 June 2023: HK\$3,824,000); (ii) the provision of ECL on loan and interest receivables of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000); and (iii) the recognition of exchange loss of HK\$3,753,000 as a result of the depreciation of the Canadian dollar (“C\$”) against the Hong Kong dollar during HY2024 (30 June 2023: exchange gain of HK\$2,417,000). Earnings per share for the interim period were HK0.02 cent (30 June 2023: HK0.31 cent).

Petroleum Exploration and Production

The Canadian Oil Assets represent an operating oil field comprising petroleum and natural gas rights, facilities and pipelines, together with other properties and assets located in Windy Lake region, near Calgary in Alberta Province of Canada. The Canadian Oil Assets are managed under EP Resources Corporation, a Canadian incorporated wholly-owned subsidiary of the Company, by a team of local management with extensive experience in the oil and gas industry in Calgary, Canada.

For HY2024, the Group’s petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK\$32,605,000 (30 June 2023: HK\$32,804,000), an EBITDA of HK\$18,865,000 (30 June 2023: HK\$18,183,000), and an operating profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000).

For HY2024, the Canadian Oil Assets produced approximately 76,600 barrel (“bbl”) and sold approximately 75,800 bbl of crude oil, and generated a revenue (before royalties payment) of approximately C\$6,520,000 (equivalent to HK\$37,516,000) at an average selling price of C\$86.1/bbl, whilst during the six months ended 30 June 2023 (“HY2023”), the Canadian Oil Assets produced and sold approximately 91,900 bbl and 91,300 bbl of crude oil respectively, and generated a revenue (before royalties payment) of approximately C\$6,632,000 (equivalent to HK\$38,579,000) at an average selling price of C\$72.6/bbl. The average price of oil sold by the Canadian Oil Assets increased by 19% to C\$86.1/bbl compared to C\$72.6/bbl in the prior period, following the trend of international oil prices, whilst production decreased by 17% to approximately 76,600 bbl compared to approximately 91,900 bbl in the previous period, primarily due to the natural decline of production of the oil field. The oil production of the Canadian Oil Assets is expected to increase following the scheduled completion of drilling work of three new wells in early September 2024. The crude oil produced from the Canadian Oil Assets were trucked and sold to the independent oil distributors located in the nearby regions who would largely resell the same to the American importers.

Solar Energy

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

As of 30 June 2024, the Group had 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt, total investment in these solar energy power generation projects amounted to HK\$58,265,000. For HY2024, though with the additional revenue generated by the 10 solar photovoltaic systems completed since March 2023, owing to the decrease in bright sunshine duration (as published by the Hong Kong Observatory) by 16% to about 700 hours in HY2024 as compared with about 830 hours in HY2023, the operation could only manage to report a revenue of HK\$3,759,000 (30 June 2023: HK\$3,790,000) and an EBITDA of HK\$3,638,000 (30 June 2023: HK\$3,650,000), in line with the prior period results. The operation recorded a 18% decrease in operating profit to HK\$998,000 (30 June 2023: HK\$1,218,000), which was mainly a result of the decrease in the average revenue and hence electricity generated by the solar photovoltaic systems due to the decrease in bright sunshine duration as mentioned above, whilst operating costs for such systems remained largely unchanged during HY2024.

Money Lending

For HY2024, the Group's money lending business reported decreases in revenue by 69% to HK\$477,000 (30 June 2023: HK\$1,526,000) and operating profit (before provision of ECL) by 77% to HK\$381,000 (30 June 2023: HK\$1,632,000, before reversal of ECL), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2024 as compared with HY2023. A provision of ECL of HK\$395,000 (30 June 2023: reversal of ECL of HK\$9,719,000) was recognised which mainly represented the decrease in market value of a property pledged by the borrower to the Group and the ECL of a new loan granted during the period.

The size of the Group's loan portfolio increased by 31% to HK\$21,741,000 (31 December 2023: HK\$16,598,000) (on a net of impairment allowance basis) was mainly the result of a new loan granted during HY2024. The Group aims to make loans that could be covered by sufficient collateral, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collateral for their borrowings. The Group has a stable source of loan deals from its own business network and sales agents.

Investment in Securities

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

At 30 June 2024, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$2,603,000 (31 December 2023: HK\$2,784,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio valued at HK\$3,312,000 (31 December 2023: HK\$3,662,000), comprising debt securities listed in Singapore. As a whole, the Group's securities investments did not generate any revenue during HY2024 (30 June 2023: HK\$498,000) and a loss, after provision of ECL, of HK\$532,000 (30 June 2023: HK\$4,452,000) was recorded.

Financial assets at FVTPL

At 30 June 2024, the Group held a financial asset at FVTPL portfolio amounting to HK\$2,603,000 (31 December 2023: HK\$2,784,000) measured at market/fair value. For HY2024, the portfolio did not generate any revenue (30 June 2023: nil). The Group recognised a loss on financial assets at FVTPL of HK\$181,000 (30 June 2023: HK\$1,085,000) for the period, representing the unrealised loss arising from the decrease in market value of the listed 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 and had not made any new investment during the period.

At 30 June 2024, the Group's financial asset at FVTPL portfolio of HK\$2,603,000 comprised the equity securities of a property company listed on the Hong Kong Stock Exchange.

Debt instruments at FVTOCI

At 30 June 2024, the Group's debt instrument at FVTOCI portfolio of HK\$3,312,000 (31 December 2023: HK\$3,662,000) was measured at market/fair value. During HY2024, the Group's debt instrument at FVTOCI portfolio did not generate any revenue (30 June 2023: HK\$498,000 representing interest income from debt securities). According to the contractual maturity profile of the debt instruments, all the debt instruments at FVTOCI of HK\$3,312,000 (after impairment allowance) were classified as current assets. During HY2024, the Group had not acquired any debt securities, and no debt securities were redeemed. For HY2024, a fair value loss on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000) was recognised as other comprehensive expense primarily due to the fall in market value of the debt securities and downward adjustment on fair values of certain debt instruments due to their increased credit risks.

For HY2024, a provision of ECL on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of the debt instruments held by the Group had further increased since initial recognition. During HY2024, the expected loss given default of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, had increased due to the continued defaults of the bond issuers in making payments of interest and principal for their indebtednesses. As the Group expected the financial uncertainties of these bond issuers would ultimately affect the collection of contractual cash flows of these bonds, a provision of ECL on debt instruments at FVTOCI of HK\$350,000 was recognised.

At 30 June 2024, the Group's debt instrument at FVTOCI portfolio of HK\$3,312,000 comprised the debt securities of five Mainland based property companies. The yield to maturity upon initial acquisition of these debt securities ranged from 6.01% to 12.50% per annum.

Overall Results

For HY2024, the Group's petroleum exploration and production business contributed a profit of HK\$7,182,000 (30 June 2023: HK\$7,701,000), the solar energy business recorded a profit of HK\$998,000 (30 June 2023: HK\$1,218,000), while the money lending business recorded a small loss of HK\$14,000 (30 June 2023: profit of HK\$11,351,000), and the Group's investment in securities recorded a loss of HK\$532,000 (30 June 2023: HK\$4,452,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK\$1,034,000 (30 June 2023: HK\$16,377,000), and a total comprehensive expense attributable to owners of the Company of HK\$1,389,000 (30 June 2023: total comprehensive income of HK\$18,109,000) which included a fair value loss on debt instruments at FVTOCI of HK\$350,000 (30 June 2023: HK\$3,824,000), and exchange loss arising on translation of financial statements of foreign operations of HK\$2,423,000 (30 June 2023: exchange gain of HK\$1,696,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2024, the Group financed its operation mainly by cash generated from operations and shareholders' funds. At the period end, the Group had current assets of HK\$215,799,000 (31 December 2023: HK\$199,209,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK\$179,244,000 (31 December 2023: HK\$171,071,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$5,939,000 (31 December 2023: HK\$10,237,000), was at a very liquid level of about 36.3 (31 December 2023: 19.5).

At 30 June 2024, the Group's total assets amounted to HK\$436,969,000 (31 December 2023: HK\$445,095,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$34,905,000 (31 December 2023: HK\$41,642,000) divided by total assets, was at a low level of about 8% (31 December 2023: 9%). For HY2024, finance costs represented mainly the accretion expense on decommissioning obligation of HK\$967,000 (30 June 2023: HK\$941,000).

The Group's bank and other interest income increased by 69% to HK\$3,610,000 (30 June 2023: HK\$2,136,000), mainly resulted from additional surplus funds on hand and the general rise in bank deposit rates.

At 30 June 2024, the equity attributable to owners of the Company amounted to HK\$402,064,000 (31 December 2023: HK\$403,453,000) and was equivalent to an amount of approximately HK7.67 cents (31 December 2023: HK7.70 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$1,389,000 was mainly the combined effect of the profit earned by the Group of HK\$1,034,000 and the recognition of other comprehensive expense representing the exchange loss arising on translation of financial statements of foreign operations of HK\$2,423,000 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

It is the Group's business strategy to continue developing its petroleum exploration and production business, along with expanding and diversifying its businesses in the energy sector to the next level by investing in renewable energy assets, including solar energy projects, which would support the healthy and sustainable business development of the Group in the long run and create new value to shareholders. In pursuance of these strategic initiatives, the Group has successfully acquired the Canadian Oil Assets, and entered into a cooperation agreement and an acquisition agreement for the development of its solar energy business.

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

The solar energy power generation projects the Group investing in are projects participating in the FiT Scheme. The FiT Scheme is a policy initiative introduced by the Hong Kong Government to encourage the private sector to participate in producing cleaner fuel and developing renewable energy technologies. Under the FiT Scheme, scheme participants who install solar or wind power generation system at their premises can sell the renewable energy generated to the two power companies in Hong Kong at a rate considerably higher than the normal electricity tariff rate. The FiT Scheme will be offered until the end of 2033. Through investing in solar energy power generation projects participating in the FiT Scheme, the Group is able to secure a long-term and stable stream of revenue from the tariff income earning by the projects participating in the FiT Scheme.

Looking ahead, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses, and will manage its businesses in a disciplined approach in view of the market uncertainties brought by the volatilities of international oil prices, the ongoing geopolitical tensions, the war between Russia and Ukraine, and the conflict between Israel and Hamas.

The Group's business strategy is to build a diversified and balanced energy business portfolio, comprising petroleum and solar energy assets, which will present the Group with favourable long-term prospects. This aligns with the Group's sustainable corporate strategy of broadening its income stream to achieve a stable, long-term and attractive return to shareholders.

CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules for the six months ended 30 June 2024, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

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

Deviation

The Company had deviated from Code Provision C.2.1 of the CG Code during the six months ended 30 June 2024 due to the positions of Chairman of the Board and Chief Executive Officer had been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision F.2.2

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

Deviation

As the position of Chairman of the Board had been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as chairman of the annual general meeting of the Company held on 25 June 2024 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 2024 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 2024, 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, 29 August 2024

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Sue Ka Lok, Mr. Chan Shui Yuen, Mr. Bai Zhifeng and Mr. Wang Jinglu; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Mr. Khoo Wun Fat, William and Ms. Jiao Jie.