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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 ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The Board of Directors (the “**Board**”) of EPI (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively “**EPI**” or the “**Group**”) for the six months ended 30 June 2014 (the “**Interim Period**”), together with the comparative figures for the corresponding period ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	<i>Notes</i>	For the six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(restated)
Revenue	4	41,751	44,900
Purchases, processing and related expenses		(19,580)	(22,237)
Other (losses)/gains, net	5	(10,926)	13,791
Wages, salaries and other benefits		(13,681)	(9,449)
Depreciation and depletion		(9,754)	(13,201)
Fair value gains/(losses) on financial instruments		20,289	(35,807)
Other expenses		(47,918)	(39,626)
Finance costs	6	(18,901)	(25,323)
Loss before income tax	7	(58,720)	(86,952)
Income tax expense	8	—	—
Loss for the period and total comprehensive loss attributable to the owners of the Company		(58,720)	(86,952)
Loss per share			
— Basic (HK\$)	9	(0.010)	(0.027)
— Diluted (HK\$)	9	(0.010)	(0.027)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
	Notes		
Assets			
Non-current assets			
Exploration and evaluation of assets		206,271	206,271
Property, plant and equipment		148,608	153,458
Other tax recoverables		13,038	28,542
		<u>367,917</u>	<u>388,271</u>
Current assets			
Trade and other receivables and prepayments	11	237,907	227,192
Other tax recoverables		13,015	12,753
Held-for-trading investments		64	98
Cash and cash equivalents		111,981	48,029
		<u>362,967</u>	<u>288,072</u>
Total assets		<u><u>730,884</u></u>	<u><u>676,343</u></u>
Equity			
Share capital	12	485,236	416,988
Reserves		(162,673)	(198,802)
Total equity		<u>322,563</u>	<u>218,186</u>
Liabilities			
Non-current liabilities			
Borrowings	13	218,400	218,400
Convertible notes		53,788	76,054
Derivative financial liabilities		35,526	58,903
Assets retirement obligations		1,410	1,410
		<u>309,124</u>	<u>354,767</u>
Current liabilities			
Trade and other payables	14	43,111	38,790
Borrowings	13	54,600	56,600
Convertible notes		1,486	8,000
		<u>99,197</u>	<u>103,390</u>
Total liabilities		<u><u>408,321</u></u>	<u><u>458,157</u></u>
Total equity and liabilities		<u><u>730,884</u></u>	<u><u>676,343</u></u>
Net current assets		<u><u>263,770</u></u>	<u><u>184,682</u></u>
Total assets less current liabilities		<u><u>631,687</u></u>	<u><u>572,953</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

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

There are no other amended standards or interpretations that are effective for the first time for the Interim Period that could be expected to have a material impact on the Group.

3. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 at 30 June 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Held-for-trading investments				
— Trading securities	64	—	—	64
Total assets	64	—	—	64
Liabilities				
Derivatives financial instruments				
— Convertible note				
— conversion component	—	—	17,121	17,121
— Warrants	—	—	18,405	18,405
Total liabilities	—	—	35,526	35,526

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total 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 amongst levels 1, 2 and 3 during the Interim Period.

There were no other changes in valuation techniques during the Interim Period which is the same as the valuation technique used at 31 December 2013.

4. REVENUE AND SEGMENTS INFORMATION

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 purpose of allocating resources and assessing performance.

The Group presented petroleum exploration and production for reportable segment.

Six months ended 30 June 2014 (unaudited)

	Petroleum exploration and production HK\$'000	Total HK\$'000
Segment revenue		
External sales	<u>41,751</u>	<u>41,751</u>
Result		
Segment results	<u>8,046</u>	<u>8,046</u>
Unallocated other gains and losses		(10,926)
Unallocated corporate expenses		(36,939)
Finance cost		<u>(18,901)</u>
Loss before income tax		(58,720)
Income tax expense		<u>–</u>
Loss for the period		<u><u>(58,720)</u></u>

Six months ended 30 June 2013 (unaudited) (restated)

	Petroleum exploration and production HK\$'000	Total HK\$'000
Segment revenue		
External sales	<u>44,900</u>	<u>44,900</u>
Result		
Segment results	<u>1,806</u>	<u>1,806</u>
Unallocated other gains and losses		13,791
Unallocated corporate expenses		(77,226)
Finance cost		<u>(25,323)</u>
Loss before income tax		(86,952)
Income tax expense		<u>–</u>
Loss for the period		<u><u>(86,952)</u></u>

5. OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (restated)
Interest income	1	–
Government grants	–	1,506
Exchange (losses)/gains, net	(10,102)	12,447
Gain on disposal of property, plant and equipment	–	207
Others	(825)	(369)
	<u>(10,926)</u>	<u>13,791</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (restated)
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	5,932	–
Other loans	180	3,842
Interest on borrowings not wholly repayable within five years:		
Bank borrowings	–	7,821
Effective and coupon interest expense on convertible notes	12,789	9,953
Compensation charge for late payments to supplier in relation to petroleum exploration and production	–	3,707
	<u>18,901</u>	<u>25,323</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived after charging the following item:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	–	–
Minimum lease payments under operating leases in respect of office properties and buildings	1,147	1,382
Share-based payments granted to consultants	7,830	15,328

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as there is no assessable profit arising in Hong Kong in the Interim Period (2013: Nil).

9. LOSS PER SHARE

(a) Basic

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

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(58,720)	(86,952)
	2014	2013
	'000	'000
Number of shares		
Weight average number of ordinary shares in issue	4,430,050	3,223,822

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary share. 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 share were anti-dilutive for the Interim Period and also for the period ended 30 June 2013.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period (2013: Nil).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2014	At 31 December 2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables (<i>Note</i>)	3,955	4,716
Prepayments to a metal supplier	200,810	200,810
Other receivables and prepayments	33,142	21,666
	237,907	227,192

Note: The Group allows on average credit period of 30 to 60 days to its trade customers. At the discretion of the Directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The trade receivables of HK\$3,955,000 (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 customer for whom there was no recent history of default.

12. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value of ordinary share HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 31 December 2013 and 30 June 2014	10,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 31 December 2013 and 1 January 2014	4,169,878	416,988
Issue of new shares upon placement (<i>Note 1</i>)	682,480	68,248
At 30 June 2014	4,852,358	485,236

Note 1: On 11 March 2014, the Company entered into a placing agreement in respect of the "best efforts" placing of up to 1,100,000,000 new shares ("Placing Shares") to not less than six independent placees. The placing price for each Placing Share would be the higher of (i) 90% of the arithmetic average closing price per share for the five consecutive trading days immediately preceding the date of the Special General Meeting (the "SGM"), rounded up to the nearest three decimal places; or (ii) HK\$0.220 per Placing Share, details of which have been disclosed in the Company's announcement dated 11 March 2014. The Placing Shares would be issued under a specific mandate to be sought for approval from the shareholders of the Company at the SGM. The SGM was subsequently held on 7 April 2014 and 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. 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. 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 net proceeds, after deduction of the placing commission and other related expenses, was approximately HK\$149.4 million and the intended use as stated in the announcement dated 22 April 2014 and the actual use up to 30 June 2014 are illustrated as follows:

Use	Intended amount allocated in Announcement dated 22 April 2014	Actual allocated amount
Payment of deposit(s) to possible vendors relating to the proposed acquisition of interest in oil and gas properties in the USA, details of which have been disclosed in the Company's announcement dated 11 February 2014	Approximately HK\$125.5 million	Approximately HK\$85.5 million. This amounts remained in one of the bank accounts of the Company as at 30 June 2014. As at 30 June 2014, no deposit had been paid to the possible vendors since it was only payable to the possible vendors on the occurrence of event(s) to be specified in the definitive agreements as disclosed in the Company's announcement dated 11 February 2014. Please also refer to the paragraphs headed "Other business opportunities" and "Liquidity and Financial Resources" on pages 14 and 15. Hence the Company deployed more of the net proceeds, approximately HK\$40 million, towards the repayment of part of the principal amounts of the Convertible Notes of the Company as that would be more efficient way to manage the Group's cash flow. (Please also see <i>Note 2</i> below)
Professional fees incurred in the possible acquisition referred to above	Approximately HK\$16.4 million	Approximately HK\$16.4 million, of which HK\$5.9 million had been utilised
General working capital of the Group	Approximately HK\$7.5 million	Approximately HK\$7.5 million, of which HK\$5.3 million had been utilised

The net price per Placing Share to the Company was approximately HK\$0.219 per Placing Share.

Note 2: Before the end of the Interim Period, the Company had a large amount of cash left in the Company's bank accounts mainly due to the net proceeds raised from the placing as mentioned above. Although the majority of the funds were prepared for the part payment of the US\$73 million deposit(s) to the possible vendors as mentioned in the Company's announcement dated 11 February 2014, the occurrence of the event(s) to be specified in the definitive agreement did not materialise before the end of the Interim Period. Should the occurrence of the event(s) to be specified in the definitive agreements materialise after the Interim Period, the Company will consider external financing for the payment of such deposit(s), US\$73 million in total, through means including but not limited to equity or equity linked financing and/or short term bank

borrowings as mentioned in the Company's announcement dated 11 February 2014. Please also refer to the paragraphs headed "Other business opportunities" on page 14 and "Liquidity and Financial Resources" on page 15.

Consequently the Company deployed certain amount of the cash balance at the bank accounts of the Company to repay part of the principal amounts, approximately HK\$40 million, of the Convertible Notes of the Company before the end of the Interim Period. The Convertible Notes of the Company have a due date of 10 April 2015. The Directors considered that by repaying early part of the principal amounts of these Convertible Notes, less interest expenses would be incurred by the Company for the financial year of 2014. The Directors believed that would be more efficient to manage the Group's cash flow.

13. BORROWINGS

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Borrowings comprise the following:		
Bank loans, secured (<i>Note a</i>)	273,000	273,000
Other loans, secured (<i>Note b</i>)	—	2,000
	<u>273,000</u>	<u>275,000</u>
Less: non-current portion	(218,400)	(218,400)
Current portion	<u>54,600</u>	<u>56,600</u>
Carrying amount repayable:		
Within 1 year	54,600	56,600
Between 1 and 2 years	54,600	54,600
Between 2 and 5 years	<u>163,800</u>	<u>163,800</u>
	<u>273,000</u>	<u>275,000</u>

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

	Effective interest rate		Carrying amount	
	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)	At 30 June 2014 (Unaudited)	At 31 December 2013 (Audited)
Fixed-rate borrowings	—	24%	—	2,000
Variable-rate borrowings	4.32%	4.35%	<u>273,000</u>	<u>273,000</u>
			<u>273,000</u>	<u>275,000</u>

Notes:

- (a) The bank loan is secured by the share capital of certain subsidiaries of the Group and secured by the share capital and instruments of the companies in which Mr. Wu Shaozhang (a substantial shareholder of the Company) has financial interests.
- (b) The other loans to the extent of HK\$0 (2013: HK\$2,000,000) is secured by the issued shares of the Company registered in the name of a shareholder of the Company.

14. TRADE AND OTHER PAYABLES

	At 30 June 2014 <i>HK\$'000</i> (Unaudited)	At 31 December 2013 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note</i>)	458	3,050
Interest payable on borrowings	1,969	2,021
Other payables and accruals	40,684	33,719
	<u>43,111</u>	<u>38,790</u>

Note:

The following is an ageing analysis by invoice date of trade payables at the end of the Interim Period:

	At 30 June 2014 <i>HK\$'000</i> (Unaudited)	At 31 December 2013 <i>HK\$'000</i> (Audited)
0–30 days	458	3,050
31–60 days	–	–
61–90 days	–	–
Over 90 days	–	–
	<u>458</u>	<u>3,050</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's core business is the petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively, the "**Concessions**") in the Cuyana Basin, Mendoza Province of Argentina. Pursuant to the operation agreement signed on 5 June 2012, Chañares agreed to release EP Energy S.A. ("**EP Energy**") from the commitment under the JV agreement signed on 12 January 2011. Following the short-term development plan, the Group continued to focus on investment to maintain production, and to lower operation costs of the existing 10 producing oil wells. The Group has performed a workover job to one of its producing oil wells during the six months ended 30 June 2014. The results were satisfactory. Our own well fluid collection tank has been put into use, and the Group is investing on its improvement, such as heating system. As at 30 June 2014, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 oil wells are in production, of which 5 oil wells are drilled by Have Result Investments Limited ("**Have Result**") where the Group is entitled to 51% interest on production, and 5 oil wells are 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 2013 are as follows:

Contingent Oil Resource (<i>unit: million barrels</i>)*	31 December 2013	31 December 2012
Category Gross (100%)		
Low Estimate (1C)	82.3	83.5
Best Estimate (2C)	140.6	146.9
High Estimate (3C)	239.2	245.5

* According to the Technical Review Report issued by Roma Oil and Mining Associates Limited on 19 March 2014 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 target 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' shareholders decide to sell the majority of the shares of Chañares. EP Energy informed to Chañares before 5 April 2014 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 shareholders dated 3 July 2014 whereby they informed that the sale of their aggregate 100% equity interest in Chañares was completed on 12 Jun 2014. The buyer of such equity interest is an Individual third party.

GROUP FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group's turnover was HK\$41.7 million, a decrease of HK\$3.2 million as compared with HK\$44.9 million recorded in same period of last year. Loss for the six months ended 30 June 2014 incurred by the Group amounted to HK\$58.7 million as compared to loss of HK\$86.9 million for the same period of 2013.

REVIEW OF GROUP OPERATIONS

During the six months ended 30 June 2014, the Group's core and continuing operations were petroleum exploration and production.

Exploration and sales of petroleum

During the six months ended 30 June 2014, the Group had performed one workover job to one of its producing oil wells. The results were satisfactory.

The Group had 10 producing oil wells generating oil sales revenue during the six months ended 30 June 2014. 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 six months ended 30 June 2014 amounted to HK\$41.7 million. As of 30 June 2014, the Company had invested HK\$590.7 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK\$413.3 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 which is located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the six months ended 30 June 2014, the depreciation of the oil & gas properties was HK\$9.5 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 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 completed the investment in its own water injection capacity last year. The Group will continue to invest in workover on the existing 10 producing oil wells and in improving its own well fluid collection tank during year 2014.

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 take 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 decrease.

Other business opportunities

After setting up the technical & operational team and having a stable development in Argentina operation, the Group continues making effort in searching for opportunities on oil & gas exploration and production business. The Group is focused on the oil & gas field with stable production base, with proven reserve, with certain development opportunities, in those industrial-advanced countries, such as the United States of America. The Group has identified a few acquisition opportunities in North America. 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. The structure of the transaction is still under negotiations and may entail the sale and purchase of equity ownership, or underlying oil and gas interests or a combination of both.

The Letter of Intent contemplates, subject to the parties entering into definitive agreements, a transaction involving a proposed purchase price of approximately US\$1.8 billion for currently producing oil and gas reserves in place and the related production equipment, future production potential of explored but currently non-producing target formations or geological intervals, and certain assets owned by the Possible Vendors, based on due diligence conducted by or on behalf of the Company prior to the signing of the Letter of Intent and subject to certain adjustments at the time of closing. Deposit(s) of approximately US\$73 million in total is expected to be payable to the Possible Vendors, on the occurrence of event(s) to be specified in the definitive agreements.

Since the signing of the Letter of Intent, the Company has conducted due diligence works against the Target Assets and made relevant regulatory applications, including to the Committee of Foreign Investment in the U.S. (CFIUS). As of the date of this announcement, the technical consultant is preparing an updated technical report for use by the Company and the Possible Vendors to determine the final consideration price for the definitive agreements and the CFIUS application is still pending the approval.

If the proposed acquisition proceeds, the transaction may constitute a major/very substantial acquisition transaction for the Company under Chapter 14 of the Listing Rules and further announcement will be made by the Company in accordance with the Listing Rules. The Board wishes to emphasize that the negotiations for the proposed acquisition may or may not proceed. Shareholders and investors of the Company are urged to exercise caution when dealing in the shares of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet for the funding requirements of US\$73 million deposit payment expected to be paid to the Possible Vendors as mentioned above, on 22 April 2014, the Company raised net proceeds of approximately HK\$149.4 million via the placement of 682,480,000 shares at HK\$0.228 per share. The net proceeds of this placement is insufficient to pay for deposit should the proposed acquisition proceed. To meet the general working capital and the deposit payment requirements, the Company will need to raise additional funds, through means including but not limited to equity or equity linked financing and/or short term bank borrowings as mentioned in the Company's announcement dated 11 February 2014.

INTERIM DIVIDEND

The Board has resolved that no interim dividend be paid for the Interim Period (2013: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Interim Period under review, the Company has complied with the code provisions (the "CG Code") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules with deviations from the code provision A.4.1 of the CG Code as summarized 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, all non-executive directors, including the independent non-executive directors have not been appointed for a specific term. However, they are subject to retirement and can offer themselves for re-election at each annual general meeting of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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 set out in Appendix 10 of the Listing Rules. Having made specific enquiry to the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the Interim Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2014.

The members of the audit committee are Mr. Teoh Chun Ming (Chairman of the audit committee), Mr. Qian Zhi Hui and Mr. Zhu Tiansheng, all independent non-executive Directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.epiholdings.com). The interim report will be dispatched to the shareholders of the Company and will be published on the aforementioned websites in due course.

On behalf of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
Executive Director and CEO

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises the non-executive chairman, namely Mr. Ho King Fung, Eric, two executive directors, namely Mr. Tse Kwok Fai, Sammy (chief executive officer) and Mr. Chan Chi Hung, Anthony, and three independent non-executive directors, namely Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng.