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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 2015**

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 2015 (the “**Interim Period**”), together with the comparative figures for the corresponding period ended 30 June 2014 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2015

		For the six months ended 30 June	
	<i>Notes</i>	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	4	32,871	41,751
Purchases, processing and related expenses		(17,949)	(19,580)
Other losses, net	5	(2,911)	(10,926)
Wages, salaries and other benefits		(10,800)	(13,681)
Depreciation and depletion		(7,794)	(9,754)
Fair value gains on financial instruments		12,254	20,289
Other expenses		(9,403)	(47,918)
Finance costs	6	(11,560)	(18,901)
Loss before income tax	7	(15,292)	(58,720)
Income tax expense	8	—	—
Loss and total comprehensive loss for the period attributable to the owners of the Company		<u>(15,292)</u>	<u>(58,720)</u>
			(Restated)
Loss per share			
— Basic (HK\$)	9	<u>(0.026)</u>	<u>(0.113)</u>
— Diluted (HK\$)	9	<u>(0.041)</u>	<u>(0.113)</u>

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Assets			
Non-current assets			
Exploration and evaluation assets		115,222	115,222
Property, plant and equipment		135,078	138,422
Other tax recoverables		15,002	17,563
		<u>265,302</u>	<u>271,207</u>
Current assets			
Trade and other receivables and prepayments	11	39,175	45,928
Other tax recoverables		11,777	16,140
Held-for-trading investments		71	52
Cash and cash equivalents		77,632	28,565
		<u>128,655</u>	<u>90,685</u>
Total assets		<u><u>393,957</u></u>	<u><u>361,892</u></u>
Equity			
Share capital	12	7,279	485,236
Reserves		129,381	(454,551)
Total equity		<u><u>136,660</u></u>	<u><u>30,685</u></u>

		At 30 June 2015 <i>HK\$'000</i> (Unaudited)	At 31 December 2014 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Borrowings	13	<u>163,800</u>	<u>163,800</u>
		<u>163,800</u>	<u>163,800</u>
Current liabilities			
Trade and other payables	15	38,897	44,013
Borrowings	13	54,600	54,600
Convertible notes	14	–	62,877
Derivative financial liabilities		<u>–</u>	<u>5,917</u>
		<u>93,497</u>	<u>167,407</u>
Total liabilities		<u><u>257,297</u></u>	<u><u>331,207</u></u>
Total equity and liabilities		<u><u>393,957</u></u>	<u><u>361,892</u></u>
Net current assets/(liabilities)		<u><u>35,158</u></u>	<u><u>(76,722)</u></u>
Total assets less current liabilities		<u><u>300,460</u></u>	<u><u>194,485</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2015 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 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the Interim Period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA that are mandatorily effective for the 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 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Held-for-trading investments				
— Trading securities	71	—	—	71
Total assets	<u>71</u>	<u>—</u>	<u>—</u>	<u>71</u>
Liabilities				
Derivatives financial instruments				
— Convertible note				
— conversion component	—	—	—	—
— Warrants	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

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

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

There were no changes in valuation techniques during the Interim Period which is the same as the valuation technique used at 31 December 2014.

4. REVENUE AND SEGMENTS INFORMATION

The chief executive officer of the Company (the “**Chief Executive Officer**”) is the Group’s chief operating decision-maker. Management has determined that the Group operated in one geographical segment, being Argentina, and has a single operating segment, being petroleum exploration and production, based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

Petroleum exploration and production

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Segment revenue		
External sales	<u>32,871</u>	<u>41,751</u>
Result		
Segment results	3,084	8,046
Unallocated other gains and losses	(2,911)	(10,926)
Unallocated corporate expenses	(3,905)	(36,939)
Finance costs	<u>(11,560)</u>	<u>(18,901)</u>
Loss for the period	<u>(15,292)</u>	<u>(58,720)</u>

5. OTHER LOSSES, NET

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	–	1
Exchange losses	(3,301)	(10,102)
Others	<u>390</u>	<u>(825)</u>
	<u>(2,911)</u>	<u>(10,926)</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	4,799	5,932
Other loans	–	180
Effective interest expense on convertible notes	<u>6,761</u>	<u>12,789</u>
	<u>11,560</u>	<u>18,901</u>

7. LOSS BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	–	–
Minimum lease payments under operating leases in respect of office properties and buildings	1,630	1,147
Share-based payment expenses		
— Consultants	–	7,830
— Employees including directors	1,797	5,301
Net gain on modification of terms of convertible notes	12,480	–

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 (2014: Nil).

9. LOSS PER SHARE

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

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to owner of the Company	(15,292)	(58,720)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes	2,625	–
Net gain on modification of terms of convertible notes	(12,480)	–
Amortisation of deferred loss on conversion component of convertible notes	380	–
Loss for the purpose of diluted loss per share	(24,767)	(58,720)
	2015	2014
	'000	'000
		(Restated)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	593,746	520,044
Effect of dilutive potential ordinary shares:		
Convertible notes	9,822	–
Weighted average number of ordinary shares for the purpose of dilutive loss per share	603,568	520,044

The denominator for the purpose of calculating basic loss per share for the six months ended 30 June 2014 has been adjusted to reflect the consolidation of shares in June 2015 on the basis of ten ordinary shares being consolidated into one ordinary share (the “**Share Consolidation**”) and bonus element of the open offer on the basis of one offer share for every two shares (the “**Open Offer**”).

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three (2014: three) categories of potential ordinary shares: warrants, convertible notes and share options (2014: warrants, convertible notes and share options). The 2013 CN (defined in note 14) are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the related gain/loss and expenses stated above for the Interim Period. For the Interim Period and the period ended 30 June 2014, the New 2013 CN (defined in note 14) and 2013 CN respectively were not assumed to have been converted into ordinary shares because their exercise would result in a decrease in loss per share, i.e. anti-dilutive.

For the potential ordinary share from the outstanding warrants and share options, they were anti-dilutive for the Interim Period and also for the six months ended 30 June 2014. The computation of diluted loss per share does not assume the exercise of the Company’s warrants and share options because the exercise prices of those warrants and share options were higher than the average market price for shares for both Interim Period and the period ended 30 June 2014.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period (2014: Nil).

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade receivables (<i>Note (a)</i>)	701	3,596
Other receivables and other prepayments	30,674	26,732
Loan to a third party (<i>Note (b)</i>)	7,800	15,600
	<u>39,175</u>	<u>45,928</u>

Notes:

- (a) The Group allows an average credit period of 30 to 60 days to its trade customer. The trade receivables of HK\$701,000 (2014: HK\$3,596,000) 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.

- (b) Loan to a third party of HK\$7,800,000 (2014: HK\$15,600,000) is unsecured, interest bearing at fixed interest rate of 12% per annum, denominated in US\$, and is repayable at the end of 2015.

12. SHARE CAPITAL

	Nominal value per share HK\$	Number of ordinary shares '000	Nominal value of ordinary share HK\$'000
Authorised:			
Ordinary shares at 31 December 2014 (Audited)	0.10	10,000,000	1,000,000
Sub-division of shares (<i>Note (a)</i>)		<u>90,000,000</u>	<u>–</u>
Ordinary shares at 30 June 2015 (Unaudited)	0.01	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:			
Ordinary shares at 31 December 2014 and 1 January 2015 (Audited)	0.10	4,852,358	485,236
Effects of Share Consolidation and Capital Reduction (<i>Note (a)</i>)		(4,367,122)	(480,383)
Issue of shares by Open Offer (<i>Note (b)</i>)	0.01	<u>242,618</u>	<u>2,426</u>
Ordinary shares at 30 June 2015 (Unaudited)	0.01	<u>727,854</u>	<u>7,279</u>

Notes:

- (a) As announced by the Company on 31 March 2015, the Company proposed to effect (i) the share consolidation whereby every ten shares of nominal value of HK\$0.10 each in the issued share capital of the Company would be consolidated into one consolidated share of nominal value of HK\$1.00 and any fractional consolidated share in the issued share capital of the Company arising from the share consolidation would be cancelled; (ii) the capital reduction whereby the nominal value of all the issued consolidated shares would be reduced from HK\$1.00 each to HK\$0.01 each by cancelling paid-up capital to the extent of HK\$0.99 on each consolidated share so as to form an adjusted share of HK\$0.01, and the credit arising from the capital reduction be credited to the contributed surplus account of the Company; and (iii) the sub-division of each of the authorised but unissued shares of HK\$0.10 into ten adjusted shares of HK\$0.01 each.

Details of the share consolidation and capital reorganisation are set out, among others, in the circular of the Company dated 20 April 2015. Special resolutions approving the share consolidation and capital reorganisation were passed at the special general meeting of the Company held on 13 May 2015 and the share consolidation and capital reorganisation became effective on 14 May 2015.

- (b) As announced by the Company on 31 March 2015 and 17 April 2015, the Company proposed to raise gross proceeds of approximately HK\$121 million to approximately HK\$175 million, before expenses, by way of Open Offer. Under the Open Offer, the Company allotted and issued 242,617,879 offer shares at the subscription price of HK\$0.50 per offer share, on the basis of one offer share for every two adjusted shares held on 21 May 2015.

Details of the Open Offer are set out, among others, in the circular of the Company dated 26 May 2015. The announcement of the result of the Open Offer was published on 16 June 2015.

13. BORROWINGS

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Bank loans, secured (<i>Note</i>)	218,400	218,400
Less: non-current portion	<u>(163,800)</u>	<u>(163,800)</u>
Current portion	<u>54,600</u>	<u>54,600</u>
The Company's borrowings were repayable as follows:		
Within 1 year	54,600	54,600
Between 1 and 2 years	54,600	54,600
Between 2 and 5 years	<u>109,200</u>	<u>109,200</u>
	<u>218,400</u>	<u>218,400</u>

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

	Effective interest rate		Carrying amount	
	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)	At 30 June 2015 (Unaudited)	At 31 December 2014 (Audited)
Variable-rate borrowings	4.41%	4.33%	<u>218,400</u>	<u>218,400</u>

Note:

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

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

14. CONVERTIBLE NOTES

On 11 April 2013, the Company completed the subscription agreement pursuant to which the Company issued 8% convertible notes in an aggregate principal amount of HK\$100,000,000 (the “**2013 CN**”) which could be converted into ordinary shares of HK\$0.10 each of the Company at an initial conversion price of HK\$0.19 per share (subject to anti-dilutive adjustments). As a result of the capital reorganisation of the Company effective on 14 May 2015, the conversion price of the outstanding 2013 CN was adjusted to HK\$1.90 per share. Furthermore, as a result of the Open Offer (as disclosed in Note 12), the conversion price has been further adjusted to HK\$1.62 per share.

The 2013 CN was denominated in HK\$, maturing on the second anniversary of the issue date of 11 April 2013 (the “**2013 Maturity Date**”). The Company shall redeem all the 2013 CN on the 2013 Maturity Date at 110% of the principal amount outstanding. With the holder’s agreement, the Company may at any time and from time to time purchase the outstanding 2013 CN at such price as may be agreed between the Company and the holder thereof. On 20 June 2014, the Company early redeemed 40% of the 2013 CN at their principal amount of HK\$40,000,000.

On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the maturity date of the remaining outstanding 2013 CN for 1 year, from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by shareholders at the special general meeting to approve the amendment deed. Details are already set out in the Company’s announcements on 8 January 2015 and 17 February 2015. The extension of the maturity date of the 2013 CN will cause modification of the terms of the 2013 CN.

The modification of the terms was determined to be substantial and hence resulted in the extinguishment of the original liability and conversion option derivative components of the 2013 CN and the recognition of new liability and conversion option derivative components (the “**New 2013 CN**”). The fair value of the new liability component immediately following the modification was approximately HK\$57,887,000. The liability component was determined using an effective interest rate of 23.92% (2014: 37.34%). The difference between the fair value of the New 2013 CN and the carrying amounts of the original liability and derivative component, amounting to HK\$12,480,000, is recognised as a gain in the profit or loss account.

On 19 June 2015, the Company early redeemed the remaining balance of the New 2013 CN in the principal amount of HK\$60,000,000.

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

	Liability component HK\$'000	Conversion component HK\$'000	Total HK\$'000
At 31 December 2013 (Audited)	84,054	38,152	122,206
Gain on derivative component recognised in profit or loss	–	(34,687)	(34,687)
Amortisation of deferred loss on conversion component	–	5,347	5,347
Redemption during the year	(37,105)	(2,895)	(40,000)
Interest charge	22,949	–	22,949
Interest paid	(7,021)	–	(7,021)
At 31 December 2014 (Audited)	<u>62,877</u>	<u>5,917</u>	<u>68,794</u>
Amortisation of deferred loss on conversion component	–	380	380
Derecognition of original liability/conversion component upon modification of terms	(65,502)	(6,297)	(71,799)
Recognition of new liability/conversion component upon modification of terms	57,887	1,432	59,319
Redemption during the period	(58,703)	(1,297)	(60,000)
Interest charge	6,761	–	6,761
Interest paid	(3,320)	–	(3,320)
Gain on new derivative component recognised in profit or loss	–	(135)	(135)
At 30 June 2015 (Unaudited)	<u>–</u>	<u>–</u>	<u>–</u>

15. TRADE AND OTHER PAYABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade payables (<i>Note</i>)	5,147	253
Interest payable on borrowings	1,607	1,575
Other payables and accruals	32,143	42,185
	<u>38,897</u>	<u>44,013</u>

Note:

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

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Less than 30 days	<u>5,147</u>	<u>253</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 (together, the “**Concessions**”) in the Cuyana Basin, Mendoza Province of Argentina. Pursuant to the operation agreement signed on 5 June 2012, Chañares agreed to release EP Energy S.A. (“**EP Energy**”) from the commitment under a joint venture agreement (the “**JV Agreement**”) signed on 12 January 2011. Following the short-term development plan, the Group continued to focus on investment to improve production, and to maintain operation costs of the existing 10 producing wells. The Group has performed a workover job on one of its producing oil wells during the Interim Period. As at 30 June 2015, the Group has finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result Investments Limited (“**Have Result**”) where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production. The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2014 are as follows,

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

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

As of 30 June 2015, the Company considered there were no events or changes in circumstances indicating that the carrying amount of exploration and evaluation (“**E&E**”) assets might not be recoverable. No impairment review has been performed. West Texas Intermediate (“**WTI**”) price stayed with the range between USD41.9 per barrel and USD45.7 per barrel during the period from 1 August to 21 August 2015. The local oil selling price of our Argentina operation remained around USD66 per barrel for the seven months ended July 2015. The Company noticed the recent drop in WTI price and will closely monitor the trend of WTI price and its effect on oil selling price of Argentina operation. The Group will consider whether it should undertake an impairment review on the E&E assets to assess if the carrying amount of E&E assets would be recoverable or not when preparing for its financial results for the year ending 31 December 2015, after taking into account the effect of WTI price fluctuations on the oil selling price of its Argentina operations or other relevant factors. During the preparation of Year 2015 Annual Report, in case that the oil selling price of Argentina operation has been affected by the drop in WTI price, and if there are other “trigger” events or changes, the Company will perform impairment review on its E&E asset to assess if the carrying amount of E&E assets might not be recoverable.

GROUP FINANCIAL REVIEW

For the Interim Period, the Group's turnover was HK\$32.8 million, a decrease of HK\$8.9 million as compared with HK\$41.7 million recorded in the same period of last year. The Group recorded a loss for the Interim Period of HK\$15.2 million, against a loss of HK\$58.7 million for the same period in 2014.

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

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

REVIEW OF GROUP OPERATIONS

Exploration and sales of petroleum

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

For the period from January to June 2015, the Group had performed a workover job on one of its producing oil wells. As at 30 June 2015, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

During the first six months of year 2015, the Group had 10 producing wells generating oil sales revenue. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner.

Revenue generated from the sales of petroleum segment for the Interim Period amounted to HK\$32.8 million. As of 30 June 2015, the Company had invested HK\$593.7 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK\$416.3 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 located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the first six months of year 2015, the depreciation and depletion of the oil & gas properties was HK\$7.6 million.

Future operation plan

Short-term development plan

Pursuant to the operation agreement signed on 5 June 2012, Chañares agreed to release EP Energy from its commitments under the JV Agreement signed on 12 January 2011. The Group has been focused on workover and infrastructure investments to improve production on the existing oil wells from year 2012 to 2014. The Group will continue to invest in workover on the existing 10 producing oil wells during year 2015.

Long-term development plan

The Directors having considered the current economic situation of Argentina, decided to restart the overall business development plan on Chañares oil project in later years. In developing the future business plan, the Directors have taken a more prudent approach and only considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027.

Other business opportunities

After setting up the technical & operational team and having a stable development in the Argentina operation, the Group continues making effort in searching for opportunities in oil & gas exploration and production business. The Group is focused on the oil & gas field with stable production base, with proven reserves and with certain development opportunities in those industrial-advanced countries, such as the United States of America (“U.S.”).

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

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

Future prospects

Other than the oil and exploration operations, the Group is also looking into investment opportunities in other sectors that may create shareholder value.

FINANCIAL POSITION

As at 30 June 2015, the net asset value of the Group was HK\$136.7 million (31 December 2014: HK\$30.7 million) and the net asset value per share was HK\$0.188 (2014: HK\$0.006).

The Company has entered into a bank loan agreement with China Development Bank, of which the outstanding balance was approximately HK\$218,400,000 as at 30 June 2015. Pursuant to the terms of the bank loan agreement, if, among others, Mr. Wu Shaozhang (“**Mr. Wu**”), the substantial shareholder of the Company, maintains less than 10% of the beneficial shareholding interest in the issued share capital of the Company, the loan together with accrued interest may become immediately due and payable. As at 30 June 2015 and up to the date of these announcement, Mr. Wu directly and/or indirectly holds 10.01% of the Company’s shares and remains a substantial shareholder of the Company. Nevertheless Mr. Wu has signed a deed of undertaking with the Company that he undertakes to maintain his position as a substantial shareholder of the Company.

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The gearing ratio of the Group as at 30 June 2015 is 1.2, that equals to the Group’s non-current borrowings divided by total equity.

As of 30 June 2015, the carrying amounts of borrowings which are denominated in US\$ amounted to HK\$218,400,000. The carrying amount of cash and cash equivalents which are denominated in ARS, US\$, HK\$ and others amounted to HK\$3,316,000, HK\$14,097,000, HK\$60,188,000 and HK\$31,000 respectively.

As of 30 June 2015, total borrowings to the extent of HK\$0 is at fixed interest rate, none of the foreign currency investments is hedged by currency borrowings or other hedging instruments.

LIQUIDITY AND FINANCIAL RESOURCES

On 16 June 2015, the Company raised gross proceeds of approximately HK\$121.3 million via the Open Offer of 242,617,879 shares at HK\$0.50 per share. The net proceeds of the Open Offer was approximately HK\$119 million.

The Board considered that the Open Offer enabled the Group to strengthen the capital base of the Company, enhance its financial position, and expand its investment portfolio when investment opportunities arise. The Open Offer provided the qualifying shareholders an opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considered that fund raising through the Open Offer was in the interests of the Company and the shareholders of the Company as a whole.

Save as disclosed below, the Company has not undertaken any other fund raising activity in the past twelve months before 30 June 2015:

Date of completion	Fund raising activity	Gross proceeds raised	Proposed use of the proceeds as stated in the Company's circular dated 26 May 2015	Actual use of the proceeds up to 30 June 2015
16 June 2015	Open Offer	Approximately HK\$121.3 million	(i) Approximately HK\$97 million for the repayment of the Company's debts; and (ii) Approximately HK\$22 million for the general working capital of the Group and/or future investment activities when such investment opportunities arise.	(i) Approximately HK\$61 million was used towards the repayment of the Company's debts. (ii) Approximately HK\$1.6 million was used for the professional fees incurred in the Open Offer. (iii) The remaining balance of approximately HK\$58.7 million has not yet been utilized and has been left in the bank account of the Company for the Open Offer.

The Group may consider undertaking further fund raising exercises, whether in the form of placing, offer by way of rights, to expand the capital base and cash reserves of the Group to enable it to make suitable investments (including any opportunistic acquisitions that the Board may consider appropriate for the Group).

INTERIM DIVIDEND

The Board has resolved that no interim dividend be paid for the Interim Period (2014: 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 exacting 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 condensed consolidated financial statements for the Interim Period.

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, 28 August 2015

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.