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**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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 2011 (“the Interim Period”), together with the comparative figures for the corresponding period ended 30 June 2010 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2011*

		<b>For the six months ended 30 June</b>	
		<b>2011</b>	<b>2010</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>			
Revenue	3	<b>590,284</b>	264,694
Cost of sales		<b>(585,910)</b>	(254,901)
		<hr/>	<hr/>
Gross profit		<b>4,374</b>	9,793
Other gains and losses		<b>2,499</b>	48,651
Distribution and selling expenses		<b>(4,055)</b>	(4,137)
Administrative expenses		<b>(52,818)</b>	(37,937)
Other expenses	4	<b>(1,803)</b>	(1,164)
Finance costs	5	<b>(6,767)</b>	(1,916)
		<hr/>	<hr/>
(Loss) profit before taxation		<b>(58,570)</b>	13,290
Taxation charge	6	<hr/>	<hr/>
		<b>—</b>	<b>(1,500)</b>
(Loss) profit for the period from continuing operations		<b>(58,570)</b>	11,790

	Notes	For the six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
<b>Discontinued operations</b>			
(Loss) for the period from discontinued operations		—	(2,959)
(Loss) profit for the period	7	<b>(58,570)</b>	8,831
<b>Other comprehensive (expense)</b>			
Exchange differences arising on translation of foreign operations		<b>(1,021)</b>	(1,847)
Other comprehensive (expense) for the period		<b>(1,021)</b>	(1,847)
Total comprehensive (expense) income for the period		<b>(59,591)</b>	6,984
(Loss) profit for the period attributable to equity holders of the Company		<b>(58,570)</b>	8,831
Total comprehensive (expense) income attributable to equity holders of the Company		<b>(59,591)</b>	6,984
<b>(Loss) earnings per share (Hong Kong cents)</b>	8		
From continuing and discontinued operations			
– Basic		<b>(0.31)</b>	0.10
– Diluted		<b>(0.31)</b>	0.05
From continuing operations			
– Basic		<b>(0.31)</b>	0.13
– Diluted		<b>(0.31)</b>	0.07
Dividend paid	9	—	—

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011 HK\$'000 (Unaudited)	At 31 December 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Exploration and evaluation of assets		<b>3,834,401</b>	3,793,293
Property, plant and equipment		<b>229,527</b>	161,027
Deferred tax assets		–	295
Other tax recoverable		<b>36,567</b>	33,643
		<b>4,100,495</b>	3,988,258
<b>Current assets</b>			
Trade and other receivables	10	<b>101,899</b>	206,032
Available-for-sale investments		<b>67,600</b>	67,600
Held-for-trading investments		<b>17,516</b>	4,000
Pledged bank deposits		–	26,340
Bank balances and cash		<b>7,617</b>	85,204
		<b>194,632</b>	389,176
<b>Current liabilities</b>			
Trade and other payables	11	<b>209,789</b>	168,372
Derivative financial instruments		–	10,596
Bank borrowings – amounts due within one year	12	<b>13,994</b>	135,677
		<b>223,783</b>	314,645
Net current (liabilities) assets		<b>(29,151)</b>	74,531
Total assets less current liabilities		<b>4,071,344</b>	4,062,789
<b>Non-current liabilities</b>			
Promissory notes		<b>1,899</b>	1,899
Deferred tax liabilities		<b>5,718</b>	5,718
Assets retirement obligation		<b>1,871</b>	3,137
		<b>9,488</b>	10,754
		<b>4,061,856</b>	4,052,035
<b>Capital and reserves</b>			
Share capital	13	<b>207,088</b>	185,088
Reserves		<b>3,854,768</b>	3,866,947
Equity attributable to equity holders of the Company		<b>4,061,856</b>	4,052,035

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2011*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 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 “Stock Exchange”) 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 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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

The Group has not early applied new and revised standards that have been issued but are not yet effective.

The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective :

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013.

The directors of the Company anticipate that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENTS INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

Petroleum exploration and production	–	exploration and production of petroleum
Trading of petroleum related products	–	trading of petroleum related products
Metals sourcing and trading	–	sourcing and trading of non-ferrous metals

Segment information about these businesses is presented below.

Six months ended 30 June 2011 (unaudited)

	<b>Petroleum exploration and production</b> <i>HK\$'000</i>	<b>Trading of petroleum related products</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Segment revenue</b>			
External sales	<b>13,038</b> <hr/>	<b>577,246</b> <hr/>	<b>590,284</b> <hr/>
<b>Result</b>			
Segment results	<b>(29,515)</b> <hr/>	<b>1,542</b> <hr/>	<b>(27,973)</b> <hr/>
Interest income			483
Other income			643
Unallocated corporate expenses			(24,956)
Finance cost			(6,767)
Loss before taxation			(58,570)
Taxation charge			—
Loss for the period			<b>(58,570)</b> <hr/>

	Petroleum exploration and production <i>HK\$'000</i>	Metals sourcing and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Segment revenue</b>			
External sales	12,514	252,180	264,694
<b>Result</b>			
Segment results	(18,662)	49,094	30,432
Interest income			32
Other income			1,800
Unallocated corporate expenses			(17,058)
Finance cost			(1,916)
Profit before taxation			13,290
Taxation charge			(1,500)
Profit for the period			11,790
 <b>Discontinuing operation</b>			
<b>Segment revenue</b>			
External sales	35,649	35,649	35,649
<b>Result</b>			
Segment results	620	620	620
Unallocated corporate expenses			(3,579)
Loss before taxation			(2,959)
Taxation charge			—
Loss for the period			(2,959)
Consolidated profit for the period			8,831

#### 4. OTHER EXPENSES

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations :</b>		
Expenses incurred in exploring potential investment opportunities	790	505
Change in fair value of financial assets classified as		
– held-for-trading investments	900	177
– derivative financial instruments	–	482
Loss on disposal of held-for-trading investments	113	–
	<hr/>	<hr/>
	<b>1,803</b>	<b>1,164</b>
	<b><hr/></b>	<b><hr/></b>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations :</b>		
Interest on bank borrowings wholly repayable within five years		
Bank borrowings and overdrafts	6,755	972
Promissory notes	12	944
	<hr/>	<hr/>
	<b>6,767</b>	<b>1,916</b>
	<b><hr/></b>	<b><hr/></b>

#### 6. TAXATION CHARGE

No provision for Hong Kong Profits Tax has been made as there is no assessable profit arising in Hong Kong. (2010: Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2010.)

#### 7. (LOSS) PROFIT FOR THE PERIOD

The following items have been charged / (credited) to the (loss) profit for the period:

	For the six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations :</b>		
Depreciation of property, plant and equipment	7,254	7,636
Operating leases on land and building	2,209	2,124
Staff costs, including directors' emoluments	17,796	14,703
Share based payment under options scheme	5,959	2,872
Bank interest income	(483)	(32)
	<hr/>	<hr/>

## 8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company is based on the following data:

	<b>For the six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
From continuing and discontinued operations		
(Loss) earnings		
(Loss) earnings for the purpose of basic earnings per share		
((Loss) profit for the period attributable to equity holders of the Company)	<b>(58,570)</b>	8,831
	<b>2011</b>	2010
	<b>'000</b>	'000
Number of shares		
Weight average number of ordinary shares for the purpose		
of basic earnings per share	<b>18,961,454</b>	9,088,745
Effect of dilutive potential ordinary shares: Convertible notes	—	8,675,869
	<b>18,961,454</b>	17,764,614
	<b>2011</b>	2010
	<b>'000</b>	'000
From continuing operations		
(Loss) profit for the period attributable to equity holders of the Company	<b>(58,570)</b>	8,831
Add: Loss for the period from discontinued operation	—	2,959
(Loss) earnings for the purposes of basic and diluted		
earnings per share from continuing operations	<b>(58,570)</b>	11,790
	<b>2011</b>	2010
	<b>'000</b>	'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	At	At
	30 June 2011	31 December 2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	7,660	14,623
Bills receivables	–	90,214
	<hr/>	<hr/>
Other tax recoverable	7,660	104,837
Prepayments to other suppliers	17,739	6,214
Consideration receivable on disposal of subsidiaries	1,000	1,000
Consideration receivable on disposal of held-for-trading investments	20,600	49,000
Amount due from a former subsidiary	–	4,064
Other receivables and deposits	54,900	917
	<hr/>	<hr/>
	<b>101,899</b>	<b>206,032</b>
	<b><hr/></b>	<b><hr/></b>

The Group allows on average credit period of 30 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 following is an aged analysis of trade and bills receivables presented based on the invoice date (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period:

	At	At
	30 June 2011	31 December 2010
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0-30 days	2,918	104,837
31-60 days	4,742	–
	<hr/>	<hr/>
	<b>7,660</b>	<b>104,837</b>
	<b><hr/></b>	<b><hr/></b>

## 11. TRADE AND OTHER PAYABLES

	At	At
	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<b>49,387</b>	8,575
Bills payables	—	89,128
	<hr/>	<hr/>
Payables for acquisition of available-for-sale investments	<b>49,387</b>	97,703
Payables for assignment of oil concession rights	<b>10,424</b>	10,424
Interest payable on promissory notes	<b>50,700</b>	50,700
Other payables and accruals	<b>494</b>	482
	<hr/>	<hr/>
	<b>98,784</b>	9,063
	<hr/>	<hr/>
	<b>209,789</b>	168,372
	<hr/>	<hr/>

The following is an aged analysis by invoice date (bills issued date for bills payable) of trade and bills payables at the end of the reporting period:

	At	At
	30 June 2011	31 December 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0-30 days	<b>46,410</b>	97,703
31-60 days	<b>2,977</b>	—
	<hr/>	<hr/>
	<b>49,387</b>	97,703
	<hr/>	<hr/>

## 12. BANK BORROWINGS

The Group had no fixed-rate borrowings. Its variable-rate borrowings comprise the following:

	At	At
	30 June 2011	31 December 2010
	HK\$'000	HK\$'000
Bank borrowings comprise the following:	(Unaudited)	(Audited)
Bank loans	854	23,392
Trust receipts loans	12,291	112,285
Bank overdrafts	849	—
	<hr/>	<hr/>
	<b>13,994</b>	<b>135,677</b>
	<b><u>13,994</u></b>	<b><u>135,677</u></b>
Analysed as:		
Secured	12,291	112,285
Unsecured	1,703	23,392
	<hr/>	<hr/>
	<b>13,994</b>	<b>135,677</b>
	<b><u>13,994</u></b>	<b><u>135,677</u></b>
Carrying amount repayable:		
Within one year	13,994	135,677
More than one year, but not exceeding two years	—	—
	<hr/>	<hr/>
	<b>13,994</b>	<b>135,677</b>
Less: Amounts due within one year shown under current liabilities	<b>(13,994)</b>	<b>(135,677)</b>
	<hr/>	<hr/>
	<b>—</b>	<b>—</b>

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

	At	At
	30 June 2011	31 December 2010
	(Unaudited)	(Audited)
Effective interest rate:	<b>2.54% to 10.27%</b>	2.27% to 4.12%

The interest rates of variable-rate borrowings are based on bank's standard bills finance rate +1.5% per annum. The trust receipt loans and bank overdrafts carry interest at prevailing market rates.

### 13. SHARE CAPITAL

	Number of shares	Amount
		HK\$ '000
Authorised:		
Ordinary shares of HK\$0.01 each at 31 December 2010	100,000,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
Ordinary shares of HK\$0.10 each at 30 June 2011 (note b)	10,000,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at		
31 December 2010 and 1 January 2011	18,508,775,885	185,088
Issue of new shares (note a)	2,200,000,000	22,000
Share consolidation (note b)	(18,637,898,297)	—
	<hr/>	<hr/>
At 30 June 2011	2,070,877,588	207,088
	<hr/> <hr/>	<hr/> <hr/>

a) On 22 December 2010, the Company entered into a subscription agreement with Rich Concept Worldwide Limited (“Rich Concept”), a substantial shareholder of the Company to allot and issue 920,000,000 new ordinary shares of HK\$0.01 each (the “First Subscription Shares”) at the price of HK\$0.0675 per share. The subscription agreement is conditional upon completion of the placing of 920,000,000 issued ordinary shares of the Company made by the placing agent on behalf of Rich Concept. On 3 January 2011, following completion of the placing, the First Subscription Shares were issued under the refreshed general mandate granted to the directors of the Company on 9 June 2010. The net proceeds of approximately HK\$61.7 million shall be used for financing the Mendoza oil project and general working capital.

On 9 May 2011, the Company entered into a subscription agreement with City Wise Investment Limited (“City Wise”), a substantial shareholder of the Company to allot and issue 1,280,000,000 new ordinary shares of HK\$0.01 each (the “Second Subscription Shares”) at the price of HK\$0.05 per share. The subscription agreement is conditional upon completion of the placing of 1,280,000,000 issued ordinary shares of the Company made by the placing agent on behalf of City Wise. On 23 May 2011, following completion of the placing, the Second Subscription Shares were issued under the refreshed general mandate granted to the directors of the Company on 9 June 2010. The net proceeds of approximately HK\$63 million shall be used for financing the Mendoza oil project and general working capital.

b) Pursuant to an ordinary resolution passed on 22 June 2011, the Company consolidated every 10 issued shares of HK\$0.01 each into 1 consolidated share of HK\$0.1

## MANAGEMENT DISCUSSION AND ANALYSIS

Following the completion of disposal of the Group's consumer electronics operation on 31 December 2010, the Group put its focus on the development of the petroleum exploration and production business in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Areas") in the Cuyana Basin, Mendoza Province of Argentina.

On 12 January 2011, EP Energy S.A. has signed the UTE Agreement with Chañares pursuant to the joint venture agreement signed between Southstart Limited and Chañares on 2 December 2010.

On 14 February 2011, EP Energy S.A. has signed a Drilling Service Agreement with SinoPec International Petroleum Service Corporation Argentina S.R.L. for providing drilling service at the Mendoza oilfield project in the Areas.

On 11 March 2011, EP Energy S.A. started drilling of its 1st oil well CH-1059 in Chañares Herrados Area, and finished the completion work and start test production on 16 June 2011. The second oil well CH-1068 started drilling in late April 2011, finished completion work and started test production on July 2011. CH-1063 started drilling on late June 2011 and finished drilling on August 2011. As at 30 June 2011, The Group has finished drilling of 7 oil wells in the Chañares Herrados Area of which 5 wells are in production.

On 14 July 2011, The Group has been informed by Chañares that the Executive of the Province of Mendoza issued a Decree No. 1467 dated 30 June 2011 ("the Decree") pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions, The Decree approved an agreement between Chañares and the Mendoza Province dated 31 May 2011, whereby the parties agreed on the terms and conditions of the aforementioned extension, subject to issuance of the Decree.

The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2010 are as follows,

### **Contingent Oil Resource (unit: million barrels)**

<b>Category</b>	<b>Gross 100%</b>
Low Estimate (1C)	86.0
Best Estimate (2C)	146.9
High Estimate (3C)	245.5

According to the oil project valuation report of Roma Appraisal Limited, the market value of 100% equity interest of the Mendoza Oil Project as at 30 June 2011 was US\$820 million.

## GROUP FINANCIAL REVIEW

In the first six months of 2011, the Group's turnover was HK\$590.3 million represented a increase of 123% as compared to the same period of HK\$264.7 million last year. Gross profit was HK\$4.4 million, decreased by 55.1% from HK\$9.8 million of the corresponding period last year.

During the period ended 30 June 2011, the Group recorded a loss for the period of HK\$58.6 million, as compared to a profit for the period of HK\$8.8 million for the six months ended 30 June 2010. The Company's core business of petroleum exploration and production is still on early development stage and has nominal contribution to the Group's profitability.

## GROUP OPERATIONS REVIEW

During the first six months of year 2011, the Group's continuing operations comprised petroleum exploration and production and trading of petroleum related products. The Group has suspended the nonferrous metals sourcing and trading business in the year of 2011.

### Exploration and Sales of petroleum

During the six months ended June 2011, EP Energy S.A. has completed drilling of 2 wells under the New UTE Agreement signed with Chañares. As of the date of this announcement, the Group has six wells in production,

Oil well	Status	Depth (m)	Date of production
CH-1052	In production	3,697	26 Nov 2009
CH-1053	In production	3,580	8 Dec 2009
CH-1055	In production	3,600	25 Mar 2010
CH-25 bis	In production	4,685	12 May 2010
CH-7 bis	In production	4,200	14 Aug 2010
CH-1059	In production	3,600	1 Jul 2011
CH-1068	Test production	3,600	—
CH-1063	Completion	3,600	—

The 5 wells commenced production in year 2009 and 2010, continued producing oil in year 2011 with certain percentage of decline in production.

From January to June 2011, the six wells (include test production for CH-1059) generate oil sales, revenue of HK\$13 million. Significant portion of the oil was sold to YPF Sociedad Anónima, through the Chañares, the Concession owner, amount to HK\$12.6 million, a small part of oil, around HK\$0.4 million, was sold to Polipetrol S.A., a Refinery factory in Mendoza. During the period, the sixth well, CH-1059, has started test production.

As of 30 June 2011, the Company has invested HK\$435.4 million in its oil wells drilling & completion, and infrastructure in Mendoza project, including 1) HK\$173.2 million in oil well drilling which is classified as oil & gas assets and which started depreciation from the commencement of production; 2) HK\$84.8 million in oil well drilling which has not yet completed and commenced production, which is classified as Construction in Progress, no depreciation is charged until commencement of production; 3) HK\$177.4 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that is located at a depth of over 4,200 meters which was expensed in the profit and loss account in year 2010.

During the six-months ended June 2011, the depreciation of the oil & gas assets was HK\$7.0 million.

In line with the rising trend in the international oil price, the local selling price of crude oil in Argentina continued to increase during year 2011. The local crude oil price increased from USD52.3 per barrel in December 2010 to USD57.2 per barrel in June 2011, representing an increase of USD4.9 per barrel or a 9.4% increase. The crude oil price continued to increase during 2011, with the price in July reaching USD58.4 per barrels. The Group expects that the crude oil price will continue to increase and that the gap between domestic and international oil prices will narrow.

On 30 June 2011, the Executive of the Province of Mendoza issued a Decree No. 1467 (“the Decree”) pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions. The hydrocarbon exploitation right granted to Chañares by Mendoza Province was extended to year 2027.

## ***1.1 Future operation plan***

### *Year 2011 investment plan*

According to the year 2011 investment plan included in the New UTE Agreement signed with Chañares Herrados, EP Energy S.A. is required to complete drilling of 5 oil wells in 2011. As of the reporting date, EP Energy S.A. has completed drilling of 3 oil wells, CH-1059, CH-1068 & CH-1063, of which CH-1059 has commenced production in July 2011, CH-1068 started test production in August 2011. The Group has confident to fulfill the commitment of completing 5 oil wells drilling in year 2011.

### *Overall drilling plan*

The Executive of the Province of Mendoza has granted to Chañares Herrados an extension of 10 years of exploitation right to year 2027. According to the New UTE Agreement, starting as from year 2012, EP Energy S.A. shall drill a minimum of 5 wells per year during 5 consecutive years and for the following years 2 wells per year until the year as from which 7 years should still run until the expiration of the term of the Concessions. The Group is now finishing the year 2012 investment plan and will submit to Chañares to get approval from the Government. To optimize the economic benefit of the Mendoza project and to meet the commitment of the New UTE Agreement, the Board of Director is now finalising the overall future drilling plan.

The Group is also investigating the opportunity for horizontal drilling in the Concession Areas which is general international practice and may increase the production between three and seven times, returning two times the investment.

## 1.2 Segment financial results

### Sales of petroleum

	Six months ended 30 June		
	Year 2011	Year 2010	% change
	HK\$'000	HK\$'000	
Turnover	13,038	12,514	+4%
Segment Loss	(29,515)	(18,662)	+58%

As of reporting date, the Group completed the drilling of 3 oil wells in year 2011. The first well, CH-1059 has commenced production in July 2011, while the second well, CH-1068, has finished completed & started test production and expected to commence production in late August or early September, the third well has completed drilling in August 2011 and started completion. The 5 wells commenced production in year 2009 and 2010, continued producing oil in year 2011.

The turnover represents sales of oil to our customer YPF Sociedad Anónima of HK\$12.6 million and Polipetrol S.A. of HK\$0.4 million. The average selling price was USD54.2 per barrel or USD340.7 per m<sup>3</sup>. Gross profit of oil sales is HK\$0.9 million, with gross profit margin 7.4%.

Administrative and Financial expenses of HK\$31.2 million mainly include professional and consultancy fees in relation to oil drilling service and UTE agreement, exchange differences, salaries, travel expenses and other tax expenses.

### Trading of petroleum related products

#### 1.1 Segment financial results

	Six months ended 30 June		
	Year 2011	Year 2010	% change
	HK\$'000	HK\$'000	
Turnover	577,246	—	N/A
Segment Profit	1,542	—	N/A

The Group commenced the trading of petroleum related product in the third quarter of 2010 and therefore there are no comparative figures for the corresponding period of six months ended 30 June 2011. For the six months ended 30 June 2011, the Group purchased 21,511 metric tons of MTBE and 49,632 metric tons of mixed aromatics from overseas market and sold to the customers in China.

## **LIQUIDITY AND FINANCIAL RESOURCES**

In order to meet general working capital requirements and the funding needs of the Mendoza oil project, the Group decided to raise additional capital via placement of shares and convertible notes during the period. On 9 May 2011, the Company raised net proceeds of approximately HK\$63 million via a top-up subscription placement of 1,280,000,000 shares at HK\$0.05 per share. On 19 August 2011, the Company raised net proceeds of approximately HK\$60 million via the placement of an aggregate amount of HK\$62.1 million at zero coupon convertible notes due on the second anniversary of the issue date, convertible into shares of the Company at initial conversion price of HK\$0.15 per share (subject to adjustments). In order to meet the funding requirements of the Mendoza oil project, the Group is currently undergoing a negotiation with the banks for obtaining the medium term project finance.

## **INTERIM DIVIDEND**

The board of directors of the Company has resolved that no interim dividend be paid for the period (2010: NIL).

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 June 2011, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities during the said period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

For the period ended 30 June 2011, the Company has complied with the CG Code with deviations from the code provision A.2.1 and A.4.1 of the CG Code as summarized below.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the chairman and chief executive officer of the company. The Company recognizes the importance of segregating the duties of the chairman and the chief executive officer and has tried its best to identify a high caliber executive to take up either one of these roles. A suitable candidate has not yet been identified but the Company will continue to look for the right person for the post.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently the non-executive directors were not appointed for a specific term. However, all non-executive directors were subject to retirement and offer themselves for re-election at each Annual General Meeting in accordance with the Company’s Bye-laws.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Upon specific enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the period.

### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts for the six months ended 30 June 2011 with the Directors.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Yuk Ming (Chairman of the Audit Committee), Mr. Qian Zhi Hui and Mr. Zhu Tiansheng. Mr. Cheung is a certified public accountant.

On behalf of the Board  
**EPI (Holdings) Limited**  
**Wong Chi Wing Joseph**  
*Chairman*

Hong Kong, 26 August 2011

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wong Chi Wing Joseph, Mr. Chu Kwok Chi Robert and Mr. Hong Kin Choy and three independent non-executive Directors, namely, Mr. Cheung Yuk Ming, Mr. Qian Zhi Hui and Mr. Zhu Tiansheng.*

\* *For identification only*