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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 2012**

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 2012 (“the Interim Period”), together with the comparative figures for the corresponding period ended 30 June 2011 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2012*

		<b>For the six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
Revenue	3	<b>70,906</b>	590,284
Other gains and losses		<b>35</b>	2,499
		<hr/>	<hr/>
		<b>70,941</b>	592,783
Purchase oil products and operating expenses		<b>(29,674)</b>	(578,939)
Selling, general and administrative expenses		<b>(29,540)</b>	(38,794)
Employee benefits expenses		<b>(9,724)</b>	(17,796)
Depreciation and amortisation expenses		<b>(24,152)</b>	(7,254)
Other expenses	4	<b>(511)</b>	(1,803)
		<hr/>	<hr/>
Total operating expenses		<b>(93,601)</b>	(644,586)

		<b>For the six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
Operating loss		<b>(22,660)</b>	(51,803)
Finance costs	5	<b>(15,795)</b>	(6,767)
		<hr/>	<hr/>
Loss before taxation		<b>(38,455)</b>	(58,570)
Taxation charge	6	<b>(311)</b>	–
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company	7	<b>(38,766)</b>	(58,570)
<b>Other comprehensive expense</b>			
Exchange differences arising on translation of foreign operations		–	(1,021)
		<hr/>	<hr/>
Other comprehensive expense for the period		–	(1,021)
		<hr/>	<hr/>
Total comprehensive expense for the period attributable to owners of the Company		<b>(38,766)</b>	(59,591)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share (Hong Kong cents)</b>			
– Basic	8	<b>(1.71)</b>	(3.10)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted	8	<b>(1.46)</b>	(3.10)
		<hr/> <hr/>	<hr/> <hr/>
Dividend paid	9	–	–
		<hr/> <hr/>	<hr/> <hr/>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Exploration and evaluation of assets		3,837,156	3,837,156
Property, plant and equipment		323,049	340,843
Deferred tax assets		9,013	9,870
Other tax recoverable		31,296	54,148
		<u>4,200,514</u>	<u>4,242,017</u>
<b>Current assets</b>			
Trade and other receivables	10	230,819	186,013
Available-for-sale investments		67,600	67,600
Held-for-trading investments		36	52
Bank balances and cash		2,138	29,509
		<u>300,593</u>	<u>283,174</u>
<b>Current liabilities</b>			
Trade and other payables	11	152,186	169,780
Taxation payable		–	777
Borrowings – amount due within one year	12	37,408	56,328
		<u>189,594</u>	<u>226,885</u>
Net current assets		<u>110,999</u>	<u>56,289</u>
Total assets less current liabilities		<u>4,311,513</u>	<u>4,298,306</u>
<b>Non-current liabilities</b>			
Convertible notes		54,564	74,661
Borrowings – amount due after one year	12	296,400	296,400
Deferred tax liabilities		5,718	6,574
Assets retirement obligation		1,730	1,730
		<u>358,412</u>	<u>379,365</u>
		<u>3,953,101</u>	<u>3,918,941</u>
<b>Capital and reserves</b>			
Share capital	13	261,288	215,088
Reserves		3,691,813	3,703,853
Equity attributable to owners of the Company		<u>3,953,101</u>	<u>3,918,941</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2012 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 and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in the condensed consolidated financial statements.

## 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 chemical products related to petroleum

Segment information about these businesses is presented below.

Six months ended 30 June 2012 (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>Segment revenue</b>			
External sales	<u>70,906</u>	<u>–</u>	<u>70,906</u>
<b>Result</b>			
Segment results	<u>5,074</u>	<u>(762)</u>	<u>4,312</u>
Interest income			–
Other income			9
Unallocated corporate expenses			<u>(26,981)</u>
Finance cost			<u>(15,795)</u>
Loss before taxation			<u>(38,455)</u>
Taxation charge			<u>(311)</u>
Loss for the period			<u><u>(38,766)</u></u>

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>Segment revenue</b>			
External sales	<u>13,038</u>	<u>577,246</u>	<u>590,284</u>
<b>Result</b>			
Segment results	<u>(29,515)</u>	<u>1,542</u>	<u>(27,973)</u>
Interest income			483
Other income			643
Unallocated corporate expenses			<u>(24,956)</u>
Finance cost			<u>(6,767)</u>
Loss before taxation			<u>(58,570)</u>
Taxation charge			<u>–</u>
Loss for the period			<u><u>(58,570)</u></u>

#### 4. OTHER EXPENSES

	For the six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Expenses incurred in exploring potential investment opportunities	510	790
Change in fair value of financial assets classified as		
– held-for-trading investments	–	900
Loss on disposal of held-for-trading investments	–	113
Loss on disposal of property, plant and equipment	1	–
	<u>511</u>	<u>1,803</u>

#### 5. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years		
– Bank borrowings and overdrafts	3,282	6,755
– Promissory notes	–	12
Interest on borrowings not wholly repayable within five years		
– Bank borrowings	6,016	–
Effective interest expense on convertible notes	5,570	–
Others	927	–
	<u>15,795</u>	<u>6,767</u>

#### 6. TAXATION CHARGE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits. (2011: No provision for Hong Kong Profits Tax has been made as there is no assessable profit arising in Hong Kong.)

## 7. LOSS FOR THE PERIOD

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

	For the six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	24,152	7,254
Operating leases on land and building	1,712	2,209
Staff costs, including directors' emoluments	9,724	17,796
Share based payment under options scheme	–	5,959
Bank interest income	–	(483)
	<u>24,152</u>	<u>24,735</u>

## 8. LOSS PER SHARE

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

	For the six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
<b>LOSS</b>		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	<u>(38,766)</u>	<u>(58,570)</u>
	2012 '000	2011 '000 (restated)
<b>Number of shares</b>		
Weight average number of ordinary shares for the purpose of basic earnings per share	2,270,548	1,896,145
Effect of dilutive potential ordinary shares: Convertible notes	<u>388,615</u>	<u>–</u>
Weight average number of ordinary shares for the purpose of diluted earnings per share	<u>2,659,163</u>	<u>1,896,145</u>

## 9. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

## 10. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
Trade receivables	3,173	8,416
Other tax recoverable	38,150	15,062
Prepayments to other suppliers (note a)	–	156,000
Amount due from a former director (note b)	5,091	5,091
Other receivables and deposits	184,405	1,444
	<u>230,819</u>	<u>186,013</u>

*Notes:*

- (a) As at 31 December 2011, the prepayments to other suppliers represent the prepayments for purchase of chemical products related to petroleum in the trading of petroleum related products operation.
- (b) At 30 June 2012 and 31 December 2011, an other loan of HK\$10,000,000 was secured by personal asset of Wong Chi Wing, Joseph. Amount due from a former director represents the advance to Wong Chi Wing, Joseph as securities for his assets pledged. The directors of the Company expect that Wong Chi Wing, Joseph will repay the outstanding balance when the loan owed by the Group to the loan lender is repaid and that charge of personal assets of Wong Chi Wong, Joseph pledged as securities is released. Particulars of the amount due from a former director are as follows:

Former director	Terms of	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)	Maximum amount outstanding during the period <i>HK\$'000</i>
Wong Chi Wing, Joseph	Unsecured, interest-free and repayable on demand	5,091	5,091	5,091



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 receivables presented based on the invoice date at the end of the reporting period:

	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
0-30 days	3,173	1,457
31-60 days	–	1,341
61-90 days	–	1,541
91-120 days	–	4,077
	<u>3,173</u>	<u>8,416</u>

#### 11. TRADE AND OTHER PAYABLES

	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
Trade payables	57,002	68,004
Payables for assignment of oil concession rights (note a)	50,700	50,700
Payables for oil concession rights (note b)	8,134	20,248
Payables for acquisition of held-for-trading investments as securities to a loan (note c)	16,115	16,115
Interest payable on borrowings	1,399	2,699
Other payables and accruals	18,836	12,014
	<u>152,186</u>	<u>169,780</u>

#### Notes:

- (a) Pursuant to the assignment agreement dated 24 November 2007 as amended/supplemented by the “Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation” dated 19 December 2008 executed by and between Maxipetrol and Have Result, Have Result was obliged to pay Maxipetrol US\$20,000,000 (approximately HK\$156,000,000) in consideration of Maxipetrol’s assignment of 51% rights on the future production as a consequence of new drilling and operation of new wells in the Areas. As at 30 June 2012 and 31 December 2011, the balance payable is US\$6,500,000 (approximately HK\$50,700,000).
- (b) During the year ended 31 December 2011, Chañares obtained an extension of 10 years from the date of expiry of the original terms of the Concessions. Pursuant to the New JV Agreement, the Group is obliged to pay an amount of US\$4,000,000 (approximately HK\$31,200,000) to Chañares. This amount was not fully paid during the period ended 30 June 2012 and the year ended 31 December 2011. At 30 June 2012 and 31 December 2011, the outstanding sum amounted to US\$1,042,800 and US\$2,596,000 (approximately HK\$8,134,000 and HK\$20,248,000).
- (c) The amount, which are interest-free and repayable on demand, represents the payable which arose from purchases of held-for-trading instruments as securities to a loan.

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

	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
0-30 days	6,587	46,160
31-60 days	16,180	17,697
61-90 days	1,864	1,610
91-180 days	32,371	2,537
	<u>57,002</u>	<u>68,004</u>

## 12. BORROWINGS

	At 30 June 2012 <i>HK\$'000</i> (Unaudited)	At 31 December 2011 <i>HK\$'000</i> (Audited)
Borrowings comprise the following:		
Bank loans	312,000	312,000
Other loans	21,808	40,728
	<u>333,808</u>	<u>352,728</u>
Analysed as:		
Secured	312,000	312,000
Unsecured	21,808	40,728
	<u>333,808</u>	<u>352,728</u>
Carrying amount repayable:		
Within one year	37,408	56,328
In more than one year, but not more than two years	23,400	23,400
In more than two year, but not more than five years	163,800	163,800
In more than five years	109,200	109,200
	<u>333,808</u>	<u>352,728</u>
Less: Amounts due within one year shown under current liabilities	<u>(37,408)</u>	<u>(56,328)</u>
	<u>296,400</u>	<u>296,400</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 2012 (Unaudited)	At 31 December 2011 (Audited)	At 30 June 2012 HK\$'000 (Unaudited)	At 31 December 2011 HK\$'000 (Audited)
Fixed-rate borrowings	24%	24% to 31%	21,808	40,728
Variable-rate borrowings	4.73%	4.64%	312,000	312,000
			<b>333,808</b>	<b>352,728</b>

### 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 31 December 2011	10,000,000,000	1,000,000
Ordinary shares of HK\$0.10 each at 30 June 2012	10,000,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 31 December 2011 and 1 January 2012	2,150,877,588	215,088
Issue of new shares (note a)	330,000,000	33,000
Conversion of convertible notes (note b)	132,000,000	13,200
At 30 June 2012	2,612,877,588	261,288

#### Notes:

- (a) On 25 April 2012, the Company entered into a subscription agreement with City Wise Investment Limited ("City Wise"), a substantial shareholder of the Company, to allot and issue 330,000,000 ordinary shares of HK\$0.1 each (the "First Subscription Shares") at a subscription price of HK\$0.15 per share. The subscription agreement is conditional upon completion of the placing of 330,000,000 ordinary shares of HK\$0.1 each of the Company made by the placing agent on behalf of City Wise. On 9 May 2012, following the completion of the placing, the First Subscription Shares were issued under the general mandate granted to the directors of the Company on 14 October 2011. The net proceeds of approximately HK\$47 million shall be used as general working capital.

Mr Wu, a shareholder of the Company, wholly owned the beneficial interests in City Wise when the above transaction took place.

Furhter details of the above are set out in the Company's announcements date 25 April 2012 and 9 May 2012.

The First subscription Shares of HK\$0.1 each issued to City Wise pursuant to the subscription agreement.

- (b) During the period, 132,000,000 shares of HK\$0.1 each of the Company were issued upon conversion of convertible notes with an aggregate principal amount of HK\$19,800,000.

## 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.

On 5 June 2012, The Group's subsidiaries EP Energy S.A. ("EP Energy") and Have Result Investments Limited ("Have Result") have entered into an Operation Agreement ("Operation Agreement") with Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares") where,

- Chañares agreed to release EP Energy from the Commitment under the JV Agreement signed on 12 January 2011. EP Energy retains the right to drill and invest in the Areas during the life of the concessions awarded with respect to the Areas and any extension thereof;
- The Operation Agreement reconfirmed that Have Result has the right to receive 51% of the hydrocarbon production obtained from the 5 wells drilled by Have Result until the termination of the concessions held in respect of the Areas and any extension thereof;
- Chañares, Have Result and EP Energy have agreed the distribution methodology of the incentive granted from Petr leo Plus program ("Petr leo Plus Program") executed by the government of Argentina. According to this distribution methodology, Chañares have agreed and paid Have Result approximately AR\$7.0 million (equivalent to approximately HK\$12.2 million) being Petr leo Plus Program incentive in respect of production up to June 2011.

During January 2012, the fourth oil well CH-1066 and fifth oil well CH-1082 drilled by EP Energy in Chañares Herrados Concession Area has commenced production.

As at June 2012, The Group has finished drilling of 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project Area. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result where the Group entitled 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group entitled 72% interest on production.

The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2011 are as follows,

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

Category Gross	(100%)
Low Estimate (1C)	84.8
Best Estimate (2C)	146.9
High Estimate (3C)	245.5
Total (1C+2C+3C)	477.2

\* According to the Resource Estimation Review Report issued by Roman Oil and Mining Associate Limited on 28 March 2012 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

## **GROUP FINANCIAL REVIEW**

For the six months ended 30 June 2012, the Group's turnover was HK\$70.9 million, a decrease of HK\$519.4 million as compared with HK\$590.3 million recorded in the same period last year. The Group recorded a loss for the year of HK\$38.8 million, against a loss for the period of HK\$59.6 million in the corresponding period of 2011. The Group has not carried on the trading of petroleum related products during the period ended 30 June 2012, which led to the substantial decrease in turnover as compared with the period ended 30 June 2011.

The Group has noticed the decrease in production in the 5 wells drilled by Have Result which required performing well workover. Subsequent to the Operation Agreement entered with Chañares, Have Result have been reconfirmed of its right in the 5 wells, and Have Result have planned and scheduled to perform the well workover during the second half of year 2012. As of the date of the announcement, the Group has finished the workover job on CH-1053 with production better than the expected result.

The Group will perform the impairment assessment during the year end by applying the production subsequent to workover to estimate the discounted future cashflow on oil sales until year 2027.

## **REVIEW OF GROUP OPERATIONS**

During six months ended June 2012, the Group's core and continuing operations is petroleum exploration and production. The Group has not carried out the trading of petroleum related production during the period ended 30 June 2012.

## Exploration and Sales of petroleum

On January 2012, EP Energy S.A. has finished the test production of the forth well CH-1066 and fifth well CH-1082. During July 2012, Have Result has completed the workover job on CH-1053 with result better than expected. As of the date of this announcement, the Group has ten wells in production,

<b>Oil well</b>	<b>Status</b>	<b>Depth (m)</b>	<b>Date of production</b>
CH-1052	In production	3,697	26 November 2009
CH-1053	In production	3,580	8 December 2009
CH-1055	In production	3,600	25 March 2010
CH-25bis	In production	4,685	12 May 2010
CH-7 bis	In production	4,200	14 August 2010
CH-1059	In production	3,600	9 July 2011
CH-1068	In production	3,600	17 August 2011
CH-1063	In production	3,600	28 September 2011
CH-1066	In production	3,600	1 January 2012
CH-1082	In production	3,600	10 January 2012

The 5 wells commenced production in year 2009 and 2010 continued producing oil in year 2012, albeit with certain percentage of decline in production.

During the period, the Group have 10 producing wells generate oil sales revenue and has received from Chañares incentive from Petróleo Plus Program in respect of production up to June 2011. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concession owner. The Group expects that the Argentina government will grant the Petróleo Plus Program incentive for the period from July to December 2011 during forth quarter of year 2012. Turnover generated from the sales of petroleum segment for the period from January to June 2012 is HK\$70.9 million.

As of 30 June 2012, the Company has invested HK\$539.6 million in the drilling and completion of its oil wells, as wells as related infrastructure, in the Mendoza project. This amounts includes: 1) HK\$362.2 million in oil well drilling and completion which is classified as oil & gas assets and for which depreciation started from the commencement of production; 2) HK\$0 million in oil well drilling which has not yet completed and commenced production, which is classified as Construction in Progress, and for which 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 2012, the depreciation of the oil & gas assets was HK\$23.4 million.

## 1.1 Future operation plan

### *Short-term development plan*

As noted, The Group noticed the production decline in the 5 wells drilled by Have Result, and have prepared the overall workover plan on these 5 wells to increase the production. On 5 June 2012, Have Result and EP Energy has entered into an Operation Agreement with Chañares, where Chañares has reconfirmed that Have Result have 51% working interest on the production of 5 wells. As of the announcement date, Have Result has finished the workover job on CH-1053 with encouraging result. Have Result and EP Energy will continue to perform workover job on its oil wells and to make other investment to increase the oil production and reduce operating cost during year 2012 and 2013.

To optimize the economic benefit of the Mendoza project, the Board of Director will continue preparing overall future drilling plan.

### *Other business opportunities*

After setting up the technical & operational team and have 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 United States of America. The Group is now looking into a few acquisition opportunities in North America and one of them has been negotiated to an advance stage. If the proposed acquisition proceeds, the transaction may constitute a major/very substantial acquisition transaction for the Company under Chapter 14 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

## 1.2 Segment financial results

### *Sales of petroleum*

	Six months ended 30 June		
	Year 2012 <i>HK\$'000</i>	Year 2011 <i>HK\$'000</i>	% change
Turnover	70,906	13,038	+443.8%
Segment Profit/(Loss)	5,074	(29,515)	+117.2%

EP Energy has completed the production testing on CH-1066 (the forth well) and CH-1082 (the fifth well) in January 2012. The Group has 10 oil wells in operation, including the 5 wells drilled during year 2009 and 2010. During the period from January to June 2012, all the wells are in production.

The turnover composed of 2 parts, the sales of oil to our customer YPF Sociedad Anónima and incentive from Petróleo Plus Program .

Administrative and Financial expenses of HK\$11 million mainly include professional and consultancy fees in relation to oil drilling service and the Operating Agreement, exchange differences, salaries, travel expenses and other tax expenses.

No Impairment loss on investment cost against the discounted future cashflow from future oil sales was recorded. The Group will perform impairment assessment during the year end based on the production result after workover.

## **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 during the period. On 25 April 2012, the Company raised net proceeds of approximately HK\$47 million via a top-up subscription placement of 330,000,000 shares at HK\$0.15 per share. On 28 June 2012, the Company raised net proceeds of approximately HK\$53.6 million via a top-up subscription placement of 250,000,000 shares at HK\$0.155 per share and new shares placement of 110,000,000 shares at HK\$0.155 per share. In order to meet the 2012 investment plan of wells workover funding requirements of the Mendoza oil project, the Group is currently undergoing a negotiation with a bank 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 (2011: NIL).

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

During the six months ended 30 June 2012, 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 compiled 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 2012, the Company has complied with the CG Code with deviations from the code provision A.2.2, A.2.3 and A.4.1 of the CG Code as summarized below.



The code provision A.2.2 of the CG Code stipulates that the chairman should ensure that all directors are properly briefed on issues arising at board meetings and the code provision A.2.3 of the CG Code stipulates that the chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner. Since the resignation of Mr. Wong Chi Wing Joseph on 20 December 2011, the office of the chairman of the Company is still vacant. The Company recognizes the importance of the duties of the chairman and will identify a high caliber executive to take up the role as soon as possible.

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 can 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 2012 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**  
**Hong Kin Choy**  
*Executive Director*

Hong Kong, 31 August 2012

*As at the date of this announcement, the Board comprises two executive Directors, namely, 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*