EPI (Holdings) Limited
長盈集團(控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 689)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The board of directors (the "Directors") of EPI (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 with comparative figures for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Notes	**2011**	2010
		HK$'000	*HK$'000*
Continuing operations:			
Revenue	*3*	**619,800**	937,258
Cost of sales		**(617,661)**	(926,619)
Gross profit		**2,139**	10,639
Other gains and losses	*4*	**(12,965)**	17,685
Distribution and selling expenses		**(10,531)**	(11,799)
Administrative expenses		**(73,511)**	(89,162)
Other expenses	*5*	**(96,132)**	(214,496)
Finance costs	*6*	**(34,679)**	(2,385)
Loss before taxation		**(225,679)**	(289,518)
Taxation Credit	*7*	**7,942**	–
Loss for the year from continuing operations	*8*	**(217,737)**	(289,518)
Discontinued operations:			
Profit for the year from discontinued operations	*9*	**–**	890
Loss for the year attributable to owners of the Company		**(217,737)**	(288,628)

* *For identification purpose only*

	Notes	Year ended 31 December **2011** ***HK$'000***	2010 *HK$'000*
Other comprehensive income (expense):			
Transfer to profit and loss on disposal of foreign operation		–	120
Exchange differences arising on translation of foreign operation		–	(97)
Fair value gain on available-for-sale investments		–	57,176
Income tax relating to components of other comprehensive income		–	(5,718)
Other comprehensive income for the year		–	51,481
Total comprehensive expense for the year attributable to owner of the Company		**(217,737)**	(237,147)
			(restated)
Loss per share	*11*		
From continuing and discontinued operations:			
– basic		**(10.7) HK cent**	(23.4) HK cent
– diluted		**(10.7) HK cent**	(23.4) HK cent
From continuing operations:			
– basic		**(10.7) HK cent**	(23.5) HK cent
– diluted		**(10.7) HK cent**	(23.5) HK cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Year ended 31 December** **2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Exploration and evaluation assets	*12*	**3,837,156**	3,793,293
Property, plant and equipment		**340,843**	161,027
Deferred tax assets		**9,870**	295
Other tax recoverable		**54,148**	33,643
		4,242,017	3,988,258
Current assets			
Trade and other receivables	*13*	**186,013**	206,032
Available-for-sale investments		**67,600**	67,600
Held-for-trading investments		**52**	4,000
Pledged bank deposits		**–**	26,340
Bank balances and cash		**29,509**	85,204
		283,174	389,176
Current liabilities			
Trade and other payables	*14*	**169,780**	168,372
Taxation payable		**777**	–
Derivative financial instruments		**–**	10,596
Borrowings – amount due within one year		**56,328**	135,677
		226,885	314,645
Net current assets		**56,289**	74,531
Total assets less current liabilities		**4,298,306**	4,062,789

	Notes	Year ended 31 December 2011 HK$'000	2010 HK$'000
Non-current liabilities			
Convertible notes		**74,661**	–
Promissory notes		**–**	1,899
Borrowings – amount due after one year		**296,400**	–
Deferred tax liabilities		**6,574**	5,718
Assets retirement obligation		**1,730**	3,137
		379,365	10,754
		3,918,941	4,052,035
Capital and reserves			
Share capital		**215,088**	185,088
Reserves		**3,703,853**	3,866,947
Equity attributable to owners of the Company		**3,918,941**	4,052,035

1. BASIS OF PREPARATION

These consolidated statement of financial position as at 31 December 2011, and the consolidated comprehensive income statement for the year then ended and the related notes 1 to 14 are extracted from the Group's consolidated financial statements for the year ended 31 December 2011. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. These policies have been consistently applied to the two years presented, unless otherwise stated. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The presentation currency of the consolidated financial statements is Hong Kong dollars ("HK$"). For the convenience of the financial statements users, the results and financial position of the Group are presented in HK$ as the Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK (IFRIC)–INT 14	Prepayments of a minimum funding requirement
HK (IFRIC)–INT 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosure[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[6]
HK (IFRIC)-INT 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of HKFRS 9 may affect the classification and measurement of the Group's available-for-sale investments.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 " Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that under HKFRS 11, the Group's jointly controlled entities will be classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the joint arrangement. The directors have not yet performed a detailed analysis of the impact of the application of these five standards and hence have not yet quantified the extent of the impact on the results and financial position of the Group.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to customers, less return, discounts and sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Sales of goods		
– petroleum	**42,554**	35,695
– petroleum related products	**577,246**	463,940
– metals	**–**	437,623
	619,800	937,258

Segment information

Information is reported to the Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

For management purposes, the Group is currently organised into three operating divisions namely petroleum exploration and production, trading of petroleum related products and metals sourcing and trading.

The Group's operating and reportable segments under HKFRS 8 "Operating segments" are as follows:

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

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2011

Continuing operations:

	Petroleum exploration and production *HK$'000*	Trading of petroleum related products *HK$'000*	Metals sourcing and trading *HK$'000* *(note)*	Total *HK$'000*
Segment revenue (external sales)	**42,554**	**577,246**	**–**	**619,800**
Result				
Segment results	**(97,561)**	**1,353**	**41**	**(96,167)**
Unallocated other gains and losses				**(16,365)**
Unallocated corporate expenses				**(78,468)**
Finance costs				**(34,679)**
Loss before taxation (continuing operations)				**(225,679)**

Note: The Group did not enter into any transaction within the metals sourcing and trading segment during the year ended 31 December 2011 as the profit margin was not favourable.

Year ended 31 December 2010

Continuing operations:

	Petroleum exploration and production *HK$'000*	Trading of petroleum related products *HK$'000*	Metals sourcing and trading *HK$'000*	Total *HK$'000*
Segment revenue (external sales)	35,695	463,940	437,623	937,258
Result				
Segment results	(250,676)	6,191	18,024	(226,461)
Unallocated other gains and losses				(9,085)
Unallocated corporate expenses				(51,587)
Finance costs				(2,385)
Loss before taxation (continuing operations)				(289,518)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned (loss made) by each segment without allocation of interest income, change in fair value of financial assets/liabilities classified as convertible notes and held-for-trading, central administrative expenses and finance costs. This is the measure reported to the Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2011	2010
	HK$'000	*HK$'000*
Segment assets		
Continuing operations:		
Petroleum exploration and production	**4,208,230**	3,971,827
Trading of petroleum related products	**156,238**	90,214
Metals sourcing and trading	**–**	101,665
Total segment assets	**4,364,468**	4,163,706
Unallocated	**160,723**	213,728
Consolidated assets	**4,525,191**	4,377,434
Segment liabilities		
Continuing operations:		
Petroleum exploration and production	**145,697**	65,287
Trading of petroleum related products	**–**	89,128
Metals sourcing and trading	**–**	10,937
Total segment liabilities	**145,697**	165,352
Unallocated	**460,553**	160,047
Consolidated liabilities	**606,250**	325,399

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than deferred tax assets, other tax recoverable, held-for-trading investments, available-for-sale investments and assets used jointly by reportable segments.

– all liabilities are allocated to reportable segments other than deferred tax liabilities, convertible notes, promissory notes, borrowings and liabilities for which reportable segments are jointly liable.

Other segment information

Year ended 31 December 2011

Continuing operations:

	Petroleum exploration and production	**Trading of petroleum related products**	**Metals sourcing and trading**	**Unallocated**	**Segment Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions	**207,986**	**–**	**–**	**1**	**207,987**
Depreciation	**28,089**	**4**	**–**	**186**	**28,279**
Impairment loss recognised in respect of property, plant and equipment	**34,023**	**–**	**–**	**–**	**34,023**
Gain on change in fair value of derivative financial instruments	**–**	**–**	**(41)**	**–**	**(41)**

Year ended 31 December 2010

Continuing operations:

	Petroleum exploration and production	Trading of petroleum related products	Metals sourcing and trading	Unallocated	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions	158,489	–	–	207	158,696
Depreciation	22,300	–	16	361	22,677
Capitalised exploratory well costs charged to expense	177,439	–	–	–	177,439
Allowance for bad and doubtful debts	–	–	–	13	13
Loss on change in fair value of derivative financial instruments	–	–	25,188	–	25,188

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC"), Hong Kong and Argentina.

The Group's revenue from continuing operations from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**577,246**	901,563	**–**	–
Hong Kong	**–**	–	**508**	773
Argentina	**42,554**	35,695	**4,177,491**	3,953,547
	619,800	937,258	**4,177,999**	3,954,320

Non-current assets excluded deferred tax assets and other tax recoverable.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**169,149**	N/A[3]
Customer B[1]	**93,362**	N/A[3]
Customer C[1]	**88,725**	N/A[3]
Customer D[1]	**85,320**	N/A[3]
Customer E[1]	**71,829**	174,034
Customer F[1]	**68,861**	N/A[3]
Customer G[2]	**N/A[3]**	258,320
Customer H[2]	**N/A[3]**	114,169

[1] Revenue from trading of petroleum related products.

[2] Revenue from metals sourcing and trading operation.

[3] The corresponding revenue did not contribute over 10% of total sales of the Company.

4. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Bank interest income	**484**	115
Other interest income	**–**	5,404
Total interest income	**484**	5,519
(Loss) gain on change in fair value of financial assets/liabilities classified as:		
– convertible notes	**(10,106)**	–
– held-for-trading *(note a)*	**(6,743)**	(9,200)
– derivative financial instruments	**41**	(25,188)
	(16,808)	(34,388)
Commissions received *(note b)*	**–**	41,415
Others	**3,359**	5,139
	(12,965)	17,685

Notes:

(a) The amount in 2011 includes a loss of HK$6,566,000 incurred upon disposal of held-for-trading securities pledged as security for an other loan from an independent third party.

(b) This amount in 2010 represented one-off commission income received from independent third parties for the Group's referral of customers to these independent third parties in the metals sourcing and trading business.

5. OTHER EXPENSES

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Allowance for bad and doubtful debts	**–**	13
Capitalised exploratory well costs charged to expense	**–**	177,439
Expenses incurred in exploring potential investment opportunities	**49,984**	1,093
Loss on disposal of property, plant and equipment	**1**	156
Irrecoverable value-added tax expenses	**12,124**	35,795
Impairment loss recognised in respect of property, plant and equipment	**34,023**	–
	96,132	214,496

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations:		
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	**10,097**	1,115
Promissory notes	**22**	1,270
Other loans	**6,960**	–
Interest on borrowings not wholly repayable within five years:		
Bank borrowings	**2,699**	–
Effective interest expense on convertible notes	**4,499**	–
Total interest expense	**24,277**	2,385
Loan arrangement fees for other loans	**1,496**	–
Arrangement fee paid for share mortgage provided by Rakata	**2,340**	–
Share-based payment expense for loan arrangement	**6,566**	–
	34,679	2,385

7. TAXATION

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	–
Other jurisdictions	**(777)**	–
	(777)	–
Deferred tax credit	**8,719**	–
Total	**7,942**	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as there is no assessable profit arising in Hong Kong in both years.

Argentina income tax is calculated at 35% of assessable profit for the year. No provision for Argentina income tax has been made as there is no assessable profit arising in Argentina for both years. However, a minimum presumptive tax is levied on all assets located in Argentina or in foreign countries owned by companies domiciled in Argentina or branches of foreign companies located in Argentina. The tax rate is 1% on the assessable assets.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation (from continuing operations)	**(225,679)**	(289,518)
Tax at the applicable rates of 16.5% (2010: 16.5%)	**37,237**	47,770
Tax effect of income not taxable for tax purpose	**105**	29
Tax effect of expenses not deductible for tax purpose	**(18,679)**	(38,700)
Tax effect of tax losses not recognised as deferred tax asset	**(13,422)**	(12,887)
Tax effect of utilisation of tax losses previously not recognised	**–**	3,784
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,806**	–
Others	**(105)**	4
Tax credit for the year	**7,942**	–

At 31 December 2011, the Group had unused tax losses of HK$174,909,000 (2010: HK$93,564,000) available for offset against future profits. Deferred tax asset of HK$9,870,000 has been recognised and other deferred tax asset has not been recognised due to the unpredictability of future profit. Included in unused tax losses of HK$70,854,000 (2010: HK$19,001,000) that will expire in 2015 to 2016 (2010: 2015). All other tax losses may be carried forward indefinitely.

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2011	2010
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration	**5,907**	5,825
Other staff's retirement benefits costs	**421**	928
Other staff share-based payment expense	**895**	16,116
Other staff costs	**19,675**	20,677
Total staff costs	**26,898**	43,546
Auditor's remuneration	**3,050**	2,730
Depreciation of property, plant and equipment	**28,279**	22,677
Exchange loss, net	**4,657**	8,170
Minimum lease payments under operating leases in respect of office properties and buildings	**4,389**	3,887

9. DISCONTINUED OPERATIONS

On 27 August 2010, the Group entered into two agreements to dispose of certain of Group's wholly-owned subsidiaries, including Great Wall Infrastructure Limited and its subsidiary, Innovision Enterprises Limited, and Shenzhen Innovision Trading Limited 深圳基漢貿易有限公司 (collectively the "Disposed Subsidiaries"), which together carried out all of the Group's consumer electronics operation. The disposal was completed on 31 December 2010, on which date the Group ceased to have control over the Disposed Subsidiaries.

The disposal of the consumer electronics operation represented opportunities for the Group to realise its investment in the original core business of sourcing and trading of consumer electronics products on reasonable terms and allow the Group to better utilising its resources and focusing on the development of its investment in the resources sector.

The results of the discountinued operations in 2010 included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

	2010 Consumer electronics *HK$'000*
Profit for the year from discontinued operations	
Revenue	117,652
Cost of sales	(113,071)
Gross profit	4,581
Other gains and losses	77
Distribution and selling expenses	(2,203)
Administrative expenses	(8,326)
Other expenses	(983)
Loss before taxation	(6,854)
Gain on disposal of operation (including HK$120,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of operations)	7,744
Profit for the year from discontinued operations (attributable to owners of the Company)	890
Profit for the year from discontinued operations includes the following:	
Other staff costs	1,887
Auditor's remuneration	–
Cost of inventories recognised as expenses	113,071
Depreciation of property, plant and equipment	1,011
Rental expenses	2,759
Exchange loss, net	13
After crediting:	
Bank interest income	3
Other information:	
Capital additions	431
Cashflows from discontinued operations	
Net cash flows from operating activities	2,224
Net cash flows used in investing activities	(433)
Net cash flows from financing activities	11,598
Net cash inflows	13,389

10. DIVIDEND

No dividend was proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

11. LOSS PER SHARE

From continuing and discontinued operations:

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(217,737)**	(288,628)

	2011	2010
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**2,034,001**	1,232,484

The denominator for the purpose of calculating basic loss per share for the year ended 31 December 2010 has been adjusted to reflect the consolidation of shares in June 2011 on the basis of ten ordinary shares being consolidated into one ordinary share.

The computation of diluted loss per share for the years ended 31 December 2011 and 31 December 2010 does not assume the exercise of the share options and convertible notes as the inclusion of the share options and convertible notes would result in decrease in loss per share.

From continuing operations:

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

Loss figures are calculated as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(217,737)**	(288,628)
Less: Profit for the year from discontinued operations	**–**	(890)
Loss for the purposes of basic and diluted earnings per share from continuing operations	**(217,737)**	(289,518)

The computation of diluted loss per share for the years ended 31 December 2011 and 31 December 2010 does not assume the exercise of the share options and convertible notes as the inclusion of the share options and convertible notes would result in decrease in loss per share.

The denominators used are the same as those detailed above for basic and diluted earning per share.

From discontinued operations:

Basic earnings per share for the discontinued operations was 0.072 HK cent (restated) per share and the diluted earnings per share from discontinued operations was 0.072 HK cent (restated), based on the profit for the year ended 31 December 2010 from discontinued operations of HK$890,000. There were no discontinued operations in 2011.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

12. EXPLORATION AND EVALUATION ASSETS

	Oil exploration rights HK$'000 (note a)	Others HK$'000 (note b)	Total HK$'000
Cost and carrying values			
At 1 January 2010	3,810,136	–	3,810,136
Additions	–	17,565	17,565
Transfer to property, plant and equipment	(34,408)	–	(34,408)
At 31 December 2010	3,775,728	17,565	3,793,293
Additions	78,000	–	78,000
Transfer to property, plant and equipment	(16,572)	(17,565)	(34,137)
At 31 December 2011	3,837,156	–	3,837,156

Notes:

(a) The amount relates to exploration and evaluation assets in respect of oil exploration rights in Argentina.

On 19 August 2009, the Group as the purchaser, and City Smart International Investment Limited ("City Smart") and TCL Peak Winner Investment Limited ("TCL"), as the vendors, entered into a sale and purchase agreement pursuant to which the Group conditionally agreed to acquire from the vendors the entire issued share capital of Have Result Investments Limited ("Have Result"). Both City Smart and TCL were independent third parties of the Company.

The principal assets of Have Result are the oil exploration and production rights through the participating interest in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") as the concession of hydrocarbon exploitation concession in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively.

The Puesto Pozo Cercado Concessions was awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated 26 June 1992, issued by the Ministry of Economy and Public Works of the National Government, and approved by National Decree No. 1276, dated 21 July 1992. In accordance with Law No. 17,319 the term of this oil exploration on production concession is 25 years commencing starting from 26 June 1992, with the possibility of obtaining a 10-year extension under certain conditions.

The Chañares Herrados Concession was obtained by Chañares under an assignment agreement executed with YPF Sociedad Anónima. This area is one of the areas that was formerly owned by YPF S.E. (i.e., when it was a state-owned company), and was converted into an oil exploration and production concession at the time YPF S.E. became a private company (YPF Sociedad Anónima) in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated 19 April 1996, authorised the assignment of this hydrocarbon oil exploration and production concession to Chañares. In accordance with Law No. 17,319 the term of this oil exploration and production concession is 25 years commencing from 24 September 1992, with the possibility of obtaining a 10-year extension under certain conditions.

The acquisition of Have Result was completed on 3 November 2009 and the Group settled the initial consideration for the acquisition to the vendors by the issuance of: (1) promissory notes with principal amount of HK$840,000,000; (2) 1,000,000,000 new ordinary shares of HK$0.01 each of the Company and (3) zero coupon convertible notes with par value of HK$2,311,520,000 and a 20-year maturity.

Pursuant to the sale and purchase agreement, the total consideration for the acquisition is subject to adjustment within 24 months following the completion and shall be determined by reference to the technical assessment prepared by a technical adviser (the "Updated Technical Report"). If the Updated Technical Report shows that the proved reserves (as defined in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers ("PRMS")) of oil in the areas are not less than 290 million barrels, the Group shall within 14 days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$500 million; or (ii) if the Updated Technical Report shows that proved reserves of oil in the areas are not less than 507.5 million barrels, the Group shall within 14 business days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$1,000 million.

The Updated Technical Report shows that the proved reserves of oil of the Areas do not exceed 290 million barrels, no additional convertible bonds were issued to the vendors.

On 2 December 2010, Southstart Limited ("Southstart"), a wholly-owned subsidiary of the Company, and Chañares entered into another joint venture agreement ("New JV Agreement"). The Group agreed to pay US$6,000,000 (equivalent to approximately HK$46,800,000) to Chañares in consideration for the oil exploration and production right to drill in the Areas during the current term of the Concessions.

During the year ended 31 December 2011, Chañares obtained and extension of 10 years from the date of expiry of the original term of the Concessions under Decree No. 1467, dated 30 June 2011 (the "Decree"), issued by the Executive of the Province of Mendoza. The Group shall pay an aggregate amount of US$4,000,000 (equivalent to approximately HK$31,200,000) to Chañares according to the New JV Agreement in consideration for the oil exploration and production right in the Areas during the extended term of the Concessions. This amount was not fully paid as at 31 December 2011. The outstanding sum, amounting to US$2,596,000 (approximately HK$20,248,000) is included in trade and other payables.

(b) Others represent the geological and geophysical costs, drilling and exploration expenses directly attributable to exploration activities.

13. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**8,416**	14,623
Bills receivables	**–**	90,214
	8,416	104,837
Other tax recoverable	**15,062**	6,214
Prepayments to other suppliers *(note a)*	**156,000**	40,000
Consideration receivable on disposal of subsidiaries *(note b)*	**–**	1,000
Consideration receivable on disposal of held-for-trading investments *(note c)*	**–**	49,000
Amount due from a former subsidiary *(note d)*	**–**	4,064
Amount due from a former director *(note e)*	**5,091**	–
Other receivables and deposits	**1,444**	917
Total trade and other receivables	**186,013**	206,032

Notes:

(a) As at 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 (2010: prepayments for purchase of scrap copper in the metals sourcing and trading operation).

(b) As at 31 December 2010, consideration receivable on disposal of the Disposed Subsidiaries was not yet settled by the purchaser.

(c) As at 31 December 2010, consideration receivable on disposal of held-for-trading investments was not settled by the purchaser.

(d) The amounts were unsecured, interest-free and repayable on demand.

(e) At 31 December 2011, another 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 the securities of 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 Wing, Joseph pledged as security is released. Particulars of the amount due from a former director are as follows:

Former director	**Terms of**	**Balance at 31.12.2011**	**Balance at 1.1.2011**	**Maximum amount outstanding during the year**
		HK$'000	*HK$'000*	*HK$'000*
Wong Chi Wing, Joseph*	Unsecured, interest-free and repayable on demand	5,091	–	5,091

* Wong Chi Wing, Joseph resigned as an executive director of the Company on 20 December 2011.

The Group allows on average credit period of 30 to 60 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The 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:

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**1,457**	104,837
31-60 days	**1,341**	–
61-90 days	**1,541**	–
91-120 days	**4,077**	–
	8,416	104,837

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. As at 31 December 2011, 82% (2010: 100%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

As at 31 December 2011, included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$1,541,000 (31 December 2010: nil) which are past due as at the reporting date for which the Group has not porvided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days.

Aging of trade receivables which are past due but not impaired

	2011	2010
	HK$'000	*HK$'000*
61-90 days	**1,541**	–

Movement in the allowance for bad and doubtful debts

	HK$'000
At 1 January 2010	–
Impairment losses recognised	13
Derecognised on disposal of a subsidiary	(13)
At 31 December 2010 and 2011	–

Included in the allowance for doubtful debts are individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties.

14. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**68,004**	8,575
Bills payables	**–**	89,128
	68,004	97,703
Payables for acquisition of available-for-sale investments *(note a)*	**–**	10,424
Payables for assignment of oil concession rights *(note b)*	**50,700**	50,700
Payables for oil concession rights *(note c)*	**20,248**	–
Payables for acquisition of held-for-trading investments as securities to a loan *(note d)*	**16,115**	–
Interest payable on borrowings	**2,699**	–
Interest payable on promissory notes	**–**	482
Other payables and accruals	**12,014**	9,063
	169,780	168,372

Notes:

(a) The amount was unsecured and interest-free.

(b) Pursuant to the assignment agreement dated 24 November 2007 as ameneded/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 31 December 2011 and 2010, the balance payable is US$6,500,000 (approximately HK$50,700,000; 2010: HK$50,700,000).

(c) 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 year. At 31 December 2011, the outstanding sum amounted to US$2,596,000 (approximately HK$20,248,000; 2010: nil).

(d) 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 (bills issued date for bills payable) of trade and bills payables at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0-30 days	**46,160**	97,703
31-60 days	**17,697**	–
61-90 days	**1,610**	–
91-180 days	**2,537**	–
	68,004	97,703

The average credit period on purchases of goods is 30 days.

All of the other payables are unsecured, interest-free and expected to be settled within one year.

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities.

	2011	2010
	HK$'000	*HK$'000*
	Equivalent	Equivalent
ARS	**25,114**	8,575

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 12 January 2011, EP Energy S.A. signed JV Agreement with Chañares Herrados Empresa de Trabajos Petroleros S.A. ("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 "Puesto Pozo Cercado" Area and "Chañares Herrados" Area, Argentina.

As at December 2011, The Group has finished drilling of 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project Area, of which 8 wells are in production.

During year 2011, EP Energy S.A. has started and completed drilling of 5 wells in Chañares Herrados Concession Area. As at December 2011, 3 oil wells CH-1059, CH-1063 & CH-1068 has commenced production, the fourth oil well CH-1066 has started test production, the fifth oil well CH-1082 has completed drilling and undergoing completion work. On 11 March 2011, EP Energy S.A. started drilling of its 1st oil well CH-1059, and finished the completion work and started production on July 2011. Drilling of the second oil well CH-1068 started in late April 2011, with completion work finished and production started on August 2011. Drilling of the CH-1063 started in late June 2011 and commenced production on Oct 2011. Drilling of the CH-1066 started in October 2011, and finished the completion work and started test production on December 2011. Drilling work of CH-1082 has finished and completed work has started in December 2011. EP Energy S.A. is entitled to 72% interest on these 5 wells production.

During year 2011, 5 oil wells drilled by Have Result Investments Limited continued producing, that the Group entitled 51% interest on these 5 wells 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 (the "Extension Agreement"), 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 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.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group's turnover was HK$619.80 million, a decrease of 33.87% from HK$937.26 million for the year ended 31 December 2010. The Company recorded a loss for the year of HK$217.74 million, against a loss for the year of HK$288.63 million in 2010. The substantial loss for the year was mainly attributable to impairment loss on investment cost against the discounted future cashflow for the old wells drilled by Have Result Investments Limited of HK$34.02 million.

During year 2011, the Group was focused on the fulfillment of year 2011 investment plan commitment under the New JV Agreement with Chañares. Most of our resource and manpower have been allocated for the drilling of 5 new wells by EP Energy during year 2011. The Group has noticed the decrease in production in the 5 old wells drilled by Have Result which required performing workover work that was planned to perform in year 2012. By applying the existing production prior to workover under the prudent approach adopted in accounting, to estimate the discounted future cashflow on oil sales until year 2027, an impairment loss in investment cost is required. The Group considered that this impairment loss can be reversed after workover work was finished.

OPERATIONS REVIEW

During the year, the Group's continuing operations comprised petroleum exploration and production, trading of petroleum related products and metals sourcing and trading. The Group did not enter into any transactions within the metals sourcing and trading segment during the year 2011 as the profit margin was not favorable.

Exploration and Sales of petroleum

During the year, EP Energy S.A. has fulfilled the commitment to complete drilling of 5 wells under the New JV Agreement signed with Chañares. As of the date of this announcement, the Group have 10 wells in production,

Oil well	Status	Depth *(m)*	Date of production
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 2011, albeit with certain percentage of decline in production.

During the year, the Group have 8 producing wells together with test production from CH-1066 generate oil sales revenue of HK$42.56 million. A significant portion of the oil was sold to YPF Sociedad Anó nima, through Chañares, the Concession owner, amount to HK$42.16 million, a small part of oil, to a value of approximately HK$0.4 million, was sold to Polipetrol S.A., a oil refinery in Mendoza Province.

As of 31 December 2011, the Company has invested HK$533.27 million in the drilling and completion of its oil wells, as wells as related infrastructure, in the Mendoza project. This amounts includes: 1) HK$270.41 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$85.46 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 year 2011, the depreciation of the oil & gas assets was HK$27.72 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 USD52.30 per barrel in December 2010 to USD67.21 per barrel in December 2011, representing an increase of USD14.91 per barrel or 28.5%. The crude oil price continued to increase during 2012, with the price in February reaching USD68.71 per barrel. The Group expects that the crude oil price will continue to increase and that the gap between domestic and international oil prices will narrow.

The 10-year extension granted under Decree No. 1467 as detailed above has extended the hydrocarbon exploitation right granted to Chañ ares by Mendoza Province to year 2027.

1.1 Future operation plan

Overall drilling plan

As noted, the Executive of the Province of Mendoza has granted Chañares a 10 year extension of exploitation right to year 2027. According to the New JV Agreement, starting as from year 2012, EP Energy S.A. shall drill a minimum of five wells per year for five consecutive years and in subsequent years two wells per year until the year in which 7 years remain until the expiration of the term of the Concessions. The Group is now finalizing the year 2012 investment plan and will submit it to Chañares to seek approval from the Government. To optimize the economic benefit of the Mendoza project and to comply with the commitment of the New Agreement, the Board of Director is now finalizing the overall future drilling plan.

Oil well work-over

The Group is now finishing the plan to perform workover works on the 5 wells drilled by Have Result during year 2009 and 2010, to increase the overall oil production.

1.2 Segment financial results

Sales of petroleum

	Year ended 31 December		
	Year 2011	Year 2010	% change
	HK$'000	*HK$'000*	
Turnover	**42,554**	35,695	+19.22%
Segment Loss	**(97,561)**	(250,676)	-61.08%

The Group has completed the drilling of 5 oil wells in year 2011 of which 3 wells, CH-1059, CH-1068 and CH-1063 has commenced production during year 2011. The forth well CH-1066, has started test production in December 2011, while the fifth well has completed drilling, and started completion during December 2011. The 5 wells commenced production in year 2009 and 2010, continued producing oil in year 2011. As of December 2011, the Group has 8 producing well plus 1 well in test production producing oil and generates sale revenue.

The turnover represents sales of oil to our customer YPF Sociedad Anónima of HK$42.16 million and Polipetrol of HK$0.4 million respectively. The average selling price was USD59.2 per barrel or USD372.3 per m^3.

Administrative and Financial expenses of HK$54.37 million mainly include professional and consultancy fees in relation to oil drilling service and the UTE agreement, exchange differences, salaries, travel expenses and other tax expenses.

Impairment loss on investment cost against the discounted future cashflow from future oil sales until year 2027 amounting to HK$34,023,000. This impairment loss was related to the old wells drilled by Have Result Investments Limited during year 2009 and 2010.

Trading of petroleum related products

Segment financial results

	Year ended 31 December		
	Year 2011	Year 2010	% change
	HK$'000	*HK$'000*	
Turnover	577,246	463,940	+24.42%
Segment Profit	1,353	6,191	-78.15%

In 2011, the Group purchased 49,632 metric tons of mixed aromatics and 21,511 metric tons of MTBE from overseas markets and sold to the customers in China. The sales in 2011 dropped significantly as compared to 2010 because the business was difficult in the second half of 2011 and the Group did not conclude any deal during the period.

FINANCIAL POSITION

As at 31 December 2011, the net asset value of the Group was HK$3,918.94 million (2010: HK$4,052.04 million) and the net asset value per share was HK$1.82 (2010: HK$0.22).

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 year. 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). On 14 October 2011, the Company raised net proceeds of approximately HK$13.56 million via a top-up subscription placement of 80,000,000 shares at HK$0.182 per share.

On 3 November 2011, the Company entered into a loan agreement with China Development Bank Hong Kong Branch for a seven years' term loan facility of US$40,000,000 (approximately HK$312,000,000) for the purpose of funding the 2011 investment plan of the Mendoza oil project and refinancing the debts incurred by the Group on the project.

The Company has planned to raise additional funds for Mendoza oil project and new oil investment projects in 2012 via placement of shares, issue of convertible bonds and obtaining medium project loans from the banks.

PLEDGE OF ASSETS

At 31 December 2011, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) The entire stock capital of EP Energy whose principal asset is the 72% equity interest in the joint venture company formed under the New JV Agreement.

(b) The entire issued share capital of Have Result whose principal assets are the oil exploration rights with a carrying amount of approximately HK$3,837 million and the oil and gas properties with a carrying amount of approximately HK$339 million at 31 December 2011.

(c) The entire issued share capital of two wholly-owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

At 31 December 2010, pledged bank deposits amounting to HK$26,340,000 (2011: nil) were pledged to secure the Group's bank borrowings and banking facilities.

CAPITAL COMMITMENTS

As at 31 December 2011, the future capital expenditure for which the Group had contracted but not provided for amounted to HK$ 210.60 million (2010: HK$46.68 million).

EMPLOYEES

As at 31 December 2011, the Group had a total of about 15 employees in Hong Kong, 14 employees in Argentina and 6 employees in PRC. Employee’s cost (excluding directors’ emoluments) amounted to approximately HK$20.99 million (2010: HK$37.72 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group’s salary and bonus system.

PURCHASE, SALES AND REDEMPTION OF SHARES

Neither the Company nor its any of subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2011.

COMPLIANCE WITH THE CODE ON COPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated. During the year under review, the Company has applied the principles and 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") 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 are not appointed for a specific term. However, all Non-executive Directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRCTORS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code throughout the year.

REVIEW OF ACCOUNTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2011.

PUBLICATION OF ANNUAL REPORT

The 2011 annual report of the Group will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.epiholdings.com) respectively in due course.

APPRECIATION

Lastly, I would like to express my sincere gratitude to the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

For and on behalf of
EPI (Holdings) Limited
Chu Kwok Chi, Robert
Executive Director and CEO

Hong Kong, 30 March 2012

As at the date of this announcement, the Board comprises of 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.