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## **VOLUNTARY ANNOUNCEMENT IN RELATION TO THE GROUP'S PETROLEUM OPERATION IN ARGENTINA**

This announcement is made by EPI (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to keep the shareholders and potential investors of the Company informed of the latest business development of the Company.

Reference is made to the announcement of the Company dated 20 December 2010 (the “**Announcement**”) in relation to (i) the agreement (the “**JV Agreement**”) dated 2 December 2010 between Southstart Limited (“**Southstart**”), a wholly-owned subsidiary of the Company, and Chañares Herrados Empresa de Trabajos Petroleros S.A. (“**Chañares**”) relating to the formation of a joint venture company (the “**JV Company**”) between EP Energy S.A. (“**EP Energy**”), a wholly-owned subsidiary of Southstart, and Chañares for the exploration, exploitation and development of the hydrocarbons in the Puesto Pozo Cercado Area and the Chañares Herrados Area located in Cuyana Basin, Mendoza Province of Argentina (the “**Areas**”); and (ii) the termination of the previous joint venture agreement (the “**Previous JV Agreement**”) between Have Result Investments Limited (“**Have Result**”), a wholly-owned subsidiary of the Company, and Maxipetrol-Petroleros de Occidente S.A. (“**Maxipetrol**”).

### **THE OPERATION AGREEMENT DATED 5 JUNE 2012**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that by an agreement (the “**Operation Agreement**”) entered into among Chañares, EP Energy and Have Result on 5 June 2012, (i) EP Energy and Chañares agreed to amend and restate the JV Agreement; (ii) Have Result and Chañares agreed on certain matters related to the five existing wells in the Areas, the drilling works for which were undertaken by Have Result; and (iii) the signatories also addressed certain operational matters relating to the Group's petroleum business in the Areas. Principal terms of the Operation Agreement are set out below.

## **Minimum investment commitment**

Pursuant to the JV Agreement, if Chañares obtains the extension of the terms of the concessions prior to 31 December 2011, for the subsequent investment plans starting from year 2012, EP Energy shall drill (i) a minimum of five wells during each of the years from 2012 to 2016; and (ii) thereafter a minimum of two wells per year during each of the years until the seventh year before the expiration of the extended term of the hydrocarbon exploitation concession rights in the Areas (the “**Commitment**”).

As stated in the announcement of the Company dated 15 July 2011, Chañares obtained an extension of 10 years from the date of expiry of the original term of the concessions until 2027. As such, according to the JV Agreement, EP Energy shall drill (i) a minimum of five wells during each of the years from 2012 to 2016; and (ii) thereafter a minimum of two wells per year during each of the years until 2020.

Pursuant to the Operation Agreement, Chañares agreed to release EP Energy from the Commitment under the JV Agreement. EP Energy, however, 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. If five or more new wells are drilled in a year, the profit of such new wells shall be distributed based on the respective equity interest of EP Energy and Chañares in the JV Company, which means EP Energy shall be entitled to 72% and Chañares will be entitled to 28% of the profit of the new wells respectively. If less than five new wells are drilled in a year, EP Energy will be entitled to 65% and Chañares will be entitled to 35% of the profit of the new wells respectively. For the avoidance of doubt, the profit of the existing five wells drilled by EP Energy shall continue to be distributed in accordance with the JV Agreement, i.e. 72% to EP Energy and 28% to Chañares. On the other hand Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Areas.

## **Distribution of profit of the HR Wells drilled by Have Result**

As stated in the Announcement, notwithstanding the termination of the Previous JV Agreement, Have Result remains entitled to a 51% right in the production from the five existing wells the drilling for which was undertaken by Have Result prior to the termination of the Previous JV Agreement (the “**HR Wells**”). The Operation Agreement reconfirmed that Have Result has the right to receive 51% of the hydrocarbon production obtained from the HR Wells until the termination of the concessions held in respect of the Areas and any applicable extension thereof. Under the Operation Agreement, Have Result also agreed that part of the proceeds from the previous production of the HR Wells, as well as the future production from the HR Wells up to 31 December 2013, should be reinvested for (i) the workover program of the HR Wells; (ii) the workover of the wells, infrastructure works, and/or conducting well drillings in the Areas; and (iii) other works to be agreed between Have Result and Chañares with a view to increasing the production of the HR Wells.

## **The Petr6leo Plus program**

The government of Argentina has put into effect the Petr6leo Plus program (the “**Petr6leo Plus Program**”) with the intention to increase oil reserves and oil production and to resume export of petroleum from the country since 2008. Pursuant to the terms of the Operation Agreement, Chañares and Have Result agreed that Have Result is entitled to receive approximately AR\$7.0 million (equivalent to approximately HK\$12.2 million) as a result of the Petr6leo Plus Program in respect of the production from the HR Wells prior to June 2011. Chañares and Have Result further agreed that Have Result shall continue to receive part of the amount to be granted under the Petr6leo Plus Program in respect of the production of the HR Wells, and that the entire amount that Have Result is entitled to under the Petr6leo Plus Program up to 31 December 2013 shall be fully invested in the Areas.

The Company considers the Operation Agreement to be in the interest of the Company as it cancels the Commitment which the Group will otherwise be liable and clarifies the entitlements of the Group in the HR Wells and future wells to be drilled as well as to the government grant. The cancellation of the Commitment under the JV Agreement will not have material adverse effects on the financial position of the Group. Subject to the future investment plan, impairment on the carrying value of the exploration and evaluation assets may be necessary. The Group will conduct impairment review on the exploration and evaluation assets at the end of the reporting period. The Company will continue to closely monitor its petroleum operation in Argentina, aims at finalising the investment plan for the year ending 2012 and the future investment plan in respect of the Areas as soon as practicable.

By order of the Board  
**EPI (Holdings) Limited**  
**Chu Kwok Chi Robert**  
*Executive Director and CEO*

Hong Kong, 6 June 2012

*For illustration purposes, all amounts denominated in Argentina Peso (AR\$) in this announcement has been translated into HK\$ at the exchange rate of AR\$1=HK\$1.75, and they do not form any representations or guarantees of any person that the aforesaid currency could be, have been, or will be converted into the other currency at the exchange rate used in this announcement.*

*As at the date of this announcement, the board of directors of the Company 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.*

\* *for identification purpose only*