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**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

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 2012 with comparative figures for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2012	2011
		HK\$'000	HK\$'000
Revenue	3	86,682	619,800
Cost of sales			
– depreciation of property, plant and equipment		(36,909)	(27,720)
– other costs		(36,382)	(589,941)
Other gains and losses	4	24,754	(12,965)
Distribution and selling expenses		(1,039)	(10,531)
Administrative expenses		(59,911)	(73,511)
Impairment loss recognised in respect of			
exploration and evaluation assets	11(a)	(3,130,106)	–
Other expenses	5	(153,853)	(96,132)
Finance costs	6	(34,925)	(34,679)
Loss before taxation		(3,341,689)	(225,679)
Taxation (charge) credit	7	(10,351)	7,942
Loss for the year	8	(3,352,040)	(217,737)

* For identification purpose only

		Year ended 31 December	
	<i>Note</i>	2012	2011
		HK\$'000	HK\$'000
Other comprehensive (expense) income:			
Reclassification adjustment for the cumulative gain of available-for-sale investments included in profit or loss upon disposal		(57,176)	—
Reversal of deferred tax liabilities upon disposal of available-for-sale investments		5,718	—
		(51,458)	—
Other comprehensive expense for the year			
		(3,403,498)	(217,737)
Loss per share	10		
– basic		(HK\$1.26)	(HK\$0.11)
– diluted		(HK\$1.26)	(HK\$0.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			At 31 December
	Notes	2012	2011
		HK\$'000	HK\$'000
Non-current assets			
Exploration and evaluation assets	11	648,468	3,837,156
Property, plant and equipment		204,456	340,843
Deferred tax assets		–	9,870
Other tax recoverable		48,878	54,148
		<hr/>	<hr/>
		901,802	4,242,017
		<hr/>	<hr/>
Current assets			
Trade and other receivables	12	232,188	186,013
Available-for-sale investments		–	67,600
Held-for-trading investments		37	52
Bank balances and cash		2,680	29,509
		<hr/>	<hr/>
		234,905	283,174
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	95,516	169,780
Taxation payable		–	777
Borrowings – amount due within one year		65,808	56,328
Convertible notes		25,927	–
		<hr/>	<hr/>
		187,251	226,885
		<hr/>	<hr/>
Net current assets		47,654	56,289
		<hr/>	<hr/>
Total assets less current liabilities		949,456	4,298,306
		<hr/>	<hr/>

	<i>Notes</i>	At 31 December	
		2012	2011
		HK\$'000	HK\$'000
Non-current liabilities			
Borrowings – amount due after one year		273,000	296,400
Convertible notes		–	74,661
Deferred tax liabilities		–	6,574
Assets retirement obligation		2,854	1,730
		<hr/>	<hr/>
		275,854	379,365
		<hr/>	<hr/>
		673,602	3,918,941
		<hr/>	<hr/>
Capital and reserves			
Share capital		313,038	215,088
Reserves		360,564	3,703,853
		<hr/>	<hr/>
Equity attributable to owners of the Company		673,602	3,918,941
		<hr/>	<hr/>

1. BASIS OF PREPARATION

These consolidated statement of financial position as at 31 December 2012, and the consolidated comprehensive income statement for the year then ended and the related notes 2 to 13 are extracted from the Group's consolidated financial statements for the year ended 31 December 2012. 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 amendments to HKFRSs issued by the HKICPA.

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The application of the amendments to 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 HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle ¹
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ³
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
HKAS 19 (as revised in 2011)	Employee benefits ¹
HKAS 27 (as revised in 2011)	Separate financial statements ¹
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine ¹

- ¹ Effective for annual periods beginning on or after 1 January 2013.
- ² Effective for annual periods beginning on or after 1 January 2014.
- ³ Effective for annual periods beginning on or after 1 January 2015.
- ⁴ Effective for annual periods beginning on or after 1 July 2012.

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 2012) 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”, HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) - INT 13 “Jointly controlled entities - Non-monetary contributions by venturers” will be withdrawn upon the effective date of HKFRS 11. 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these 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 operations will be classified as joint operations, depending on the rights and obligations of the parties to the joint arrangement. The application of these five standards will not have impact on amounts reported in the consolidated financial statement but will result in more extensive disclosures in the consolidated financial statements.

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.

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

The amendments to HKAS 1 “Presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received or 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:

	2012 HK\$’000	2011 HK\$’000
Sales of goods		
– petroleum	80,854	42,554
– petroleum related products	–	577,246
Income from metals transactions (note)	5,828	–
	<hr/> 86,682 <hr/>	<hr/> 619,800 <hr/>

Note:

The sales and purchase contracts of the metals transactions entered into during the year ended 31 December 2012 are for the purpose of procurement of the metals for the Group's customers and accordingly, the difference between sales and purchase prices represent the income earned by the Group for its services rendered.

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 transactions. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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 transactions	– trading of non-ferrous metals and entering into non-ferrous metals sales and purchase contracts for procurement of the metals for customers

The Group did not enter into any transaction within the trading of petroleum related products segment during the year ended 31 December 2012 as the market conditions for trading of these products in the relevant periods was not considered favourable for the Group to enter into such trading transactions.

Segment revenue and results

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

Year ended 31 December 2012

	Petroleum exploration and production HK\$'000	Trading of petroleum related products HK\$'000	Metals transactions HK\$'000	Total HK\$'000
Segment revenue (external sales)	80,854	—	468,032	548,886
Less: Cost of metals transactions	—	—	(462,204)	(462,204)
Revenue as presented in the consolidated statement of comprehensive income	80,854	—	5,828	86,682
Result				
Segment results excluding impairment	(5,463)	—	(148)	(5,611)
Impairment loss recognised	(3,263,012)	—	—	(3,263,012)
	(3,268,475)	—	(148)	(3,268,623)
Unallocated other gains and losses				1,724
Unallocated corporate expenses				(39,865)
Finance costs				(34,925)
Loss before taxation				(3,341,689)
<i>Year ended 31 December 2011</i>				
Segment revenue (external sales)	42,554	577,246	—	619,800
Result				
Segment results excluding impairment	(63,538)	1,353	41	(62,144)
Impairment loss recognised	(34,023)	—	—	(34,023)
	(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				(225,679)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represent 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.

Other segment information

Year ended 31 December 2012

	Petroleum exploration and production HK\$'000	Trading of petroleum related products HK\$'000	Metals transactions HK\$'000	Unallocated HK\$'000	Segment Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Capital additions	26,321	–	–	231	26,552
Depreciation	37,265	–	1	108	37,374
Impairment loss recognised in respect of exploration and evaluation assets	3,130,106	–	–	–	3,130,106
Impairment loss recognised in respect of property, plant and equipment	132,906	–	–	–	132,906

Year ended 31 December 2011

	Petroleum exploration and production HK\$'000	Trading of petroleum related products HK\$'000	Metals transactions HK\$'000	Unallocated HK\$'000	Segment Total 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)

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 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	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
	Argentina	42,554	852,623	4,177,491
PRC	3,660	577,246	—	—
Hong Kong	2,168	—	301	508
	86,682	619,800	852,924	4,177,999

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:

	2012 HK\$'000	2011 HK\$'000
Customer A ¹	80,854	—
Customer B ²	—	169,149
Customer C ²	—	93,362
Customer D ²	—	88,725
Customer E ²	—	85,320
Customer F ²	—	71,829
Customer G ²	—	68,861

¹ Revenue from petroleum exploration and production.

² Revenue from trading of petroleum related products.

4. OTHER GAINS AND LOSSES

	2012 HK\$'000	2011 HK\$'000
Bank interest income	–	484
Other interest income	43	–
Imputed interest on other tax recoverable	6,327	–
 Total interest income	 6,370	 484
 Gain (loss) on derivative component of convertible notes	 378	 (10,106)
Fair value loss on held-for-trading financial assets (<i>note a</i>)	(15)	(6,743)
Fair value gain on derivative financial instruments	–	41
 363	 (16,808)	
 Gain on disposal of property, plant and equipment	 962	 –
Gain on disposal of available-for-sale investments	1,566	–
Government grants (<i>note b</i>)	14,746	–
Others	747	3,359
 24,754	 (12,965)	

Notes:

- (a) The amount in 2011 included a loss of HK\$6,566,000 incurred upon disposal of held-for-trading securities pledged as securities for a loan from an independent third party.
- (b) The amount represented government subsidy obtained for the Group's oil exploration and production in Argentina.

5. OTHER EXPENSES

	2012 HK\$'000	2011 HK\$'000
Expenses incurred in exploring potential investment opportunities	17,331	49,984
Impairment loss recognised in respect of property, plant and equipment	132,906	34,023
Irrecoverable value-added tax expense	3,616	12,124
Loss on disposal of property, plant and equipment	–	1
 153,853	 96,132	

6. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	665	10,097
Promissory notes	–	22
Other loans	7,310	6,960
Interest on borrowings not wholly repayable within five years:		
Bank borrowings	13,281	2,699
Effective interest expense on convertible notes	9,031	4,499
Compensation charge for late payments to supplier in relation to petroleum exploration and production	3,624	–
	<hr/>	<hr/>
Total interest expense	33,911	24,277
Loan arrangement fees for other loans	1,014	1,496
Arrangement fee paid for share mortgage provided by Rakata Limited	–	2,340
Share-based payment expense for loan arrangement	–	6,566
	<hr/>	<hr/>
	34,925	34,679
	<hr/>	<hr/>

7. TAXATION

	2012 HK\$'000	2011 HK\$'000
The (charge) credit comprises:		
Current tax:		
Hong Kong	–	–
Other jurisdictions	(1,026)	(777)
	<hr/>	<hr/>
	(1,026)	(777)
Underprovision in prior years:		
Hong Kong	(311)	–
	<hr/>	<hr/>
	(1,337)	(777)
Deferred tax (charge) credit	(9,014)	8,719
	<hr/>	<hr/>
Total (charge) credit	(10,351)	7,942
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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 in 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.

8. LOSS FOR THE YEAR

	2012 HK\$'000	2011 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration	2,939	5,907
Other staff's retirement benefits costs	130	421
Other staff share-based payment expense	–	895
Other staff costs	<u>13,840</u>	<u>19,675</u>
 Total staff costs	 <u>16,909</u>	 <u>26,898</u>
 Auditor's remuneration	 3,050	 3,050
Depreciation of property, plant and equipment	37,374	28,279
Exchange loss, net	8,878	4,657
Minimum lease payments under operating leases in respect of office properties and buildings	<u>3,289</u>	<u>4,389</u>

9. DIVIDEND

No dividend was paid or declared during 2012 (2011: nil), nor has any dividend been proposed since the end of the reporting period (2011: nil).

10. LOSS PER SHARE

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

	2012 HK\$'000	2011 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(3,352,040)</u>	<u>(217,737)</u>
 Number of shares	 2012 ‘000	 2011 ‘000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,670,736</u>	<u>2,034,001</u>

The computation of diluted loss per share for the years ended 31 December 2012 and 31 December 2011 does not assume the exercise of share options and convertible notes as the inclusion of the share options and convertible notes would result in decrease in loss per share.

11. EXPLORATION AND EVALUATION ASSETS

	Oil exploration rights HK\$'000 (note a)	Others HK\$'000 (note b)	Total HK\$'000
Cost			
At 1 January 2011	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
Write-back	(50,700)	–	(50,700)
Transfer to property, plant and equipment	(7,882)	–	(7,882)
At 31 December 2012	3,778,574	–	3,778,574
Impairment			
Impairment loss recognised during the year ended 31 December 2012 and balance at 31 December 2012	3,130,106	–	3,130,106
Carrying Values			
At 31 December 2012	<u><u>648,468</u></u>	<u><u>–</u></u>	<u><u>648,468</u></u>
At 31 December 2011	<u><u>3,837,156</u></u>	<u><u>–</u></u>	<u><u>3,837,156</u></u>

Notes:

(a) The amount relates to exploration and evaluation assets in respect of oil exploration 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. The term of this oil exploration and production concession is 25 years commencing 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. 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.

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 also in the Areas during the current term of the Concessions.

During the year ended 31 December 2011, Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions under a Decree dated 30 June 2011 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. As at 31 December 2011, the outstanding sum, amounting to US\$2,596,000 (equivalent to approximately HK\$20,248,000), was included in trade and other payables. This amount was fully paid during the year ended 31 December 2012.

During the year ended 31 December 2012, the directors of the Company conducted a review of the Group’s exploration and evaluation assets and determined that the assets were impaired. The directors of the Company have decided to defer the Group’s drilling plan until the local political and economic outlook improve to more favourable conditions. This change has a significant impact on the related expected future cash flows from operation. The management’s change in business plan was a result of the unstable political and economic outlook of Argentina. During the current year, the Argentina government took more drastic measures to ensure growth and keep the currency stable, such as import restrictions and severe capital controls. These policies are exacerbating economic stagnation and leading to political unrest. Therefore, the directors of the Company decided to delay the Group’s overall drilling plan to later years until the investment climate in Argentina is improved. This is a step that the directors of the Company consider best for the Group. This critical factor affected the timing of drilling new wells for oil production. The discount rate used for the impairment assessment in 2012 considers a more prudent view of the country risk of Argentina in view of the recent developments. This increase in the discount rate substantially lowered the net present value of the cash flows of the oil and gas fields. Accordingly, an impairment loss of HK\$3,130,106,000 was recognised during the year ended 31 December 2012. The recoverable amount of the exploration and evaluation assets was determined based on the cash flow projections derived from estimated reserves covering the current term of the concessions period until 2027 with a discount rate of 14.1%.

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

12. TRADE AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Trade receivables	3,945	8,416
Receivables arising from metals sales contracts (<i>note a</i>)	200,984	–
Other tax recoverable	13,553	15,062
Prepayments to other suppliers (<i>note b</i>)	–	156,000
Amount due from a former director (<i>note c</i>)	5,091	5,091
Other receivables and deposits	8,615	1,444
	<hr/>	<hr/>
Total trade and other receivables	232,188	186,013
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Notes:

- (a) The term of metals sales transactions is based on cash on delivery and the receivables arising from metals sale contracts of HK\$200,984,000 (2011: nil) at 31 December 2012 are past due with aging of 30 days based on the invoice date at the end of the reporting period. These past due receivables are all closely monitored. The management considers that these receivables will eventually be settled and therefore Group has not provided for impairment loss on these receivables. The Group does not hold any collateral over these balances.
- (b) 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. The Group did not have make such purchase subsequently and the prepayments were refunded to the Group during the year ended 31 December 2012.
- (c) At 31 December 2012, a loan of HK\$25,000,000 (2011: 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 Wing, Joseph pledged as securities is released. Particulars of the amount due from a former director are as follows:

Former director	Terms	Balance at 31.12.2012 HK\$'000	Balance at 1.1.2012 HK\$'000	Maximum amount outstanding during the year HK\$'000
Wong Chi Wing, Joseph	Unsecured, interest-free and repayable on demand	5,091	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 receivables presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2012 HK\$'000	2011 HK\$'000
0-30 days	3,945	1,457
31-60 days	–	1,341
61-90 days	–	1,541
91-120 days	–	4,077
	<hr/>	<hr/>
	3,945	8,416

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 2012, 100% (2011: 82%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

As at 31 December 2012, included in the Group's trade receivable balance are debtors with an aggregate carrying amount of nil (31 December 2011: HK\$1,541,000) which are past due as at the reporting date for which the Group has not provided 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

	2012 HK\$'000	2011 HK\$'000
61-90 days	–	1,541
	<hr/>	<hr/>

13. TRADE AND OTHER PAYABLES

	2012 HK\$'000	2011 HK\$'000
Trade payables	34,447	68,004
Payables arising from metals purchase contracts (<i>note a</i>)	16,781	–
Payables for assignment of oil concession rights (<i>note b</i>)	–	50,700
Payables for oil concession rights (<i>note c</i>)	–	20,248
Payables for acquisition of held-for-trading investments		
as securities to a loan (<i>note d</i>)	16,115	16,115
Interest payable on borrowings	3,053	2,699
Other payables and accruals (<i>note e</i>)	25,120	12,014
	<hr/>	<hr/>
	95,516	169,780

Notes:

- (a) The term of metals purchase transactions is based on cash on delivery and the payables arising from metals purchase contracts of HK\$16,781,000 (2011: nil) at 31 December 2012 are past due with aging of 30 days at the end of the reporting period based on the invoice date.
- (b) Pursuant to the assignment agreement dated 24 November 2007 as amended/supplemented by a document dated 19 December 2008 executed by and between Maxipetrol and Have Result Investments Limited (“Have Result”), a wholly-owned subsidiary of the Company, 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, the balance payable was US\$6,500,000 (approximately HK\$50,700,000).

The amount was reversed during the year ended 31 December 2012 because the Group, as advised by the Argentina legal advisors of the Company, no longer had any obligation for paying Maxipetrol as a result of the settlement of the legal dispute involving Maxipetrol and Chañares.

- (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 was obliged to pay an amount of US\$4,000,000 (approximately HK\$31,200,000) to Chañares. The outstanding sum at 31 December 2011, amounting to US\$2,596,000 (approximately HK\$20,248,000) was fully settled during the year ended 31 December 2012.
- (d) The amount, which is interest-free and repayable on demand, represents the payable which arose from purchases of held-for-trading investments in 2011 as securities to a loan.
- (e) The amount at 31 December 2012 included professional fees payable and accrued, amounting to HK\$5,178,000, in respect of the proposed acquisition.

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

	2012 HK\$'000	2011 HK\$'000
0-30 days	11,574	46,160
31-60 days	15	17,697
61-90 days	38	1,610
91-180 days	–	2,537
Over 180 days	22,820	–
	<hr/>	<hr/>
	34,447	68,004
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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.

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 Petróleo Plus program ("Petróleo 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\$14.7 million) being Petróleo Plus Program incentive in respect of production up to June 2011.

On 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.

The Group has performed 7 workover jobs to the oil wells during year 2012. The overall results are satisfactory with increase in initial production after workover better than expected.

As at 31 December 2012, The Group has finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result where the Group is entitled 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled 72% interest on production.

The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2012 are as follows,

Contingent Oil Resource (unit: million barrels) *

	31 Dec 2012	31 Dec 2011
Category Gross (100%)		
Low Estimate (1C)	83.5	84.8
Best Estimate (2C)	146.9	146.9
High Estimate (3C)	245.5	245.5
Total (1C+2C+3C)	475.9	477.2

* According to the Resource Estimation Review Report issued by Roman Oil and Mining Associate Limited on 19 March 2013 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 “Impairment of assets” and whenever there are any “trigger” events or changes in circumstances indicates that the carrying amount may not be recoverable. During the year ended 31 December 2009, 31 December 2010, 31 December 2011 and the period ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of exploration and evaluation assets might not be recoverable. According to the requirements under HKAS 36 “Impairment of assets”, no impairment needed to be provided for the exploration and evaluation assets.

The Board of Directors, taking into accounts the certain events happened from November 2012; decided to perform an annual review of the impairment on the exploration and evaluation assets as at 31 December 2012 in the beginning of January 2013. During the review it comes to the attention that the business environment in Argentina has been adversely changed. According to the HKAS 36 “Impairment of assets”, the market approach is not an appropriate method to value the exploration and evaluation assets. Instead, a discounted cash flow method is to be used. During the adoption of the discounted cash flow method, the Board has applied a more prudence estimation on those factors and assumptions for future recoverable amounts on the exploration and evaluation assets.

Details of impairment review are set out in the Financial Review section.

GROUP FINANCIAL REVIEW

For the year ended 31 December 2012, the Group’s turnover was HK\$86.7 million, a decrease of HK\$533.1 million as compared with HK\$619.8 million recorded in last year. The Group recorded a loss for the year of HK\$3,403.5 million, against a loss for the year of HK\$217.7 million in year 2011. The Group did not generate revenue from the trading of petroleum related products during the year 2012, which led to the substantial decrease in turnover as compared with 2011. During year 2012, an impairment loss of HK\$3,130,106,000 (year 2011: nil) was recognised in respect of the E&E assets and impairment loss of HK\$132,906,000 (year 2011: HK\$34,023,000) was recorded in respect of property, plant and equipment relating to the Chañares oil project.

On 3 November 2009, the Group acquired the entire issued share capital of Have Result for a consideration of HK\$3,835,273,000. The principal assets held by Have Result are exploration and evaluation assets, including oil exploration rights. For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at the initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible notes issued, was used to account for the cost of the oil exploration rights, which was HK\$3,810,136,000, being capitalized as an exploration and evaluation assets.

At the time of acquiring the entire issued share capital of Have Result, except for the 51% working interest in the Concessions in the Cuyana Basin, Mendoza Province of Argentina, Have Result has no other operating assets and therefore the market value of Have Result is mainly dominated by the value of the oilfield. Three generally accepted valuation methodologies have been considered in valuing Have Result by BMI Appraisals Limited (“BMI”), the professional valuer, namely the market approach, the cost approach and income approach.

The market approach provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market. The cost approach provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile.

BMI have considered that the income approach is not appropriate to value Have Result, as there are insufficient historical and forecasted financial and operational data of the oilfield. Moreover, the income approach may involve adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event that any such assumptions are founded to be incorrect or unfounded, the valuation result would be significantly affected. The cost approach is also regarded inadequate in this valuation, as this approach does not take future growth potential of Have Result into consideration. Thus, they have determined that the market approach is the most appropriate valuation approach for this valuation.

BMI used the market approach by referring to recent sales and purchase transactions of oilfields. They referred to 84 recent sales and purchase transactions related to oilfields over the world (referred to as the “Transactions”) till June 2009, of which they further analyzed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the oilfield.

In the valuation, BMI used the weighted-average adjusted consideration price to proved and probable reserve (referred to as the “Adjusted P/Reserve”) multiple of the Comparable Transactions to determine the market value of the oilfield and the market value of Have Result accordingly.

Based on the investigation and analysis done by BMI, it was determined that the market value of a 100% equity interest in Have Result as at 30 June 2009 was US\$612,000,000 (or HK\$4,773,600,000). The carrying value of the exploration and evaluation assets of HK\$3,810,136,000 as at 3 November 2009 was approximately 79.82% of the valuation of a 100% equity interest in Have Result as at 30 June 2009.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 “Impairment of assets” and whenever there are any “trigger” events or changes in circumstances indicates that the carrying amount may not be recoverable. During the year ended 31 December 2009, 31 December 2010, 31 December 2011 and the period ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of exploration and evaluation assets might not be recoverable. According to the requirements under HKAS 36 “Impairment of assets”, no impairment needed to be provided for the exploration and evaluation assets.

On November 2012, the Group noted that the crude oil selling price to YPF through Chañares decreased by USD1.5 per barrel to USD67.2 per barrel, and dropped to USD66.5 per barrel on December 2012, which maintain through February 2013. This is the first time of oil price decrease since the Company commenced its investment in Argentina.

In the Operation Agreement signed on 5 June 2012, the Group and Chañares agreed the distribution methodology of the incentive granted from Petróleo Plus program (“Petróleo 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\$14.7 million) being Petróleo Plus Program incentive in respect of production up to June 2011, which represent around US\$16.7 per barrel with reference to the production in relevant period. Have Result and EP Energy have been informed by Chañares the shared proportion of production incentive for 3rd and 4th quarter 2011 and reserve incentive for year 2011, which represent around US\$16.3 per barrel with reference to the production in relevant period. Have Result and EP Energy have issued a formal letter to Chañares on May 2012 to assign Chañares, as the Concession owner, to collect the incentive on the Company's behalf. As of December 2012 and as of the announcement date, Chañares have not received any tax certificate in respect of the above incentive from the Tax Department. The Group considered the chance to receive the incentive was uncertain. The Petróleo Plus Program incentive of approximately US\$16 per barrel represents 24% of the USD66.5 per barrel local oil selling price as of the date of this announcement. Any loss of the Petróleo Plus Program incentive would substantially affect our investment return.

The Board of Directors, taking into accounts the above events; perform an annual review of the impairment on the exploration and evaluation assets as at 31 December 2012 in the beginning of January 2013. During the review it comes to the attention that the business environment in Argentina has been adversely changed. According to the HKAS 36 “Impairment of assets”, the market approach is not an appropriate method to value the exploration and evaluation assets. Instead, a discounted cash flow method is to be used. During the adoption of the discounted cash flow method, the Board has applied

a more prudence estimation on those factors and assumptions for future recoverable amounts on the exploration and evaluation assets:

- Overall development plan will be delayed until investment climate in Argentina improved. In developing the future business plan, the Directors of the Company take a more prudent approach and only considered the production estimation up to the expiry of Concession after a 10 years extension to year 2027. The production quantity used to calculate future cash flows from operations substantially decrease.
- As suggested by the Argentina local auditors, the discount rate used for the impairment assessment in 2012 should consider a higher country risk of Argentina, which was consistent with our view of the adverse change in business environment in Argentina. The discount rate used in year 2012 is 14.1% (year 2011: 10%). The discount rate substantially reduced the net present value of future cash flow of the project.
- Future oil selling price are reference to WTI spot price. The Director of the Company consider Argentina local selling price will only increase in a more steadily way and will take a longer time to match with the WTI.

During the year ended 31 December 2012, followed the change of valuation methodology from market approach to discounted cash flow, use of prudence assumptions in preparing the discounted cash flow such as higher discount rate and decrease in oil price estimation had substantially reduced the net present value of the exploration and evaluation assets. An impairment loss of HK\$3,130,106,000 was recognized as the carrying amount of the E&E assets exceed its recoverable amount. It is a non-cash item adjustment and would not affect the current operations of oil field.

REVIEW OF GROUP OPERATIONS

During year ended December 2012, the Group's core and continuing operations is petroleum exploration and production.

The Group did not generate revenue from has not carried out the trading of petroleum related products during the year 2012.

Exploration and sales of petroleum

In January 2012, EP Energy S.A. has finished the test production of the fourth well CH-1066 and fifth well CH-1082. During year 2012, the Group has performed 7 workover jobs to the oil wells and invested in our owned centralized well fluid collection tank and collection pipeline. The overall results are satisfactory with increase in initial production after workover better than expected. As of the date of this announcement, the Group has ten 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-25 bis	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

During year 2012, the Group had 10 producing wells generating 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 Concessions owner.

Turnover generated from the sales of petroleum segment for the year ended 2012 is HK\$80.8 million. As of 31 December 2012, the Company has invested HK\$559.50 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount includes: 1) HK\$382.1 million in oil well drilling and completion which is classified as oil & gas properties 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 charged to profit or loss in year 2010.

During the year 2012, the depreciation of the oil & gas properties was HK\$36.9 million.

Metals transactions

Revenue from metals transactions are for the purpose of procurement of the metals for the Group's customers and accordingly, the difference between the sales and purchase prices represents the income earned by the Group for its services rendered. During the year, net amount of HK\$5,828,000 was recognised as revenue in the consolidated statement of comprehensive income.

1.1 Future operation plan

Short-term development plan

Pursuant to the Operation Agreement signed on 5 June 2012, Chañares agreed to release EP Energy from the Commitment under the JV Agreement signed on 12 January 2011. The Group is focused on workover and infrastructure investments to improve production on the existing oil wells during year 2012 and 2013. The Group has invested in our owned centralized well fluid collection tank and collection pipeline, which will be in use during the second quarter of year 2013. The Group will invest in our own water injection capacity in the second quarter of year 2013 to lower the field operating cost.

Future development plan

The Directors considered the current economic situation of Argentina and decided to restart the overall business development plan on Chañares oil project in later years. The future business plan is developed by applying a more prudent estimation on those factors and assumptions for future cashflow estimation on the project. From the Technical Review Report issued by Roma Oil and Mining Associates Limited dated 19 March 2013, the Best Estimate (2C) Contingent Oil Resources as at December 2012 remained the same as that of December 2011. In developing the future business plan, the Directors take a more prudent approach and only considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027. The Oil Resource of the project have not reduced, the change in development plan and the production estimation is a more prudent way to value the project. The production quantity used to calculate future cash flow from operations substantially decrease.

Other business opportunities

After setting up the technical & operational team and having 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 the 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 Rules 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.

FINANCIAL POSITION

As at 31 December 2012, the net asset value of the Group was HK\$673.6 million (2011: HK\$3,918.9 million) and the net asset value per share was HK\$0.2 (2011: HK\$1.8).

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet general working capital requirements, the Group has decided to raise additional capital via placement of shares during the year. 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. The Company will raise additional funds via placement of shares and the issue of convertible notes to finance its general working capital requirements in the coming year.

PLEDGE OF ASSETS

At 31 December 2012, 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\$648.5 million and the oil and gas properties with a carrying amount of approximately HK\$203.6 million at 31 December 2012.
- (c) The entire issued share capital of two wholly-owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

CAPITAL COMMITMENTS

As at 31 December 2012, the future capital expenditure for which the Group had contracted but not provided for amounted to HK\$nil (2011: HK\$210.60 million).

EMPLOYEES

As at 31 December 2012, the Group had a total of about 9 employees in Hong Kong, 9 employees in Argentina and 6 employees in PRC. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$13.97 million (2011: HK\$20.99 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 any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

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 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. During the year 2012, the office of the chairman of the Company is 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 DIRECTORS

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 2012.

PUBLICATION OF ANNUAL REPORT

The 2012 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, 28 March 2013

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.