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EPI (Holdings) Limited
長盈集團(控股)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the “Board”) of EPI (Holdings) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 December 2016 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	62,253	66,571
Purchases, processing and related expenses		(39,820)	(39,146)
Other losses, net	5	(3,083)	(15,617)
Wages, salaries and other benefits		(17,767)	(21,949)
Depreciation and depletion		(4,730)	(17,118)
Reversal (provision) of impairment losses	6	1,485	(215,686)
Net (loss) gain on financial assets at fair value through profit or loss	7	(4,344)	12,351
Expenses incurred in exploring potential investment opportunities		(276)	(330)
Other expenses		(17,918)	(28,798)
Finance costs	8	(6,788)	(16,826)
Loss before tax		(30,988)	(276,548)
Income tax expense	9	(91)	—
Loss and total comprehensive expense for the year attributable to owners of the Company	10	<u>(31,079)</u>	<u>(276,548)</u>
			<i>(Restated)</i>
Loss per share attributable to owners of the Company	12		
– Basic		<u>HK(0.76) cent</u>	<u>HK(27.96) cents</u>
– Diluted		<u>HK(0.76) cent</u>	<u>HK(28.78) cents</u>

* For identification purpose only

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Exploration and evaluation assets	13	–	–
Property, plant and equipment		38,184	38,723
Other tax recoverables	14	<u>4,431</u>	<u>7,721</u>
Total non-current assets		<u>42,615</u>	<u>46,444</u>
Current assets			
Trade and other receivables and prepayments	15	11,996	26,864
Loan receivables	16	102,000	–
Other tax recoverables	14	1,465	6,365
Financial assets at fair value through profit or loss	17	27,454	62
Bank balances and cash		<u>182,204</u>	<u>13,168</u>
Total current assets		<u>325,119</u>	<u>46,459</u>
Current liabilities			
Trade and other payables	18	21,801	34,028
Income tax payable		91	–
Borrowings		<u>–</u>	<u>74,600</u>
Total current liabilities		<u>21,892</u>	<u>108,628</u>
Net current assets (liabilities)		<u>303,227</u>	<u>(62,169)</u>
Total assets less current liabilities		<u><u>345,842</u></u>	<u><u>(15,725)</u></u>
Capital and reserves			
Share capital	19	43,671	7,279
Reserves		<u>302,171</u>	<u>(132,204)</u>
Total equity(capital deficiency)		<u>345,842</u>	<u>(124,925)</u>
Non-current liabilities			
Borrowings		<u>–</u>	<u>109,200</u>
		<u><u>345,842</u></u>	<u><u>(15,725)</u></u>

Notes:

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance (Cap. 622) (“CO”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period.

2. Application of new and amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or the disclosures set out in the consolidated financial statements.

3. Revenue

An analysis of the Group’s revenue for the year is as follows:

	2016 HK\$’000	2015 HK\$’000
Sales of petroleum	51,320	66,571
Interest income from money lending business	10,083	–
Arrangement fee income from money lending business	50	–
Dividend income from securities investments	800	–
	62,253	66,571

4. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on the information reported to the chief operating decision maker representing the Board of the Company, for the purposes of resource allocation and assessment of segment performance. This is also the basis upon which the Group is arranged and organised. During the current year, the Group commenced to engage in money lending and investment in securities businesses with their results presented as new reportable and operating segments.

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

- (i) Petroleum exploration and production
- (ii) Money lending
- (iii) Investment in securities

Segment revenue and results

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

For the year ended 31 December 2016

	Petroleum exploration and production HK\$'000	Money lending HK\$'000	Investment in securities HK\$'000	Total HK\$'000
Segment revenue				
External sales/sources	<u>51,320</u>	<u>10,133</u>	<u>800</u>	<u>62,253</u>
Results				
Segment results before reversal of impairment losses	(1,951)	9,920	(4,099)	3,870
Reversal of impairment losses	<u>1,485</u>	<u>—</u>	<u>—</u>	<u>1,485</u>
Segment results	<u>(466)</u>	<u>9,920</u>	<u>(4,099)</u>	5,355
Other losses, net				(3,158)
Corporate expenses				(26,397)
Finance costs				<u>(6,788)</u>
Loss before tax				(30,988)
Income tax expense				<u>(91)</u>
Loss for the year				<u>(31,079)</u>
Other information				
Depreciation and depletion	4,455	127	148	4,730
Reversal of impairment loss of property, plant and equipment	(2,282)	—	—	(2,282)
Provision of impairment loss of other tax recoverables	<u>797</u>	<u>—</u>	<u>—</u>	<u>797</u>

For the year ended 31 December 2015

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
External sales	<u>66,571</u>	<u>–</u>	<u>–</u>	<u>66,571</u>
Results				
Segment results before provision of impairment losses	2,740	–	–	2,740
Provision of impairment losses	<u>(207,886)</u>	<u>–</u>	<u>–</u>	<u>(207,886)</u>
Segment results	<u>(205,146)</u>	<u>–</u>	<u>–</u>	<u>(205,146)</u>
Other losses, net				(16,411)
Corporate expenses				(38,165)
Finance costs				<u>(16,826)</u>
Loss for the year				<u>(276,548)</u>
Other information				
Depreciation and depletion	17,118	–	–	17,118
Provision of impairment loss of exploration and evaluation assets	115,222	–	–	115,222
Provision of impairment loss of property, plant and equipment	91,093	–	–	91,093
Provision of impairment loss of other tax recoverables	1,571	–	–	1,571
Provision of impairment loss of other receivables	<u>7,800</u>	<u>–</u>	<u>–</u>	<u>7,800</u>

Segment results represent the loss incurred/profit earned by each segment without allocation of certain other losses, net, corporate expenses, finance costs and income tax expense.

Geographical information

The Group's operations are located in Argentina and Hong Kong.

Information about the Group's revenue from external customers/sources is presented based on the location of customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets (<i>Note</i>)	
	Year ended 31 December		As at 31 December	
	2016	2015	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Argentina	51,320	66,571	37,702	37,963
Hong Kong	10,933	—	482	760
	<u>62,253</u>	<u>66,571</u>	<u>38,184</u>	<u>38,723</u>

Note: Non-current assets excluded other tax recoverables.

Information about major customers

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	<u>51,320</u>	<u>66,571</u>

¹ Revenue from petroleum exploration and production business.

5. Other losses, net

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	57	1
Other interest income	<u>—</u>	<u>233</u>
	57	234
Exchange losses, net	(3,187)	(17,187)
Loss on disposal of property, plant and equipment	(16)	—
Others	<u>63</u>	<u>1,336</u>
	<u>(3,083)</u>	<u>(15,617)</u>

6. (Reversal) provision of impairment losses

	2016 HK\$'000	2015 HK\$'000
Provision of impairment loss of exploration and evaluation assets	–	115,222
(Reversal) provision of impairment loss of property, plant and equipment	(2,282)	91,093
Provision of impairment loss of other tax recoverables (<i>Note 14</i>)	797	1,571
Provision of impairment loss of other receivables	–	7,800
	<u>(1,485)</u>	<u>215,686</u>

7. Net (loss) gain on financial assets at fair value through profit or loss

	2016 HK\$'000	2015 HK\$'000
Net unrealised (loss) gain on financial assets at fair value through profit or loss (“FVTPL”)	(3,313)	10
Net realised (loss) gain on disposal of financial assets at FVTPL	(1,031)	106
Net gain on modification of terms of convertible notes	–	12,480
Amortisation of deferred loss on conversion component of convertible notes	–	(380)
Gain on new derivative component recognised in profit or loss	–	135
	<u>(4,344)</u>	<u>12,351</u>

8. Finance costs

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings and overdrafts	6,626	9,341
Interest on other loans	162	667
Interest on convertible notes	–	6,761
	<u>–</u>	<u>–</u>
Total interest expense	6,788	16,769
Loan arrangement fee	–	57
	<u>6,788</u>	<u>16,826</u>

9. Income tax expense

	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong	<u>91</u>	<u>–</u>

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profit for both years.

Argentina income tax was calculated at 35% of assessable profit for the year. No provision for Argentina income tax was made as there was no assessable profit arising for both years.

10. Loss for the year

Loss for the year has been arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
Staff costs		
– directors' emoluments	5,989	8,244
– other staff's retirement benefits costs (excluding directors)	78	189
– other staff costs	<u>11,700</u>	<u>13,516</u>
Total staff costs	<u>17,767</u>	<u>21,949</u>
Auditor's remuneration	2,400	2,400
Minimum lease payments under operating leases in respect of office properties and buildings	3,279	3,208
Professional and consultancy fees	<u>12,347</u>	<u>5,991</u>

11. Dividends

No dividend was paid or proposed for the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting periods.

12. Loss per share

Loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 HK\$'000	2015 HK\$'000
Loss:		
Loss for the year attributable to the owners of the Company for the purpose of calculating basic loss per share	(31,079)	(276,548)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes	–	2,625
Net gain on modification of terms of convertible notes	–	(12,480)
Amortisation of deferred loss on conversion component of convertible notes	–	380
	<u>–</u>	<u>380</u>
Loss for the year attributable to the owners of the Company for the purpose of calculating diluted loss per share	<u>(31,079)</u>	<u>(286,023)</u>

	2016 '000	2015 '000 (Restated)
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Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic loss per share	4,098,651	989,034
Effect of dilutive potential ordinary shares:		
Convertible notes	–	4,871
	<u>–</u>	<u>4,871</u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>4,098,651</u>	<u>993,905</u>

The denominator for the purpose of calculating basic loss per share for the year ended 31 December 2015 has been adjusted to reflect the additional shares of the rights issue completed on 27 January 2016 on the basis of five offer shares for every one share.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At 31 December 2016, the Company has no dilutive potential ordinary share (2015: had dilutive potential ordinary shares from warrants, convertible notes and share options).

During the year ended 31 December 2015, the convertible notes issued in 2013 (“2013 CN”) were assumed to have been converted into ordinary shares, and the net loss was adjusted to eliminate the related gain/loss and expenses stated above for that year. However, the dilutive potential ordinary shares from the modified 2013 CN, outstanding warrants and share options were anti-dilutive and were not assumed to have been converted into ordinary shares because the exercise of the modified 2013 CN would result in a decrease in loss per share and the exercise prices of the warrants and share options were higher than the average market price for shares.

13. Exploration and evaluation assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
COST		
At 1 January and 31 December	<u>3,778,574</u>	<u>3,778,574</u>
IMPAIRMENT		
At 1 January	3,778,574	3,663,352
Recognised in profit or loss	<u>–</u>	<u>115,222</u>
At 31 December	<u>3,778,574</u>	<u>3,778,574</u>
CARRYING VALUES		
At 1 January	<u>–</u>	<u>115,222</u>
At 31 December	<u>–</u>	<u>–</u>

The balance 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 (together, the “Concessions”) in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40.0 square kilometres, respectively.

The Concessions were awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. (“Chañares”), the concessionaire. The terms of these oil exploration and production concessions are 25 years commencing from 26 June 1992 and 24 September 1992, respectively, with the possibility of obtaining a 10-year extension under certain conditions.

In 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.

At 31 December 2015, based on prevailing available information on oil price forecast, investment costs and operating costs, the Group reconsidered its future development for the Argentina investment plan using methods of breakeven analysis and investment return analysis and concluded that it was not economically feasible to drill any new wells. Given the nature of the Group’s activities, information on the fair value of the exploration and evaluation assets is usually difficult to obtain unless negotiation with potential purchasers are taking place. Accordingly, no reliable fair value information in the market could be found. Therefore, in the opinion of the directors of the Company, the exploration and evaluation assets were fully impaired and an impairment loss of HK\$115,222,000 was recognised in profit or loss during the year ended 31 December 2015.

At 31 December 2016, the Group reconsidered the future development for the Argentina investment plan and concluded that no well drilling programme will be relaunched.

14. Other tax recoverables

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future sales of petroleum which the Group expects with reference to the current oil production from existing wells. During the year ended 31 December 2016, a provision of impairment loss on value-added tax of HK\$797,000 (2015: HK\$1,571,000) was recognised in profit or loss (*Note 6*). The directors of the Company expects that an amount of HK\$4,431,000 (2015: HK\$7,721,000) will be recovered from the sales of petroleum after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

15. Trade and other receivables and prepayments

	2016 HK\$'000	2015 HK\$'000
Trade receivables (<i>Note (i)</i>)	1,100	1,645
Deposits and prepayments	1,374	2,864
Deposits held for petroleum exploration and production operation	5,264	8,722
Interest receivables (<i>Note (ii)</i>)	3,556	—
Others (<i>Note (iii)</i>)	702	13,633
	<u>11,996</u>	<u>26,864</u>

Notes:

- (i) The oil selling price for the Argentina operation is quoted in US\$ and converted into Argentina Peso for invoicing. The Group allows an average credit period of 30 to 60 days. The trade receivables of HK\$1,100,000 (2015: HK\$1,645,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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. Receivables that were neither past due nor impaired related to a customer with no recent history of default.

- (ii) The amount mainly represents interest receivables from the loans to third party borrowers of the money lending business.
- (iii) The amount includes HK\$696,000 (2015: HK\$13,628,000) placed with securities brokers for trading securities in Hong Kong.

16. Loan receivables

	2016	2015
	HK\$'000	HK\$'000
Fixed-rate unsecured loan receivables	102,000	—

17. Financial assets at fair value through profit or loss

	2016	2015
	HK\$'000	HK\$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	22,454	62
Unlisted investment, at fair value:		
– Debt securities	5,000	—
	27,454	62

18. Trade and other payables

	2016	2015
	HK\$'000	HK\$'000
Trade payables	977	389
Interest payables on borrowings	—	1,583
Other tax payables	2,447	19,228
Accrued professional fees	8,605	8,020
Payable for acquisition of financial assets at FVTPL	5,000	—
Other payables and accruals	4,772	4,808
	21,801	34,028

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 30 days	451	389
31 – 60 days	20	–
61 – 120 days	40	–
121 – 365 days	466	–
	<u>977</u>	<u>389</u>

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.

19. Share capital

	Number of ordinary shares '000	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 at 1 January 2015	10,000,000	1,000,000
Sub-division of shares (<i>Note (i)(c)</i>)	<u>90,000,000</u>	<u>–</u>
Ordinary shares of HK\$0.01 at 31 December 2015 and 2016	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 at 1 January 2015	4,852,358	485,236
Share consolidation and capital reduction (<i>Note (i)(a) and (i)(b)</i>)	<u>(4,367,122)</u>	<u>(480,383)</u>
	485,236	4,853
Issue of shares upon open offer (<i>Note (ii)</i>)	<u>242,618</u>	<u>2,426</u>
Ordinary shares of HK\$0.01 at 31 December 2015	727,854	7,279
Issue of shares upon rights issue (<i>Note (iii)</i>)	<u>3,639,268</u>	<u>36,392</u>
Ordinary shares of HK\$0.01 at 31 December 2016	<u>4,367,122</u>	<u>43,671</u>

Notes:

- (i) At the special general meeting of the Company held on 13 May 2015, special resolution in respect of the reorganisation of the Company's share capital (the "Capital Reorganisation") involving the share consolidation, capital reduction, share subdivision, share premium reduction and application of credit arising from capital reduction and share premium reduction were approved by the shareholders of the Company. The Capital Reorganisation became effective on 14 May 2015. Its effects were as follows:
- (a) the share consolidation whereby every ten shares of nominal value of HK\$0.10 each in the issued share capital of the Company were consolidated into one consolidated share of nominal value of HK\$1.00 and any fractional consolidated share in the issued share capital of the Company arising from the share consolidation was cancelled;
 - (b) the capital reduction whereby the nominal value of all the issued consolidated shares were reduced from HK\$1.00 each to HK\$0.01 each by cancelling paid-up capital to the extent of HK\$0.99 on each consolidated share so as to form an adjusted share of HK\$0.01, and the credit arising from the capital reduction be credited to the contributed surplus account of the Company;
 - (c) the sub-division of each of the authorised but unissued shares of HK\$0.10 into ten adjusted shares of HK\$0.01 each;
 - (d) the cancellation of all amounts standing to the credit of the share premium account of the Company with the credit arising therefrom credited to the contributed surplus account of the Company; and
 - (e) the application of the amounts in the contributed surplus account of the Company to set off the accumulated losses of the Company.

Details of Capital Reorganisation are set out, among other things, in the announcements of the Company dated 31 March 2015 and 13 May 2015, and the circular of the Company dated 20 April 2015.

- (ii) On 17 June 2015, the Company completed an issue and allotment of 242,617,879 offer shares at the subscription price of HK\$0.50 per offer share, on the basis of one offer share for every two ordinary shares of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation of the Company became effective. The net proceeds from the open offer, after deducting directly attributable costs of HK\$2,546,000 from gross proceeds of HK\$121,309,000, were approximately HK\$118,763,000. Details of these are set out in the announcements of the Company dated 31 March 2015, 17 April 2015 and 16 June 2015, and the offering circular of the Company dated 26 May 2015.
- (iii) On 27 January 2016, the Company completed an issue and allotment of 3,639,268,185 rights shares at a subscription price of HK\$0.14 per rights share by way of a rights issue on the basis of five rights shares for every one share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$7,651,000 from gross proceeds of HK\$509,497,000, were approximately HK\$501,846,000. Details of these are set out in the announcements of the Company dated 12 November 2015, 18 December 2015, 21 December 2015 and 26 January 2016, the circular of the Company dated 2 December 2015, and the prospectus of the Company dated 31 December 2015.

- (iv) As part of the placing agreement for placing of shares completed in March 2013 (the “March 2013 Placing Shares”), the Company issued non-listed warrants (the “Warrants”) on the basis of five Warrants for each of the March 2013 Placing Shares issued, at no initial price. The exercise price of the Warrant was at HK\$0.20 each and could be exercised at any time for a period of three years from the issue date.

Upon the completion of the Capital Reorganisation on 14 May 2015 (see (i) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 625,000,000 shares to 62,500,000 shares and the exercise price of the Warrant was adjusted from HK\$0.20 per share to HK\$2.00 per share.

Upon the completion of the open offer of the Company on 17 June 2015 (see (ii) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 62,500,000 shares to 73,529,411 shares and the exercise price of the Warrant was adjusted from HK\$2.00 per share to HK\$1.70 per share.

Upon the completion of the rights issue of the Company on 27 January 2016 (see (iii) above), the number of shares that could be subscribed for upon exercise of the outstanding Warrants were adjusted from 73,529,411 shares to 162,337,662 shares and the exercise price of the Warrant was adjusted from HK\$1.70 per share to HK\$0.77 per share.

During the year ended 31 December 2016 and 2015, no shares were issued as a result of the exercise of the Warrants. All outstanding Warrants expired on 29 February 2016. As at 31 December 2016, the Company had no Warrants outstanding.

All shares issued by the Company during both years rank *pari passu* with the then existing ordinary shares in all respects.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

BUSINESS REVIEW

For the year ended 31 December 2016, the Group continued to engage in the business of petroleum exploration and production, and has diversified into the money lending and investment in securities businesses during the year.

For the year under review, the Group reported revenue of HK\$62,253,000, decreased by 6% from last year (2015: HK\$66,571,000) that was mainly due to the drop in average selling price and volume of the crude oil produced by the Group, though such decrease in revenue was partly compensated by the revenue attributed to the money lending and investment in securities businesses which were newly commenced during the year.

Petroleum Exploration and Production

During year ended 31 December 2016, the Group continued to engage in petroleum exploration and production in the Concessions in the Cuyana Basin, Mendoza Province of Argentina. The Group continued to focus on investment to improve production of and had performed maintenance works for the 10 existing producing oil wells. At 31 December 2016, the Group had finished drilling of 10 oil wells in the Chañares Herrados Concession Area in Mendoza. All the 10 oil wells are in production and the Group is entitled to 51% interest on the production of 5 oil wells and 72% interest on the production of the other 5 oil wells.

The contingent oil resources in certain shallow reservoirs in the Concessions as at 31 December 2016 and 31 December 2015 are as follows:

Contingent Oil Resources	<i>Million barrels*</i>	
	2016	2015
<i>Category Gross (100%)</i>		
Low Estimate (1C)	79.4	80.3
Best Estimate (2C)	137.7	138.6
High Estimate (3C)	236.3	237.2

* According to the Technical Review Report issued by Global Resources & Infrastructure Pty Ltd on 30 March 2017 on the Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina

For the year under review, the Group's petroleum exploration and production business generated revenue of HK\$51,320,000 (2015: HK\$66,571,000) and recorded a loss of HK\$466,000 (2015: HK\$205,146,000). The decline of the operation's revenue was partly due to the drop in production volume of crude oil by about 10% when compared with last year, and also due to the decrease in crude oil sales price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from on average US\$66.4 per barrel in 2015 to US\$57.0 per barrel in 2016. Mainly as a result of the drop in operation's revenue, the business recorded a loss of HK\$1,951,000 (before impairment loss) in contrast to the profitable result of HK\$2,740,000 (before impairment loss) in 2015. Nevertheless, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties of the Concessions at 31 December 2016 and other tax recoverables and determined that there was no reversal of impairment loss on the exploration and evaluation assets but there was a reversal of impairment loss of HK\$2,282,000 on the oil and gas properties of the Concessions and a provision of impairment loss of other tax recoverables of HK\$797,000. As a result, the business recorded a small loss of HK\$466,000 after including the net reversal of impairment loss mentioned and is in contrast to the significant loss incurred last year which included impairment losses of HK\$207,886,000.

As referred to in the announcement of the Company dated 25 August 2016, the Group was notified by the Concessionaire (as defined in the announcement) that the department of hydrocarbons of the government of Mendoza has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 (the "Extension") previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. The Group has been making enquiries with the Concessionaire to understand the situation and seeking legal advice on the matter to assess the impact on the Group's interest in the operations of the Concessions. Up to the date of this announcement, the Group has not yet received any formal update from the Concessionaire on the government's review of the Extension. The Company will make further announcement(s) when there is any material development on the Extension.

Money Lending

The Group has commenced to engage in money lending business during the year and reported revenue of HK\$10,133,000 and encouraging profitable result of HK\$9,920,000. The Group had applied part of the new funds raised from the rights issue completed in January 2016 to expand the scale of activities of this operation.

At 31 December 2016, the loans portfolio held by the Group amounted to HK\$102,000,000 with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio	Interest rate per annum	Maturity
	%	%	
Individual	54.90	8	Within one year
Corporate	45.10	15-18	Within one year
	<u>100.00</u>		

Investment in Securities

The Group has also commenced to engage in the business of investment in securities during the year. The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, reference will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

For the year under review, the Group's securities investment operation recorded revenue of HK\$800,000 representing dividend income from its investments in equity securities listed on the Stock Exchange. As a whole, the operation reported a loss of HK\$4,099,000 which comprised net unrealised loss of HK\$3,313,000 on securities held by the Group at year end and net realised loss on disposal of securities of HK\$1,031,000. Such loss on securities investments was due primarily to the volatile Hong Kong stock market during 2016 and there were notable price decreases of certain securities held by/disposed of by the Group.

At 31 December 2016, the Group's investment in securities operation held a securities portfolio comprising listed equity securities and unlisted equity-linked notes totalling HK\$27,454,000.

Overall Results

As a whole, the Group reported a loss and total comprehensive expense attributable to owners of the Company for the year of HK\$31,079,000 which represented a significant reduction of loss by 89% from last year (2015: HK\$276,548,000). The Group's improved results were mainly attributed to (i) the absence of impairment loss of HK\$115,222,000 recognised in respect of exploration and evaluation assets in 2015; (ii) the decrease of net amount of impairment loss, depreciation and depletion recognised in respect of oil and gas properties to HK\$2,155,000 (2015: HK\$107,866,000); (iii) the absence of effective interest expenses on convertible notes of HK\$6,761,000 recognised in 2015 as the convertible notes were redeemed in June 2015; (iv) the decrease of exchange loss to HK\$3,187,000 (2015: HK\$17,187,000) arising from devaluation of Argentina Peso; and (v) the profitable results contributed by the Group's money lending operation.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK\$501,846,000. As referred to in the Company's announcement dated 8 November 2016, the Company had changed the use of such proceeds and had applied approximately HK\$191,837,000 for repayment of bank borrowings; with the remaining balance being designated for development of its newly commenced businesses in money lending and investment in securities and as general working capital.

During the year ended 31 December 2016, the Group financed its operation mainly by shareholders' funds and bank borrowings (before the full repayments). At year end, the Group had current assets of HK\$325,119,000 (2015: HK\$46,459,000) and liquid assets comprising bank balances and cash as well as short-term securities investments totalling HK\$209,658,000 (2015: HK\$13,230,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$21,892,000 (2015: HK\$108,628,000), was at a very strong ratio of about 14.9 (2015: 0.4). The significant improvement in current ratio was mainly due to the proceeds raised by the Company in the rights issue completed in January 2016. At 31 December 2016, the Group's trade and other receivables and prepayments amounted to HK\$11,996,000 (2015: HK\$26,864,000), which mainly comprised deposit placed as escrow for the petroleum exploration and production operation and interest receivables from debtors of the Group's money lending business.

At 31 December 2016, the net assets of the Group amounted to HK\$345,842,000 and is in contrast to the net liabilities position of HK\$124,925,000 in last year. The turnaround of Group's financial position was primarily due to the proceeds raised by the Company from the rights issue completed in January 2016. The Group's gearing ratio, calculated on the basis of total liabilities of HK\$21,892,000 (2015: HK\$217,828,000) divided by total assets of HK\$367,734,000 (2015: HK\$92,903,000), was at a very low ratio of about 6% (2015: 234%). The finance costs for the year amounted to HK\$6,788,000 (2015: HK\$16,826,000), representing mainly interests on bank borrowings which had been fully repaid in November 2016. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

The Group's petroleum exploration and production operation continued to record loss, though small, of HK\$466,000 in 2016 as business conditions of the operation remained challenging where Argentina local oil selling price remained hovering at low levels at an average of about US\$57.0 per barrel. This price pattern is expected to continue in 2017 as there are no clear signs that local oil selling price in Argentina will rebound in the near term.

As for the newly commenced money lending business, the Group will continue to develop this business under prudent credit management by allocating sufficient financial resources to it so as to achieve the corporate goal that this business will continue to contribute a stable income stream and favourable returns to the Group in future years.

The investment and stock market in Hong Kong was volatile in 2016 and the Group has taken a more cautious approach in managing its securities investments portfolio, which currently comprises of equity shares listed on the Stock Exchange and equity-linked notes.

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK\$501,846,000. The Company had applied the proceeds for repayment of bank borrowings as referred to in the Company's announcement dated 8 November 2016, and for development of its businesses in money lending and investment in securities and as general working capital as intended.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects aiming to enhance value to shareholders.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2016, except for the following deviations with reasons as explained:

Appointments, re-election and removal

Code Provision A.4.1

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.

Deviation

Prior to 1 November 2016, the non-executive directors of the Company, including the independent non-executive directors of the Company, are not appointed for a specific term but subject to retirement by rotation in accordance with the Company's Bye-laws. However, the aforesaid deviation was rectified and code provision A.4.1 has been complied with commencing from 1 November 2016 as the Company has entered into the appointment letter with each of the existing independent non-executive directors of the Company and according to their respective appointment letter, the term of service of each of the existing independent non-executive directors of the Company be fixed at a term of twelve month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. The directorship of each of the existing independent non-executive directors of the Company is also subject to retirement by rotation in accordance with the Company's Bye-laws.

Responsibilities of directors

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

One independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 22 June 2016 (the “2016 AGM”) due to personal reasons. However, there were two executive directors, two non-executive directors and two independent non-executive directors of the Company present at the 2016 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
EPI (Holdings) Limited
Sue Ka Lok
Chief Executive Officer

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises six Executive Directors, namely Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer), Ms. Chan Yuk Yee, Mr. Yiu Chun Kong, Mr. Zhu Kai and Mr. Chan Shui Yuen; and three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine.