EPI (Holdings) Limited
長盈集團(控股)有限公司*

(incorporated in Bermuda with limited liability)
(Stock code: 689)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 (together, the "**Group**") for the year ended 31 December 2015 with comparative figures for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** **HK\$'000**	2014 HK\$'000
Continuing operation:			
Revenue	3	**66,571**	85,689
Purchases, processing and related expenses		**(39,146)**	(38,881)
Other losses, net	4	**(15,617)**	(16,542)
Wages, salaries and other benefits		**(21,949)**	(34,253)
Depreciation and depletion		**(17,118)**	(18,043)
Provision of impairment losses	5	**(215,686)**	(73,576)
Fair value gains on financial instruments	6	**12,351**	49,109
Expenses incurred in exploring potential investment opportunities		**(330)**	(25,260)
Other expenses		**(28,798)**	(73,783)
Finance costs	7	**(16,826)**	(34,693)
Loss and total comprehensive expenses for the year from continuing operation	9	**(276,548)**	(180,233)
Discontinued operation:			
Loss and total comprehensive expense for the year from discontinued operation		**–**	(200,910)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(276,548)**	(381,143)
			(Restated)
Loss per share attributable to owners of the Company	11		
From continuing operation:			
— basic		**(0.39)**	(0.33)
— diluted		**(0.40)**	(0.33)
From discontinued operation:			
— basic		**N/A**	(0.37)
— diluted		**N/A**	(0.37)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Exploration and evaluation assets	12	**–**	115,222
Property, plant and equipment		**38,723**	138,422
Other tax recoverable		**7,721**	17,563
		46,444	271,207
Current assets			
Trade and other receivables and prepayments	13	**26,864**	45,928
Other tax recoverable		**6,365**	16,140
Held-for-trading investments		**62**	52
Bank balances and cash		**13,168**	28,565
		46,459	90,685
Current liabilities			
Trade and other payables	14	**34,028**	44,013
Borrowings — amount due within one year		**74,600**	54,600
Convertible notes		**–**	62,877
Derivative financial liabilities		**–**	5,917
		108,628	167,407
Net current liabilities		**(62,169)**	(76,722)
Total assets less current liabilities		**(15,725)**	194,485
Capital and reserves			
Share capital		**7,279**	485,236
Reserves		**(132,204)**	(454,551)
Equity attributable to owners of the Company and total equity		**(124,925)**	30,685
Non-current liabilities			
Borrowings — amount due after one year		**109,200**	163,800
		(15,725)	194,485

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of held-for-trading investments, available-for-sale financial assets and financial liabilities (including derivative instruments) at fair value through consolidated profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 30 March 2016.

The Group incurred a loss attributable to the owners of the Company of HK$276,548,000 and had a net operating cash outflow of HK$36,998,000 during the year end 31 December 2015. As at 31 December 2015, the Group's net liabilities is HK$124,925,000, its current liabilities exceeded its current assets by HK$62,169,000, and its cash and cash equivalents balance was reduced to HK$13,168,000.

In addition, the Group had total borrowings of HK$183,800,000, consisting of a bank loan of HK$163,800,000, as at 31 December 2015. Total borrowings amounted to HK$183,800,000, including the current portion of bank loans and other loan of approximately HK$74,600,000 which will be due for repayment within twelve months after the end of the reporting period.

Pursuant to the bank loan agreement of the outstanding bank loans of $163,800,000, the Group is required to comply with certain requirements, including to maintain Mr. Wu Shaozhang ("**Mr. Wu**") as a substantial shareholder of the Company ("**Substantial Shareholder"**) as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). A Substantial Shareholder is one who is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company. The failure to comply with such requirements would constitute an event of default, which may cause the relevant bank loans totalling HK$163,800,000 becoming immediately repayable.

All of the above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the end of the reporting period. The Directors are of the opinion that, taking into account of the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period:

(1) On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as a Substantial Shareholder, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as a Substantial Shareholder in any event that he is reasonably expected to cease to be a Substantial Shareholder as a result of issue of new shares by the Company. As at 31 December 2015 and up to the date of approval of these consolidated financial statements, Mr. Wu, directly or indirectly, holds approximately 10.01% of the Company's issued shares and remains as a Substantial Shareholder.

(2) On 12 November 2015, the Company proposed to raise gross proceeds of not less than approximately HK$509.5 million by way of a rights issue of shares on the basis of five rights shares for every one existing share at HK$0.14 per rights share. The rights issue was completed in January 2016. The estimated net proceeds, after deducting underwriting commission and other related expenses incurred by the Company, amounted to approximately HK$502.1 million. Mr. Wu subscribed for all the rights shares provisionally allotted to him, directly or indirectly, and he continues to hold, directly or indirectly, approximately 10.01% of the Company's issued shares after the rights issue and at the date of approval of these consolidated financial statements. Mr. Wu maintains his position as a Substantial Shareholder. Further details of the rights issue are set out in the prospectus of the Company dated 31 December 2015 and the announcement of the Company dated 26 January 2016.

(3) The Group will be introducing procedures to enhance the production of its existing oil wells and is also implementing tighter cost control measures. It is expected that these measures will improve its operating cash inflows from its continuing operations.

In the opinion of the Directors, in light of the above, the Group will have sufficient working capital to finance its operations and fulfil its financial obligations as and when they fall due in the coming twelve months from the end of the reporting period. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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 in issue 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:

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKFRS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in petroleum exploration and production. An analysis of the Group's revenue from continuing operation for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Sales of petroleum	**66,571**	85,689

Information is reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The Chief Executive Officer considers the business of the Group from both a geographic and product perspective.

For the year ended 31 December 2014, the Group's reportable segments were:

- Petroleum exploration and production (continuing operation); and
- Metals transactions (discontinued operation).

For the year ended 31 December 2015, the Chief Executive Officer has determined with management that the Group operated only in two geographical locations, being Argentina and Hong Kong, and has one operating segment on an aggregate basis, i.e. petroleum exploration and production, after the operating segment of metals transactions being discontinued in 2014. Other than the geographical information, no operating results and other discrete financial information are available for the assessment of performance of the respective business divisions. For these reasons, no separate segment information is presented.

Geographical information

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

The Group's revenue from continuing operation 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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Argentina	**66,571**	85,689	**37,963**	252,617
Hong Kong	**–**	–	**760**	1,027
	66,571	85,689	**38,723**	253,644

Non-current assets excluded other tax recoverable.

During the current year, all external revenue of HK$66,571,000 (2014: HK$85,689,000) is generated from one customer. The revenue is attributable to petroleum exploration and production segment.

4. OTHER (LOSSES) GAINS, NET

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Bank interest income	**1**	2
Other interest income	**233**	1,014
Total interest income	**234**	1,016
Exchange losses, net	**(17,187)**	(18,333)
Loss on disposal of property, plant and equipment	**–**	(464)
Others	**1,336**	1,239
	(15,617)	(16,542)

5. PROVISION OF IMPAIRMENT LOSSES

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Impairment loss of exploration and evaluation assets	**115,222**	91,049
Impairment loss of property, plant and equipment	**91,093**	–
Impairment loss of other receivables	**7,800**	–
Impairment (reversal of impairment) loss of other tax recoverable	**1,571**	(17,473)
	215,686	73,756

6. FAIR VALUE GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Net gain on modification of terms of convertible notes	**12,480**	–
Amortisation of deferred loss on conversion component of convertible notes	**(380)**	(5,347)
Gain on derivative component recognised in profit or loss	**–**	34,687
Gain on new derivative component recognised in profit or loss	**135**	–
Fair value gain (loss) on held-for-trading investments	**10**	(46)
Fair value gain on warrants	**–**	20,751
Loss on disposal of bond	**–**	(936)
Gain on disposal of held-for-trading investments	**106**	–
	12,351	49,109

7. FINANCE COSTS

	2015 *HK$'000*	2014 *HK$'000*
Continuing operation:		
Interest on borrowings:		
Bank borrowings and overdrafts	**9,341**	11,564
Other loans	**667**	180
Effective interest expense on convertible notes	**6,761**	22,949
Total interest expense	**16,769**	34,693
Loan arrangement fee	**57**	–
	16,826	34,693

8. TAXATION

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 in the consolidated financial statements as the Group does not have assessable profits in Hong Kong for both years.

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

9. LOSS FOR THE YEAR

	2015 *HK$'000*	2014 *HK$'000*
Continuing operation:		
Loss for the year has been arrived at after charging:		
Directors' emoluments	**8,244**	14,180
Other staff's retirement benefits costs (excluding directors)	**189**	162
Other staff's equity-settled share-based payment expense (excluding directors)	**–**	162
Other staff costs	**13,516**	19,749
Total staff costs	**21,949**	34,253
Auditor's remuneration	**2,400**	3,000
Equity-settled share-based payment expenses for consultants	**–**	34,916
Minimum lease payments under operating leases in respect of office properties and buildings	**3,208**	2,681
Professional and consultancy fees	**5,991**	20,652

10. DIVIDEND

No dividend was paid or declared during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period for both years.

11. 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.

	2015	2014
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company		
Continuing operation		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(276,548)**	(180,233)
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**	–
Loss for the purpose of diluted loss per share	**(286,023)**	(180,233)
Discontinued operation		
Loss for the purpose of basic and diluted loss per share	**N/A**	(200,910)

	2015	2014
	'000	*'000*
		(Restated)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**703,889**	545,035
Effect of dilutive potential ordinary shares:		
Convertible notes	**4,871**	–
Weighted average number of ordinary shares for the purpose of dilutive loss per share	**708,760**	545,035

The denominator for the purpose of calculating basic loss per share for the year ended 31 December 2014 has been adjusted to reflect the consolidation of shares in June 2015 on the basis of ten ordinary shares being consolidated into one ordinary share (the "**Share Consolidation**") and bonus element of the open offer on the basis of one offer share for every two shares (the "**Open Offer**").

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. The Company has three categories of potential ordinary shares: warrants, convertible notes and share options (2014: three categories comprising warrants, convertible notes and share options). The 2013 Convertible notes ("**2013 CN**") are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the related gain/loss and expenses stated above for the current year. For the years ended 31 December 2015 and 2014, the New 2013 Convertible notes and 2013 CN, respectively, were not assumed to have been converted into ordinary shares because their exercise would result in a decrease in loss per share, i.e. anti-dilutive.

For the potential ordinary shares from the outstanding warrants and share options, they were anti-dilutive for the years ended December 2015 and 2014. The computation of diluted loss per share does not assume the exercise of the Company's warrants and share options because the exercise prices of those warrants and share options were higher than the average market price for shares for both years.

12. EXPLORATION AND EVALUATION ASSETS

	2015	2014
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	**3,778,574**	3,778,574
IMPAIRMENT		
At 1 January	**3,663,352**	3,572,303
Recognised in profit or loss	**115,222**	91,049
At 31 December	**3,778,574**	3,663,352
NET BOOK AMOUNT		
At 1 January	**115,222**	206,271
At 31 December	**–**	115,222

Notes:

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 square kilometres, respectively.

The Puesto Pozo Cercado Concession and Chañares Herrados Concession 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.

Since 2012 onwards, the Argentina government has been taking more drastic measures to ensure growth and keeping the currency stable, such as import restrictions and severe capital controls. These policies are exacerbating economic stagnation and leading to political unrest. As a result, 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.

Since the last quarter of 2014, the global oil price has been decreasing drastically. With reference to the latest available future oil price forecast, the Directors expect that the deterioration in growth of oil price outlook would continue in the next few years. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. Accordingly, the Directors decided to further delay the Group's overall drilling plan. As a result, the Directors conducted a review of the Group's petroleum exploration and production business in Argentina and determined that the Group's exploration and evaluation assets, and oil and gas properties under property, plant and equipment should be further impaired.

The above changes in future oil price outlook and the Group's deferral in the Argentina investment plan would have a significant impact to the timing and amount of expected future cash flows from the operation as well as the recoverable amount of the exploration and evaluation assets, and oil and gas properties under property, plant and equipment of the Group. Consequently, impairment losses of HK$91,049,000 was recognised in respect of the Group's exploration and evaluation assets during the year ended 31 December 2014.

At 31 December 2014, the recoverable amount of the exploration and evaluation assets was determined from value in use calculation based on a cash flow projection derived from estimated oil reserve at the Concessions up to the expiry of the concession right in 2027 at a discount rate of 18.06%. The key assumptions for the value in use calculation were those regarding the discount rates, production decline rates and expected changes in future oil prices. The expected future oil prices for the petroleum exploration and production in Argentina for the next five years ranged from US$66.90 to US$106.30 per barrel. Should the future oil price be further decreased by 3%, the carrying amount of the exploration and evaluation assets would have recognised further impairment of HK$47,221,000. Should the discount rate be increased by 1%, additional impairment loss of HK$27,589,000 would have been recognised.

In 2015, based on current available information on oil price forecast, investment costs and operating costs, the Group reconsidered its future development plan for the Argentina investment plan using methods of Breakeven Analysis and Investment Return Analysis. Based on these methods, the management of the Group concluded that it is not economically justifiable to maintain its previous plan and it is also not feasible to drill any new wells. Therefore, the board of Directors resolved that no new wells will be drilled until further decision from the board of Directors. 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 negotiations with potential purchasers are taking place. Accordingly, no reliable fair value information in the market could be found. Considering these factors, in the opinion of the Directors of the Company, the exploration and evaluation assets are fully impaired and an impairment loss of HK$115,222,000 was recognised in profit or loss during the year ended 31 December 2015.

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables *(note a)*	**1,645**	3,596
Loan to a third party *(note b)*	**–**	15,600
Deposits and prepayments	**2,864**	1,747
Deposits held for petroleum exploration and production operation	**8,722**	24,084
Others *(note c)*	**13,633**	901
	26,864	45,928

Notes:

(a) The oil selling price for the Argentina operation is based on US Dollar, and converted into Argentina Peso ("**ARS**") in official exchange rate on a monthly basis. The Group invoices its customer in ARS and allows an average credit period of 30 to 60 days to its trade customer. The trade receivables of HK$1,645,000 (2014: HK$3,596,000) 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 relate to a customer for whom there was no recent history of default.

(b) At 31 December 2014, loan to a third party of HK$15,600,000 was unsecured, interest bearing at fixed interest rate of 12% per annum, denominated in US$ and was repayable within six months from the agreement date. HK$7,800,000 of the loan remained outstanding at 31 December 2015, which was overdue and in dispute and was therefore fully impaired. An impairment loss of HK$7,800,000 was recognised in profit or loss in the current year. The Group does not hold any collateral over the balance.

(c) The amount includes HK$13,628,000 (2014: nil) which is kept in 'cash account' of a securities broker which acts an agent of the Group in trading listed securities.

(d) Other items within trade and other receivables and prepayments do not contain impaired assets.

(e) The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivables mentioned above. At 31 December 2015, the Group does not hold any collateral as security.

14. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**389**	253
Interest payable on borrowings	**1,583**	1,575
Other tax payables	**19,228**	19,944
Accrued professional fees	**8,020**	12,806
Other payables and accruals	**4,808**	9,435
	34,028	44,013

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

	2015	2014
	HK$'000	*HK$'000*
0–30 days	**389**	253

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 (together, the "**Concessions**") in the Cuyana Basin, Mendoza Province of Argentina. Pursuant to the operation agreement signed on 5 June 2012, Chañares agreed to release EP Energy S.A. ("**EP Energy**") from the commitment under a joint venture agreement (the "**JV Agreement**") signed on 12 January 2011. During year 2015, the Group continued to focus on investment to improve production of the existing 10 producing wells. The Group has performed three workover jobs to its producing oil wells during year 2015. The Group has continued investing to improve our own well fluid collection tank and pipeline. As at 31 December 2015, 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 Investments Limited ("**Have Result**") where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production. The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2015 are as follows,

Contingent Oil Resource *(unit: million barrels)**	**31 December 2015**	31 December 2014
Category Gross (100%)		
Low Estimate (1C)	**80.3**	81.3
Best Estimate (2C)	**138.6**	139.6
High Estimate (3C)	**237.2**	238.2

* According to the Technical Review Report issued by Roma Oil and Mining Associates Limited on 24 March 2016 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

The carrying amount of the exploration and evaluation assets ("**E&E assets**") is reviewed for impairment indicators annually and adjusted for impairment loss in accordance with HKAS 36 "Impairment of assets" ("**HKAS 36**") and whenever there are any "trigger" events or changes in circumstances indicating that the carrying amount may not be recoverable. During the years ended 31 December 2009, 31 December 2010, 31 December 2011 and the six months ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of E&E assets might not be recoverable. Accordingly, no impairment needed to be provided for the E&E assets.

The Company has performed an impairment review on its E&E assets during the year 2012, year 2013 and year 2014. An impairment loss of HK$3,130,106,000, HK$442,197,000 and HK$91,049,000 were recognised as the carrying amount of the E&E assets exceeding its recoverable amount as at 31 December 2012, 2013 and 2014 respectively. They were non-cash item adjustments and did not affect the existing operations of oil field.

West Texas Intermediate ("**WTI**") spot price continued dropping in year 2015. The average WTI spot price for January 2015 and January 2016 reduced by US$12.1 per barrel (more than 20%) and US$27.6 per barrel (more than 46%) as compared with that of December 2014 (sourced from U.S. Energy Information Administration ("**EIA**") website).

With reference to the reduction by 49% and 42%, respectively, in 2016 and 2017 WTI spot oil price forecast in Short Term Energy Outlook ("**STEO**") issued by U.S. Energy Information Administration (part of U.S. Department of Energy) on 8 March 2016 as compared with the WTI price forecast in Year 2015 Annual Energy Outlook ("**2015 AEO**"), the Directors considered that there would be a high probability of deterioration in the growth of future oil price as compared with that in year 2014.

The Group's Argentina subsidiaries were selling oil at US$55.1 per barrel in December 2015 and US$58.5 per barrel in January 2016, which are higher than the WTI price for the same period. The Argentina local oil selling price of the Group's subsidiaries for December 2015 and January 2016 dropped by 15% and 10% respectively as compared with that of November 2015. The Argentina Peso ("**AR$**")/US Dollar ("**US$**") exchange rate has increased by more than 35% on 18 December 2015. The AR$ continued depreciating during January and March 2016, and recorded the AR$/US$ exchange rate at 15.3 on 7 March 2016.

With reference to the substantial reduction in future WTI price forecast, decrease in oil selling price in Argentina and recent depreciation in AR$, the Group has performed an impairment test on its E&E asset and oil & gas properties as at 31 December 2015. The board of Directors considered that it would not be beneficial to the Group to drill new well on the Argentina oil project. The Company has engaged Roma Oil and Mining Associates Limited ("**Roma**") to perform a valuation of the E&E assets. Details of impairment review are set out in the Group Financial Review section below.

GROUP FINANCIAL REVIEW

For the year ended 31 December 2015, the Group's turnover was HK$66.6 million, a decrease of HK$19.1 million as compared with HK$85.7 million recorded in last year. The Group recorded a loss for the year of HK$276.5 million, against a loss for the year of HK$381.1 million in year 2014. During year 2015, an impairment loss of HK$115,222,000 (year 2014: HK$91,049,000) was recognised in respect of the E&E assets and impairment loss of HK$91,093,000 (year 2014: HK$0) 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 E&E assets, including oil exploration rights. For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at an 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 are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including the 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 capitalised as an E&E 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 found 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 "**Comparable Transactions**") till June 2009, of which they further analysed 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 (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 E&E assets of HK$3,810,136,000 as at 3 November 2009, date of acquisition, was approximately 79.82% of the valuation of a 100% equity interest in Have Result as at 30 June 2009. When determining the fair value of the E&E assets acquired, as the exploration on the acquired areas was at an 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 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 E&E assets. The carrying amount of the E&E assets is reviewed for impairment indicators annually and adjusted for impairment loss in accordance with HKAS 36 and whenever there are any "trigger" events or changes in circumstances indicating that the carrying amount may not be recoverable. During the years 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 E&E assets might not be recoverable. According to the requirements under HKAS 36, no impairment needed to be provided for the E&E assets.

In November 2012, the Group noted that the crude oil selling price to YPF through Chañares decreased by US$1.5 per barrel to US$67.2 per barrel, and dropped to US$66.5 per barrel in December 2012, which maintained through April 2013. This is the first time oil prices decreased since the Company commenced its investment in Argentina. The Company has performed an impairment test on its E&E assets during the year 2012 and has applied a more prudent estimation on factors and assumptions in assessing the recoverable amounts on the E&E assets by adopting discounted cashflow method. An impairment loss of HK$3,130,106,000 was recognised as the carrying amount of the E&E assets exceeding its recoverable amount in the year ended 31 December 2012.

In year 2013, taking into account of the decrease in short term WTI spot oil price forecast in Year 2014 Energy Outlook issued by EIA by 20% or more as compared with the Year 2013 Energy Outlook and the potential acquisition opportunity, the Directors decided to further delay the Group's overall drilling plan to later years, and conducted a review of the impairment on the E&E assets as at 31 December 2013. The Company has engaged Roma to perform a valuation of the E&E assets, based on market approach and income approach. Roma used the market approach by referring to certain comparable sales and purchase transactions of oilfields in year 2012 and 2013, of which they further analysed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the oilfield. In the valuation, Roma used the Adjusted P/Reserve multiple of the Comparable Transactions to determine the market value of the oilfield and the market value of the E&E assets held by the Company accordingly. Roma adopted discounted cash flow method in the income approach valuation. During the adoption of the discounted cash flow method, a more prudent estimation on those factors and assumptions for future recoverable amounts on the E&E assets were used. With reference to the E&E Assets Valuation issued by Roma dated 24 March 2014, the E&E assets are valued at US$24,575,000 and US$26,445,000 by market approach and income approach respectively. According to HKAS 36, the recoverable amount of an asset is defined as "the higher of its fair value less costs to sell and its value in use". The Directors considered the valuation in market approach and income approach represents the fair value less cost to sell and the value in use of its E&E assets. The Company adopted the income approach valuation as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK$442,197,000 (year 2012: HK$3,130,106,000) was recognised as the carrying amount of the E&E assets exceeding its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

From December 2014, the average WTI spot price has decreased by US$16.5 per barrel to US$59.3 per barrel. EIA has released a Short Term Energy Outlook ("**2014 STEO**") on 10 March 2015 where the forecast WTI sport for Year 2015 and Year 2016 are US$52 per barrel and US$70 per barrel respectively. Compared with the above WTI spot price forecast against the price forecast in Year 2014 Annual Energy Outlook, the price forecast in 2014 STEO has dropped by 42% and 25% for Year 2015 and Year 2016 respectively, the Directors considered that there would be a high probability of deterioration in the growth of short term to mid-term future oil price. With reference to the drops in actual WTI spot price and the reduction in future price forecast as stated above, the Directors decided to change and delay the Group's overall development plan in its Argentina oil field operation, and conducted a review of the impairment on the E&E assets as at 31 December 2014. The Company has engaged Roma to perform a valuation of the E&E assets as of 31 December 2014. As the sample size of the recent comparable transactions in or closest to Argentina was small, Roma considered the market approach could not give a conclusive result. Roma adopted discounted cash flow method in the income approach valuation in arriving both value in use and fair value less costs of disposal of the E&E assets. With reference to the E&E Assets Valuation issued by Roma dated 25 March 2015, the value in use and the fair value less costs of disposal of the E&E assets under the income approach as at 31 December 2014 were estimated at US$14,772,000 and US$11,970,000 respectively. According to HKAS 36, the recoverable amount of an asset is defined as "the higher of its fair value less costs to sell and its value in use". The Company adopted the value in use valuation under income approach as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK$91,049,000 (year 2013: HK$442,197,000) was recognised as the carrying amount of the E&E assets over its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

WTI spot price continued dropped in Year 2015. The average WTI spot price for January 2015 and January 2016 reduced by US$12.1 per barrel (more than 20%) and US$27.6 per barrel (more than 46%) as compared with that of December 2014 (sourced from EIA website).

According to the STEO released by EIA on 8 March 2016, the forecast WTI spot price for Year 2016 and Year 2017 are US$34 per barrel and US$40 per barrel respectively. An extract from STEO: "Brent crude oil prices are forecast to average $34/b in 2016 and $40/b in 2017, $3/b and $10/b lower than forecast in last month's STEO, respectively. The lower forecast prices reflect oil production that has been more resilient than expected in a low-price environment and lower expectations for forecast oil demand growth. Forecast WTI crude oil prices are expected to average the same as Brent in 2016 and 2017. However, the current values of futures and options contracts suggest high uncertainty in the price outlook."

Compared with the above WTI spot price forecast against the price forecast in 2015 AEO, the STEO price forecast has dropped by 49% and 42% for Year 2016 and Year 2017 respectively, the Directors considered that there would be a high probability of deterioration in the growth of short term to mid-term future oil price.

The Group's Argentina subsidiaries were selling oil at US$55.1 per barrel in December 2015 and US$58.5 per barrel in January 2016, which are higher than the WTI price for the same period. The Argentina local oil selling price of the Group's subsidiaries for December 2015 and January 2016 dropped by 15% and 10% respectively as compared with that of November 2015.

A President election has been conducted in Argentina during the fourth quarter of Year 2015, Mr. Mauricio Macri was elected as the new President. AR$/US$ exchange rate has increased by more than 35% on 18 December 2015. The AR$ continued depreciating during January and March 2016, and recorded the AR$/US$ exchange rate at 15.3 on 7 March 2016.

With reference to the drops in actual WTI spot price and the reduction in future price forecast as stated below, the Board of Directors considered that it would not be beneficial to the Group to drill new well on the Argentina oil project. Other than the existing 10 producing oil wells, there will be no future cashflow to be generated from new wells:

- WTI spot price continued dropping and maintained at a low price level in Year 2015 and January 2016. The average WTI spot price was at US$47.2 per barrel for January 2015, at US$37.2 per barrel for December 2015 and at US$31.7 per barrel for January 2016, a reduction by 20% in January 2015, 37% in December 2015 and 46% in January 2016 as compared with that of December 2014 (average WTI spot price sourced from EIA website).

- According to the STEO issued by EIA on 8 March 2016, the forecast WTI spot price for Year 2016 and Year 2017 are US$34 per barrel and US$40 per barrel respectively. These short term WTI spot prices reduced by 40% or more as compared with the 2015 AEO, where forecast oil price per barrel for Year 2016 at US$34 (Year 2015 Outlook: US$67.3), Year 2017 at US$40 (Year 2015 Outlook: US$70.1). The Directors took a more prudent approach in estimating future oil selling prices to YPF.

- The discount rate used for the impairment assessment for the existing 10 producing oil wells in 2015 has considered a higher country risk of Argentina in view of the depreciation of Argentina Peso against US Dollar in December 2015 and economic situation in Argentina. The discount rate used in year 2015 was 19.57% (year 2014: 16.20%).

The Company has engaged Roma to perform a valuation of the E&E assets as of 31 December 2015. With reference to the E&E Assets Valuation issued by Roma dated 24 March 2016, Roma has concluded that the value of the E&E assets was zero which was based on the followings:

- As the sample size of the recent comparable transactions in or closest to Argentina was small, Roma considered the market approach could not give a conclusive result.

- In view of the significant drop in oil price over the past year and oil price forecast, based on breakeven analysis and investment return analysis, it would not be economically justifiable for the Group to maintain the development plan adopted in year 2014 and not be economically feasible for the Group to drill any new wells. Future cash flows of the E&E assets could not be reasonably estimated and the value under Income Approach would be zero as at the Date of Valuation.

- Roma have obtained and reviewed the historical activities undertaken on the E&E assets, including exploration, geological and environmental study, technical reporting, infrastructure and production preparation, and based on the nature of operation of Group's oil business in Argentina. No related investment costs have been injected solely for the potential new wells. Roma concluded that the value of the E&E assets under Asset-based approach was zero as at the date of valuation.

According to HKAS 36, the recoverable amount of an asset is defined as “the higher of its fair value less costs to sell and its value in use”. The Company adopted the valuation by Roma as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK$115,222,000 (year 2014: HK$91,049,000) was recognised as the carrying amount of the E&E assets over its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$ and AR$. The Group considers there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged.

The oil selling price for our Argentina operations is based on US Dollar, and converted into AR$ in official exchange rate on a monthly basis. Majority of our investment cost on drilling cost, completion cost, workover job, infrastructure and equipment are based on US Dollar, and converted into AR$ in official exchange rate at time of payment. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

REVIEW OF GROUP OPERATIONS

Exploration and sales of petroleum

The Group’s core business is the petroleum exploration and production in the Concessions in the Cuyana Basin, Mendoza Province of Argentina. There were no acquisitions and disposals of subsidiaries, associated companies and joint ventures during year 2015.

During year 2015, the Group had performed three workover jobs to its producing oil wells. The Group had continued investing to improve its own well fluid collection tank and pipeline. As at 31 December 2015, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells were in production, of which 5 oil wells were drilled by Have Result where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

During year 2015, the Group had 10 producing wells generating oil sales revenue. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner.

Revenue generated from the sales of petroleum segment for the year 2015 amounted to HK$66.6 million. As of 31 December 2015, the Company had invested HK$597.7 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK$420.3 million in oil well drilling and completion which was classified as oil & gas properties and for which depreciation started from the commencement of production; (2) HK$177.4 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that was located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the year 2015, the depreciation and depletion of the oil & gas properties was HK$16.8 million.

Future operation plan

Short-term development plan

Pursuant to the Operation Agreement signed on 5 June 2012, Chañares agreed to release EP Energy from its commitments 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 from 2012 to 2015. The Group will continue to invest in workover on the existing 10 producing oil wells and in improving own well fluid collection system during year 2016.

Long-term development plan

In view of the drop in international oil price in year 2015, the substantial reduction in future oil price forecast as compared with year 2014, and economic uncertainty subsequent to the appointment of new President of Argentina, the Directors conducted a review on the development plan adopted in year 2014. The board of Directors considered that it would not be beneficial to the Group to drill new well on the Argentina oil project. In reviewing the future business plan, the Directors have taken 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 decision not to drill new wells is a more prudent way to value the project.

Other business opportunities

The Group is principally engaged in petroleum exploration and production in the oil concession in Mendoza Province of Argentina. The Group continues making effort in searching for opportunities in oil & gas exploration and production business with stable production base, with proven reserves and certain development opportunities, in those industrial-advanced countries, such as the United States of America ("**U.S.**"). In order to diversify the risks encountered by the Group's petroleum exploration and production business in Argentina, the Company has been actively conducting review of the market situation and potential investments made available to it in order to identify investment opportunities in other energy related sectors that may create shareholders value.

On 8 January 2015, the Company has made an announcement relating to the possible acquisition of interests in certain oil and gas properties in the U.S. to the effect that whilst the Company has continued since its last updated announcement to work with the possible vendors in relation to the possible acquisition, recent significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in such prices are presenting challenges in pursuing the possible acquisition based on the basic purchase price range set out in the memorandum of understanding entered into between the parties in November 2012. The Company and the possible vendors will decide whether or not it is desirable to resume negotiations for a possible revised terms after oil prices stabilise.

On 2 September 2015, Xin Wei Limited ("**Xin Wei**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("**the MOU**") with Zhongli Talesun Solar Technology Company Limited ("**Zhongli**") (a subsidiary of one of the top twenty PV power plant investment companies in the PRC) with respect to a proposed acquisition of a target company which will hold the entire interests in certain solar power plants (the "**Proposed Acquisition**"). The MOU does not create any legally binding commitment between the parties thereto to proceed with the Proposed Acquisition. Such solar power plants are expected to have aggregate production capacity of 60MW and are located in Changshu and Liyang of Jiangsu Province and Mingchuan of Anhui Province in the PRC. The electricity generated by the solar power plants is expected to be supplied to the local state grid companies. Under the MOU, the Group has the right to conduct due diligence for a period of 3 months (the "**Due Diligence Period**") from the signing of the MOU (i.e. from 1 September 2015 to 30 November 2015) and is given exclusivity in negotiations on the Proposed Acquisition for a period of 6 months from the signing of the MOU (i.e. from 1 September 2015 to 29 February 2016), whereas the parties to the MOU will use their best endeavours to negotiate and enter into definitive agreements for the Proposed Acquisition within the said 6-month period (the "**Negotiation Period**"). Subject to the results of the due diligence review on the solar power plants and the negotiation between the Group and Zhongli, the Group is not obliged to acquire all solar power plants but may only acquire any part thereof, by requesting Zhongli to transfer only some of the prospective solar power plants to the said target company.

On 30 November 2015, Xin Wei and Zhongli entered into a written confirmation to extend the Due Diligence Period and the Negotiation Period to 2 March 2016 and 2 June 2016 respectively.

On 2 March 2016, Xin Wei and Zhongli mutually agreed to terminate the MOU in relation to the Proposed Acquisition. Upon termination of the MOU, neither Xin Wei nor Zhongli shall have any liabilities towards each other.

The Company will continue to seek for other suitable solar power plants to acquire from Zhongli, failing which the Company will source other suitable solar power plants from other solar power plant investment companies engaged in construction of power plants in the PRC. In the meantime, the Company will also consider suitable investment opportunities in other energy related sectors and other sectors.

FINANCIAL POSITION

As at 31 December 2015, the net liabilities value of the Group were HK$124.9 million (2014 net asset value: HK$30.7 million) and the net liabilities value per share were HK$0.17 (2014 net asset value per share: HK$0.006).

The Company has entered into a bank loan agreement with China Development Bank, of which the outstanding balance was approximately HK$163,800,000 as at 31 December 2015. Pursuant to the terms of the bank loan agreement, if, among others, Mr. Wu Shaozhang ("**Mr. Wu**"), the substantial shareholder of the Company, maintains less than 10% of the beneficial shareholding interest in the issued share capital of the Company, the loan together with accrued interest may become immediately due and payable. As at 31 December 2015 and up to the date hereof, Mr. Wu directly and/or indirectly holds 10.01% of the Company's shares and remains a substantial shareholder of the Company. Nevertheless, Mr. Wu has signed a deed of undertaking with the Company that he undertakes to maintain his position as a substantial shareholder of the Company.

As of 31 December 2015, other loan represents a short-term loan from an independent third party. It is interest bearing at fixed interest rate of 20% per annum, repayable within three months from the drawdown date and secured by personal guarantee of Mr. Wu.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The negative gearing ratio of the Group as at 31 December 2015 was 0.87, which is calculated by dividing the Group's non-current borrowings by total equity.

As of 31 December 2015, the carrying amounts of borrowings which are denominated in US$ and HK$ amounted to HK$163,800,000 and HK$20,000,000 respectively. The carrying amount of cash and cash equivalents which are denominated in AR$, US$, HK$ and others amounted to HK$1,808,000, HK$8,688,000, HK$2,649,000 and HK$23,000 respectively.

As of 31 December 2015, none of the foreign currency investment are hedged by currency borrowings and other hedging instruments.

LIQUIDITY AND FINANCIAL RESOURCES

On 16 June 2015, the Company raised gross proceeds of approximately HK$121.3 million via the open offer of 242,617,879 ordinary shares at HK$0.50 per share (the "**Open Offer**"). The estimated net proceeds of the Open Offer was approximately HK$119 million.

The Board considers that the Open Offer will enable the Group to strengthen the capital base of the Company and to enhance its financial position, and enable the Group to expand its investment portfolio when investment opportunities arise. The Open Offer provided the shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Open Offer was in the interests of the Company and the shareholders of the Company as a whole.

Save as disclosed in the table below, the Company has not undertaken any other fund raising activity in the past twelve months before 31 December 2015:

Date of completion	**Fund raising activity**	**Gross proceeds raised**	**Proposed use of the proceeds as stated in the Company's Circular dated 26 May 2015**	**Actual use of the proceeds up to 31 December 2015**
17 June 2015	Open Offer	Approximately HK$121.3 million	(i) approximately HK$97 million for the repayment of the Company's debts; and (ii) approximately HK$22 million for the general working capital of the Group and/or future investment activities when such investment opportunities arise.	(i) approximately HK$97 million was used towards the repayment of the Company's debts; and (ii) approximately HK$22 million was used for the general working capital of the Company.

On 12 November 2015, the Company announced that it proposed to raise approximately HK$509.5 million (before expenses) by way of a rights issue on the basis of five rights shares for every one existing share of the Company at a subscription price of HK$0.14 per rights share (the "**Rights Issue**"). A prospectus in respect of the Rights Issue was published by the Company on 31 December 2015. The Rights Issue completed on 27 January 2016 and 3,639,268,185 ordinary shares were issued and allotted. The net proceeds of the Rights Issue was approximately HK$502.1 million and the Company intended to apply such net proceeds as to (i) approximately HK$317.0 million for the Proposed Acquisition; (ii) approximately HK$134.4 million for the repayment of the principal amount of the Company's debts due within the next 24 months (together with interests accrued thereon) by June 2016; and (iii) approximately HK$50.7 million for the general working capital of the Group. If the Group decides not to proceed with the Proposed Acquisition and the Group is not able to identify other suitable solar power plants to acquire from Zhongli, the net proceeds mentioned in (i) above was intended to be re-allocated to the acquisition of suitable solar power plants from other PV power plant investors in the market. Should the Company fail to complete the Proposed Acquisition or other potential acquisition of solar power plants within the 12 months after completion of the Rights Issue, the net proceeds mentioned in (i) above was intended to be re-allocated as to (a) approximately HK$55.8 million to repay the Company's debt due in November 2018; and (b) subject to the then market conditions, approximately HK$261.2 million for the drilling of new oil wells and/or investment in workover on existing oil wells to improve the production of oil in the Concessions.

PLEDGE OF ASSETS

At 31 December 2015, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) The entire issued share capital of EP Energy.

(b) The entire issued share capital of Have Result.

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

EMPLOYEES

As at 31 December 2015, the Group had a total of 19 employees in Hong Kong and 8 employees in Argentina. Employee's cost (excluding directors' emoluments) amounted to approximately HK$13.7 million (2014: HK$20.1 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises 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 processes 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 Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with deviations from the code provision A.4.1 of the CG Code as summarized below.

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.

In accordance with Article 99(A) of the Company's bye-laws, all Directors, except the Managing Director, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company in accordance with the Company's bye-laws.

PURCHASE, SALES OR 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 2015.

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 FINANCIAL STATEMENTS

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 2015.

PUBLICATION OF ANNUAL REPORT

The 2015 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.

By order of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
Executive Director &
Chief Executive Officer

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises the non-executive chairman, namely, Mr. Ho King Fung, Eric, three executive Directors, namely, Mr. Tse Kwok Fai, Sammy (chief executive officer), Mr. Chan Chi Hung, Anthony and Mr. Zou Feng, a non-executive Director, namely, Mr. Phen Chun Shing Vincent, and three independent non-executive Directors, namely, Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng.