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EPI **EPI (Holdings) Limited**
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The Board of Directors (the “**Board**”) of EPI (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively “**EPI**” or the “**Group**”) for the six months ended 30 June 2016 (the “**Interim Period**”), together with the comparative figures for the corresponding period ended 30 June 2015 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	<i>Notes</i>	For the six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	25,748	32,871
Purchases, processing and related expenses		(20,324)	(17,949)
Other losses, net	4	(2,260)	(2,911)
Wages, salaries and other benefits		(9,199)	(10,800)
Depreciation and depletion		(2,211)	(7,794)
Fair value (loss)/gains on financial instruments		(1,090)	12,254
Other expenses		(15,138)	(9,403)
Finance costs	5	(4,042)	(11,560)
Loss and total comprehensive expenses for the period attributable to the owners of the Company	6	<u>(28,516)</u>	<u>(15,292)</u>
Loss per share			
— Basic (HK\$)	8	<u>(0.01)</u>	<u>(0.026)</u>
— Diluted (HK\$)	8	<u>(0.01)</u>	<u>(0.041)</u>

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		37,232	38,723
Other tax recoverables		6,776	7,721
		44,008	46,444
Current assets			
Trade and other receivables and prepayments	10	76,856	26,864
Loan receivable	11	78,500	–
Other tax recoverable		3,540	6,365
Held-for-trading investments		84,022	62
Bank balances and cash		257,901	13,168
		500,819	46,459
Current liabilities			
Trade and other payables	12	32,622	34,028
Borrowings — amount due within one year	13	54,600	74,600
		87,222	108,628
Net current assets/(liabilities)		413,597	(62,169)
Total assets less current liabilities		457,605	(15,725)
Capital and reserves			
Share capital	14	43,671	7,279
Reserves		304,734	(132,204)
Equity attributable to owners of the Company and total equity		348,405	(124,925)
Non-current liabilities			
Borrowings — amount due after one year	13	109,200	109,200
		457,605	(15,725)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the Interim Period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA that are mandatorily effective for the Interim Period.

There are no other amended standards or interpretations that are effective for the first time for the Interim Period that could be expected to have a material impact on the Group.

3. REVENUE AND SEGMENTS INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

- Petroleum exploration and production – sale of petroleum
- Money lending – provision of loan finance

The following is an analysis of the Group’s revenue and result by reportable segments:

For the six months ended 30 June 2016 (unaudited)

	Petroleum exploration and production	Money lending	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Segment revenue			
External sales	<u>25,302</u>	<u>446</u>	<u>25,748</u>
Result			
Segment results	<u>(370)</u>	<u>94</u>	<u>(276)</u>
Unallocated other gains and losses			(2,260)
Unallocated corporate expenses			(21,938)
Finance costs			<u>(4,042)</u>
Loss for the period			<u><u>(28,516)</u></u>

For the six months ended 30 June 2015 (unaudited)

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	32,871	–	32,871
	<u>32,871</u>	<u>–</u>	<u>32,871</u>
Result			
Segment results	3,084	–	3,084
	<u>3,084</u>	<u>–</u>	<u>3,084</u>
Unallocated other gains and losses			(2,911)
Unallocated corporate expenses			(3,905)
Finance costs			<u>(11,560)</u>
Loss for the period			<u>(15,292)</u>

4. OTHER LOSSES, NET

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Exchange losses	(3,113)	(3,301)
Others	853	390
	<u>(2,260)</u>	<u>(2,911)</u>

5. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	3,880	4,799
Other loans	162	–
Effective interest expense on convertible notes	–	6,761
	<u>4,042</u>	<u>11,560</u>

6. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging the following items:

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Auditor's remuneration	–	–
Minimum lease payments under operating leases in respect of office properties and buildings	1,749	1,630
Share-based payment expenses		
— Employees including directors	–	1,797
Net gain on modification of terms of convertible notes	–	12,480
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as there is no assessable profit arising in Hong Kong in the Interim Period (2015: Nil).

8. LOSS PER SHARE

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

	For the six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	(28,516)	(15,292)
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> </u>
Loss for the purpose of diluted loss per share	<u>(28,516)</u>	<u>(24,767)</u>
	2016 '000	2015 '000
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	3,184,819	593,746
Effect of dilutive potential ordinary shares:		
Convertible notes	–	9,822
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of dilutive loss per share	<u>3,184,819</u>	<u>603,568</u>

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 two (2015: three) categories of potential ordinary shares: share options and warrants (2015: warrants, convertible notes and share options).

For the potential ordinary share from the outstanding warrants and share options, they were anti-dilutive for the Interim Period and also for the six months ended 30 June 2015. 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 Interim Period and the period ended 30 June 2015.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period (2015: Nil).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2016 HK\$'000 (Unaudited)	At 31 December 2015 HK\$'000 (Audited)
Trade receivables (<i>Note (a)</i>)	1,544	1,645
Deposits and prepayments	52,333	2,864
Deposits held for petroleum exploration and production operation	6,954	8,722
Interest receivable	446	–
Others (<i>Note (b)</i>)	15,579	13,633
	<u>76,856</u>	<u>26,864</u>

Notes:

- (a) The oil selling price for the Argentina operation is based on US\$ and converted into Argentina Peso (“ARS”) in official exchange rate on monthly basis. The Group invoices its customers in ARS, which is not the functional currency of the subsidiary generating the revenue, and allows an average credit period of 30 to 60 days to its trade customer. The trade receivables of HK\$1,544,000 (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 relate to a customer for whom there was no recent history of default.

- (b) The amount includes HK\$15,579,000 (2015: HK\$13,365,000) which is kept in ‘cash account’ of a securities broker which acts an agent of the Group in trading listed securities.

11. LOAN RECEIVABLES

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Due within 12 months (inclusive of 12 months)	<u>78,500</u>	<u>–</u>

The loan portfolio for the money lending business contained loans for short term purposes. All loan receivables are unsecured, bear interest and are receivable with fixed terms agreed with customers. The maximum exposure to credit risk as at 30 June 2016 is the carrying value of the loan receivables.

The credit committee of the Company reviewed each loan application on a case by case basis based on the assessment of borrower's creditworthiness, repayment ability as well as general economic conditions. The granting of loans is subject to approval by the credit committee of the Company. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts.

Loan receivables are interest-bearing at a rate of 10% per annum. However interest rate may vary depending on a number of factors including current bank lending rate and the general economic sentiment.

12. TRADE AND OTHER PAYABLES

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Trade payables	2,175	389
Interest payable on borrowings	1,340	1,583
Other tax payables	19,228	19,228
Accrued professional fees	8,849	8,020
Other payables and accruals	<u>1,030</u>	<u>4,808</u>
	<u>32,622</u>	<u>34,028</u>

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

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
0–30 days	<u>2,175</u>	<u>389</u>

13. BORROWINGS

	At 30 June 2016 <i>HK\$'000</i> (Unaudited)	At 31 December 2015 <i>HK\$'000</i> (Audited)
Bank loans, secured (<i>Note</i>)	163,800	163,800
Other loan, unsecured	–	20,000
	<u>163,800</u>	<u>183,800</u>
Carrying amount repayable:		
Within one year	54,600	74,600
In more than one year, but not more than two years	54,600	54,600
In more than two years, but not more than five years	54,600	54,600
	<u>163,800</u>	<u>183,800</u>
Less: Amounts due within one years shown under current liabilities	<u>(54,600)</u>	<u>(74,600)</u>
	<u>109,200</u>	<u>109,200</u>

The ranges of effective interest rate (which are also equal to contracted interest rates) on the Company's borrowings are as follow:

	Effective interest rate		Carrying amount	
	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)	At 30 June 2016 (Unaudited)	At 31 December 2015 (Audited)
Fixed-rate borrowings	–	20.00%	–	20,000
Variable-rate borrowings	4.91%	4.57%	<u>163,800</u>	<u>163,800</u>
			<u>163,800</u>	<u>183,800</u>

Note:

On 3 November 2011, the Company entered into a loan agreement (the “**Term Loan Agreement**”) with a bank for a term loan facility of US\$40,000,000 (approximately HK\$312,000,000) (the “**Term Loan**”) for the purpose of funding the project in connection with the petroleum exploration and production in the Argentina Areas or to refinance any debt incurred by the Group for the purpose of this project.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu has financial interests. The relevant loan agreement also requires Mr. Wu to continue to be a Substantial Shareholder. 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.

Mr. Wu has provided a written confirmation to the Company confirming that he will not dispose of his existing interest in the Company for at least a period of twelve months from the date of issuance of the Company's 2015 financial statements. As such, the portion of the Term Loan that is repayable after one year from the end of the reporting period in accordance with the repayment schedule above is shown under non-current liabilities.

14. SHARE CAPITAL

	Nominal value per share <i>HK\$</i>	Number of ordinary shares '000	Nominal value of ordinary share <i>HK\$'000</i>
Authorised:			
Ordinary shares at 31 December 2015 and 1 January 2016 (Audited)	0.01	100,000,000	1,000,000
Ordinary shares at 30 June 2016 (Unaudited)	0.01	100,000,000	1,000,000
Issued and fully paid:			
Ordinary shares at 31 December 2015 and 1 January 2016 (Audited)	0.01	727,854	7,279
Issue of shares by rights issue (<i>Note</i>)	0.01	3,639,268	36,392
Ordinary shares at 30 June 2016 (Unaudited)	0.01	4,367,122	43,671

Note:

As announced by the Company on 12 November 2015 and as stated in the Rights Issue Prospectus dated 31 December 2015, the Company announced a proposed 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 on 27 January 2016 and 3,639,268,185 rights shares of HK\$0.01 each were issued. The net proceeds, after deducting underwriting commission and other related expenses incurred by the Company, amounted to approximately HK\$502 million. These rights shares rank pari passu with the then existing ordinary share in all respects.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liability (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2016.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets				
Held-for-trading investments				
— Trading securities	<u>84,022</u>	<u>—</u>	<u>—</u>	<u>84,022</u>

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2015.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial assets				
Held-for-trading investments				
— Trading securities	<u>62</u>	<u>—</u>	<u>—</u>	<u>62</u>

There were no transfers among levels 1, 2 and 3 during the Interim Period and the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group include petroleum exploration and production, and money lending.

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 the Interim Period, the Group continued to focus on investment to improve production and was preparing workover job plans of the existing 10 producing wells. As at 30 June 2016, 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 (<i>unit: million barrels</i>)*	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.

As of 31 December 2015, the Company has performed an impairment test on its exploration and evaluation assets ("E&E assets") and oil & gas properties. The Board of Directors considered that it would not be beneficial for the Group to drill new well on the Argentina oil project, as there will be no future cashflow to be generated from new wells other than the existing 10 producing oil wells. As a result, an impairment loss on E&E assets of HK\$115,222,000 was recognized.

As of 30 June 2016, the Company considered there were no events or changes in circumstances indicating that the carrying amount of E&E assets might not be recoverable. No impairment review has been performed. The local oil selling price of our Argentina operation remained around US\$58 per barrel for the six months ended June 2016 that was in line with the estimated oil selling price prepared for impairment test as of 31 December 2015. The Company noticed the recent increase in West Texas Intermediate (“WTI”) price and will closely monitor the trend of WTI price and its effect on oil selling price of Argentina operation.

The Group will consider whether it should undertake an impairment review on the E&E assets to assess if the carrying amount of E&E assets would be recoverable or if the recoverable amount would be over its carrying amount when preparing for its financial results for the year ending 31 December 2016, after taking into account the effect of WTI price fluctuations on the oil selling price of its Argentina operations or other relevant factors.

During the preparation of Year 2016 Annual Report, in case that the oil selling price of Argentina operation has been affected by the increase or decrease in WTI price, and if there are other “trigger” events or changes, the Company will perform impairment review on its E&E assets to assess if the carrying amount of E&E assets might not be recoverable.

GROUP FINANCIAL REVIEW

For the Interim Period, the Group’s turnover was HK\$25.75 million, representing a decrease of HK\$7.12 million as compared with HK\$32.87 million recorded in the same period of last year. The Group recorded a loss for the Interim Period of HK\$28.51 million, against a loss of HK\$15.29 million for the same period in 2015.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$ and the Argentina peso (“ARS”). 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 ARS at 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 ARS at official exchange rate at time of payment. The Group currently does not have a formal foreign currency hedging policy. However, the management has been monitoring foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arise.

During the Interim Period, the Group entered into the money lending business in June 2016. This new business allows the Group to diversify its source of income with the aim of generating appropriate returns to our shareholders. The Group recorded interest income of approximately HK\$0.45 million during the Interim Period.

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.

As at 30 June 2016, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result where the Group is entitled 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 the first six months of year 2016, 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 Interim Period amounted to HK\$25.3 million. As of 30 June 2016, the Company had invested HK\$598.4 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK\$421.0 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 located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the first six months of year 2016, the depreciation and depletion of the oil & gas properties was HK\$2.06 million.

Money lending

Pursuant to the announcement published by the Company dated 8 June 2016, in order to better utilise the remaining amount of the approximately HK\$110.6 million originally earmarked for early repayment of debts due in November 2016 and November 2017 by June 2016 as mentioned in the Rights Issue Prospectus dated 31 December 2015, the Board resolved on 7 June 2016 to repay the debts only when they become due. In the meantime, such amount will be applied towards the operation of the money lending business of the Group until the Company's debts fall due. Subsequently, the Group commenced its money lending business on 8 June 2016.

The Group recorded interest income of approximately HK\$0.45 million (2015: HK\$0). The profit of the money lending segment was approximately HK\$0.09 million (2015: HK\$0). Loan portfolio excluding loan interest receivables was approximately HK\$78.5 million (2015: HK\$0) as at 30 June 2016. Loan receivables are interest-bearing at a rate of 10% per annum. The Group's loan receivables, which arise from the money lending business in Hong Kong, are denominated in Hong Kong dollars. The Group's money lending business is subject to credit risk. There was no default event in respect of the loan portfolio during the Interim Period.

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 has been focused on workover and infrastructure investments to improve production on the existing oil wells from year 2012 to June 2016. The Group will continue to invest in workover on the existing 10 producing oil wells during year 2016.

Long-term development plan

In reviewing the future business plan on Argentina oil project, the Directors has considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027.

On 24 August 2016, the Group was notified by the holder (the “**Concessionaire**”) of the Concessions 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 previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. In the event that the extension is withdrawn, the Concessions in the Puesto Pozo Cercado area and the Chañares Herrados area will expire on 26 June 2017 and 24 September 2017 respectively. The Group is 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. The Directors will revise the long-term development plan on Argentina oil project should there be any material development and further announcement(s) will be made.

The Company has incorporated a wholly-owned subsidiary, Have Result Finance Limited (“**HR Finance**”) on 30 July 2015. HR Finance has applied for and obtained the money lending license on 19 November 2015. The Company, through its subsidiary, HR Finance expanded into the money lending business from 8 June 2016, which is a new business segment to the Group, so as to broaden its source of income. It might consider recruiting professionals with relevant experience to assist the Directors to manage the business when the loan portfolio continues to grow in size.

Other business opportunities

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 shareholder value.

As mentioned in the announcement of the Company dated 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 interest in certain solar power plants in China (the “**Proposed Acquisition**”).

As disclosed in the circular dated 2 December 2015 and the rights issue prospectus dated 31 December 2015 issued by the Company in connection with the rights issue of shares of the Company, the Company intended to apply approximately HK\$317 million from the net proceeds raised from the rights issue towards the Proposed Acquisition. In addition to the Proposed Acquisition, the Group has also been actively exploring other opportunities to acquire suitable solar power plants. In the event that 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 Group intends to acquire suitable solar power plants from other potential sellers which are the top twenty PV power plant investment companies engaged in construction of power plants in China.

Reference is also made to the Company's announcement dated 2 March 2016 in relation to the termination of the MOU, whereby Xin Wei and Zhongli mutually agreed to terminate the MOU in relation to the Proposed Acquisition. Upon the termination of the MOU, neither Xin Wei nor Zhongli should have any liabilities towards each other. In the meantime, the Company is considering other potential solar power plant projects. The Company may also consider investment opportunities in other sectors that may create shareholder value.

FINANCIAL POSITION

As at 30 June 2016, the net asset of the Group was HK\$348.4 million (31 December 2015 net liabilities: HK\$124.9 million) and the net asset per share was HK\$0.08 (2015 net liabilities per share: HK\$0.17).

On 3 November 2011, the Company entered into a bank loan agreement with China Development Bank, of which the outstanding balance was approximately HK\$163,800,000 as at 30 June 2016. 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 30 June 2016 and up to the date of these financial statements, Mr. Wu directly and indirectly holds 10.01% of the Company's shares and remains a substantial shareholder of the Company. Furthermore, 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.

The Group's objectives for capital management 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 gearing ratio of the Group as at 30 June 2016 is 0.3 (31 December 2015: 0.87), that equals to the Group's non-current borrowings divided by total equity.

As of 30 June 2016, the carrying amounts of borrowings which are denominated in US\$ amounted to HK\$163,800,000 (31 December 2015: HK\$163,800,000), and the carrying amount of cash and cash equivalents which are denominated in ARS, US\$, HK\$ and others amounted to HK\$917,000, HK\$99,000, HK\$256,842,000 and HK\$43,000 respectively (31 December 2015: HK\$1,808,000, HK\$8,688,000, HK\$2,649,000 and HK\$23,000 respectively).

LIQUIDITY AND FINANCIAL RESOURCES

On 27 January 2016, the Company raised gross proceeds of approximately HK\$509.5 million via the rights issue of 3,639,268,185 rights shares at HK\$0.14 per rights share (the “**Rights Issue**”). The net proceeds of the Rights Issue was approximately HK\$502 million.

The Board considers that the Rights Issue enabled the Group to strengthen the capital base and enhance its financial position, and cater for the capital needs of investments in solar power plants. The Rights Issue provided the qualifying shareholders with opportunity to participate in the enlargement of the Company and enabled qualifying shareholders 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 considered that fund raising through the Rights Issue was in the interests of the Company and the shareholders of the Company as a whole.

Save as disclosed below, the Company has not undertaken any other fund raising activity in the past twelve months before 30 June 2016:

Date of completion	Fund raising activity	Gross proceeds raised	Proposed use of the proceeds stated in the Company’s circular dated 31 December 2015 as amended by a board meeting which is the subject of the announcement dated 8 June 2016	Actual use of the proceeds up to 30 June 2016
27 January 2016	Rights Issue	Approximately HK\$509.5 million	<p>(i) Approximately HK\$317 million for investments in solar power plants.</p> <p>(ii) Approximately HK\$134.4 million for the repayment of the Company’s debts, out of which approximately HK\$110.6 million will be temporarily allocated to operate the Money Lending Business of the Group before the debts become due in November 2016 and November 2017.</p> <p>(iii) Approximately HK\$52.3 million for the general working capital of the Group; and approximately HK\$5.8 million for the professional fees of the Rights Issue.</p>	<p>(i) Unutilised.</p> <p>(ii) Approximately HK\$23.8 million was used for the repayment of loan and interest accrued; approximately HK\$78.5 million has been applied towards the operations of the Money Lending Business of the Group. The balance of approximately HK\$32.1 million was unutilised.</p> <p>(iii) Approximately HK\$48 million was used as the working capital of the Company; approximately HK\$5.8 million was used for the professional fees incurred in the Rights Issue; and the balance of approximately HK\$4.3 million was unutilised.</p>

INTERIM DIVIDEND

The Board has resolved that no interim dividend be paid for the Interim Period (2015: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Interim Period under review, the Company has complied with the code provisions (the "**CG Code**") as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules with deviations from the code provisions A.4.1 and A.6.7 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, all non-executive directors, including the independent non-executive directors have not been appointed for a specific term. However, they are subject to retirement and can offer themselves for re-election at each annual general meeting of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. Mr. Zhu Tiansheng, an Independent Non-executive Director, did not attend the annual general meeting of the Company held on 22 June 2016 due to personal reasons. The Company will endeavour to arrange the future general meeting with the presence of all non-executive director (including the independent non-executive directors) so as to fulfill the requirement of code provision A.6.7.

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 exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry to the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings set out in the Model Code throughout the Interim Period.

THE BYE-LAWS

Pursuant to a special resolution passed at the AGM held on 22 June 2016, the shareholders of the Company approved the adoption of the new Bye-laws in place of the existing Bye-laws in order to bring the constitution of the Company in line with amendments to the Listing Rules and the Bermuda laws since the adoption of the existing Bye-laws in 1991. For details of the New Bye-Laws, please refer to the Company's announcement dated 16 May 2016 and the AGM circular dated 19 May 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the Interim Period.

The members of the audit committee are Mr. Teoh Chun Ming (Chairman of the audit committee), Mr. Qian Zhi Hui and Mr. Zhu Tiansheng, all independent non-executive Directors.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.epiholdings.com). The interim report will be dispatched to the shareholders of the Company and will be published on the aforementioned websites in due course.

On behalf of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
Executive Director and CEO

Hong Kong, 29 August 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.