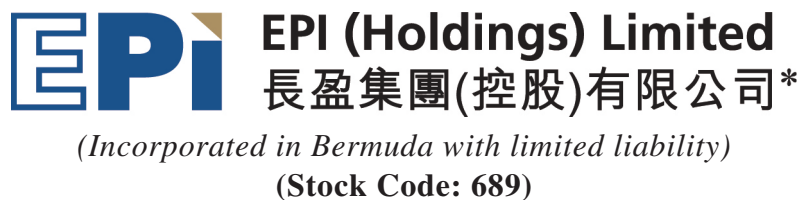


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Board of Directors (the “Board”) of EPI (Holdings) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31 December 2017 together with comparative figures as follows:

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

*For the year ended 31 December 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Revenue</b>	3	<b>57,870</b>	62,253
Purchases, processing and related expenses		<b>(31,752)</b>	(39,820)
Other losses, net	5	<b>(430)</b>	(3,083)
Net gain (loss) on financial assets at fair value through profit or loss	6	<b>45,101</b>	(4,344)
Net fair value changes on convertible notes	20	<b>(39,158)</b>	–
Wages, salaries and other benefits		<b>(10,617)</b>	(17,767)
Share-based payments expense	10	<b>(73,257)</b>	–
Depreciation and depletion		<b>(4,344)</b>	(4,730)
Reversal of impairment losses, net	7	<b>24,378</b>	1,485
Expenses incurred in exploring potential investment opportunities		<b>(200)</b>	(276)
Other expenses		<b>(11,060)</b>	(17,918)
Finance costs	8	<b>(4,955)</b>	(6,788)
Loss before tax		<b>(48,424)</b>	(30,988)
Income tax expense	9	<b>(6,431)</b>	(91)
<b>Loss for the year attributable to owners of the Company</b>	<b>10</b>	<b>(54,855)</b>	(31,079)

\* *For identification purpose only*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on available-for-sale investments		<u>(519)</u>	<u>–</u>
<b>Total comprehensive expense for the year attributable to owners of the Company</b>		<b><u><u>(55,374)</u></u></b>	<b><u><u>(31,079)</u></u></b>
<b>Loss per share attributable to owners of the Company</b>			
– Basic	<i>12</i>	<b><u><u>HK(1.17) cents</u></u></b>	<b><u><u>HK(0.76) cent</u></u></b>
– Diluted	<i>12</i>	<b><u><u>HK(1.17) cents</u></u></b>	<b><u><u>HK(0.76) cent</u></u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2017*

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Non-current assets</b>			
Exploration and evaluation assets	<i>13</i>	–	–
Property, plant and equipment		<b>56,451</b>	38,184
Available-for-sale investments	<i>14</i>	<b>121,533</b>	–
Other tax recoverables	<i>15</i>	<b>4,076</b>	4,431
		<hr/>	<hr/>
Total non-current assets		<b>182,060</b>	42,615
<b>Current assets</b>			
Available-for-sale investments	<i>14</i>	<b>23,344</b>	–
Trade and other receivables and prepayments	<i>16</i>	<b>49,324</b>	11,996
Loan receivables	<i>17</i>	<b>67,235</b>	102,000
Other tax recoverables	<i>15</i>	<b>1,759</b>	1,465
Financial assets at fair value through profit or loss	<i>18</i>	<b>95,849</b>	27,454
Bank balances and cash		<b>287,349</b>	182,204
		<hr/>	<hr/>
Total current assets		<b>524,860</b>	325,119
<b>Current liabilities</b>			
Trade and other payables	<i>19</i>	<b>19,107</b>	21,801
Income tax payable		<b>1,744</b>	91
Derivative financial liability	<i>20</i>	<b>46,617</b>	–
Convertible notes	<i>20</i>	<b>76,145</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>143,613</b>	21,892
<b>Net current assets</b>		<b>381,247</b>	303,227
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>563,307</b>	345,842
<b>Non-current liability</b>			
Deferred tax liabilities		<b>4,191</b>	–
		<hr/>	<hr/>
<b>Net assets</b>		<b>559,116</b>	345,842
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital	<i>21</i>	<b>50,181</b>	43,671
Reserves		<b>508,935</b>	302,171
		<hr/>	<hr/>
<b>Total equity</b>		<b>559,116</b>	345,842
		<hr/> <hr/>	<hr/> <hr/>

Notes:

### 1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period.

### 2. Application of new and revised HKFRSs

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

Except for the amendments to HKAS 7 which require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes, 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 the consolidated financial statements.

### 3. Revenue

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

	2017 <i>HK\$’000</i>	2016 <i>HK\$’000</i>
Sales of petroleum	42,914	51,320
Interest income from money lending business	7,471	10,083
Arrangement fee income from money lending business	326	50
Dividend income from securities investments	1,832	800
Interest income from securities and available-for-sale (“AFS”) investments	5,327	–
	<u>57,870</u>	<u>62,253</u>

#### 4. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on the information provided to the chief operating decision maker represented by the Board of the Company, for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

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

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

#### Segment revenue and results

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

#### For the year ended 31 December 2017

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
External sales/sources	<u>42,914</u>	<u>7,797</u>	<u>7,159</u>	<u>57,870</u>
<b>Results</b>				
Segment results before reversal of impairment losses	(59)	7,927	51,587	59,455
Reversal of impairment losses	<u>24,378</u>	<u>–</u>	<u>–</u>	<u>24,378</u>
Segment results	<u>24,319</u>	<u>7,927</u>	<u>51,587</u>	<u>83,833</u>
Other losses, net				(588)
Corporate expenses				(14,299)
Net fair value changes on convertible notes				(39,158)
Share-based payments expense				(73,257)
Finance costs				<u>(4,955)</u>
Loss before tax				(48,424)
Income tax expense				<u>(6,431)</u>
Loss for the year				<u>(54,855)</u>
<b>Other information</b>				
Depreciation and depletion	(4,078)	(139)	(127)	(4,344)
Reversal of impairment loss of property, plant and equipment	<u>22,588</u>	<u>–</u>	<u>–</u>	<u>22,588</u>
Reversal of impairment loss of other tax recoverables	<u>1,790</u>	<u>–</u>	<u>–</u>	<u>1,790</u>

For the year ended 31 December 2016

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>				
External sales/sources	51,320	10,133	800	62,253
	<u>51,320</u>	<u>10,133</u>	<u>800</u>	<u>62,253</u>
<b>Results</b>				
Segment results before reversal of impairment losses	(1,951)	9,920	(4,099)	3,870
Reversal of impairment losses	1,485	—	—	1,485
	<u>1,485</u>	<u>—</u>	<u>—</u>	<u>1,485</u>
Segment results	(466)	9,920	(4,099)	5,355
	<u>(466)</u>	<u>9,920</u>	<u>(4,099)</u>	<u>5,355</u>
Other losses, net				(3,158)
Corporate expenses				(26,397)
Finance costs				(6,788)
				<u>(36,343)</u>
Loss before tax				(30,988)
Income tax expense				(91)
				<u>(31,079)</u>
Loss for the year				<u>(31,079)</u>
<b>Other information</b>				
Depreciation and depletion	(4,455)	(127)	(148)	(4,730)
Reversal of impairment loss of property, plant and equipment	2,282	—	—	2,282
Provision of impairment loss of other tax recoverables	(797)	—	—	(797)
	<u>(797)</u>	<u>—</u>	<u>—</u>	<u>(797)</u>

Segment results represent the profit earned/loss incurred by each segment without allocation of certain other losses, net, corporate expenses, net fair value changes on convertible notes, share-based payments expense, finance costs and income tax expense.

## Geographical information

The Group's operations are located in Argentina, Hong Kong and the People's Republic of China ("PRC").

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

	Revenue from external customers/sources		Non-current assets ( <i>Note</i> )	
	Year ended 31 December		As at 31 December	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Argentina	42,914	51,320	56,122	37,702
Hong Kong	14,391	10,933	329	482
PRC	565	–	–	–
	<u>57,870</u>	<u>62,253</u>	<u>56,451</u>	<u>38,184</u>

*Note:* Non-current assets excluded AFS investments and other tax recoverables.

## Information about major customers

Revenue from customers of the petroleum exploration and production business contributing over 10% of the total revenue of the Group for the corresponding years are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	<u>42,914</u>	<u>51,320</u>

## 5. Other losses, net

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	935	57
Exchange losses, net	(1,556)	(3,187)
Loss on disposal of property, plant and equipment	(306)	(16)
Others	<u>497</u>	<u>63</u>
	<u>(430)</u>	<u>(3,083)</u>

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net unrealised gain (loss) on financial assets at fair value through profit or loss ("FVTPL")	<b>25,921</b>	(3,313)
Net realised gain (loss) on disposal of financial assets at FVTPL	<b>19,180</b>	(1,031)
	<b>45,101</b>	(4,344)

**7. Reversal of impairment losses, net**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Reversal of impairment loss of property, plant and equipment	<b>22,588</b>	2,282
Reversal (provision) of impairment loss of other tax recoverables	<b>1,790</b>	(797)
	<b>24,378</b>	1,485

**8. Finance costs**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings and overdrafts	–	6,626
Interest on other loans	–	162
Interest on convertible notes ( <i>Note 20</i> )	<b>4,955</b>	–
	<b>4,955</b>	6,788

## 9. Income tax expense

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Tax charge comprises:		
Current tax		
Hong Kong	1,653	91
Argentina		
– Withholding tax on interest income from a group entity	<u>587</u>	<u>–</u>
	2,240	91
Deferred tax	<u>4,191</u>	<u>–</u>
Income tax expense recognised in profit or loss	<u><u>6,431</u></u>	<u><u>91</u></u>

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

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

## 10. Loss for the year

Loss for the year has been arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Staff costs		
– directors' emoluments (excluding share-based payments expense)	2,460	5,989
– other staff's retirement benefit costs (excluding directors)	76	78
– other staff costs	<u>8,081</u>	<u>11,700</u>
	10,617	17,767
Share-based payments expense		
– directors	11,962	–
– employees	<u>61,295</u>	<u>–</u>
	<u>73,257</u>	<u>–</u>
Total staff costs	<u><u>83,874</u></u>	<u><u>17,767</u></u>
Auditor's remuneration	2,100	2,400
Minimum lease payments under operating leases in respect of office properties and buildings	2,445	3,279
Professional and consultancy fees	<u>2,265</u>	<u>12,347</u>

## 11. Dividends

No dividend was paid or proposed for the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting periods.

## 12. Loss per share

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Loss:</b>		
Loss for the year attributable to the owners of the Company		
for the purpose of calculating basic and diluted loss per share	<u>(54,855)</u>	<u>(31,079)</u>
	2017 '000	2016 '000

### Number of shares:

Weighted average number of ordinary shares for		
the purpose of calculating basic and diluted loss per share	<u>4,689,946</u>	<u>4,098,651</u>

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since the assumed exercise would result in a decrease in loss per share. In addition, the computation also does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price of shares.

## 13. Exploration and evaluation assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>COST</b>		
At 1 January and 31 December	<u>3,778,574</u>	<u>3,778,574</u>
<b>IMPAIRMENT</b>		
At 1 January and 31 December	<u>3,778,574</u>	<u>3,778,574</u>
<b>CARRYING VALUES</b>		
At 1 January	<u>—</u>	<u>—</u>
At 31 December	<u>—</u>	<u>—</u>

Exploration and evaluation assets are related to the oil exploration rights in the Chañares Herrados Area (“CHE Area”) and Puesto Pozo Cercado Area (“PPC Area”) (together the “Concessions”) in the Cuyana Basin, Mendoza Province of Argentina, covering a total surface area of approximately 40.0 and 169.4 square kilometres, respectively.

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

In 2011, Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions under a decree dated 30 June 2011 issued by the Executive of the Province of Mendoza.

At 31 December 2015, based on prevailing available information on oil price forecast, investment costs and operating costs, the Group considered the future development of the investment plan on the Concessions using methods of breakeven analysis and investment return analysis and concluded that it was not economically feasible to drill any new wells. Given the nature of the Group’s activities, information on the fair value of the exploration and evaluation assets is usually difficult to obtain unless negotiation with potential purchasers are taking place and no reliable fair value information in the market could be found. Therefore, in the opinion of the directors of the Company, the exploration and evaluation assets were fully impaired during the year ended 31 December 2015. At 31 December 2016, the Group reconsidered the future development of the investment plan on the Concessions and concluded that no well drilling programme would be relaunched.

As disclosed in the announcement of the Company dated 15 August 2017, the Group was notified by Chañares that the Executive of the Province of Mendoza had published a decree declaring the lapse of the concession in respect of the PPC Area by 30 October 2017, of which the exploration and evaluation assets in respect of the Group’s right over the hydrocarbon production was fully impaired in the year ended 31 December 2015.

At 31 December 2017, the Group reconsidered the future development of the investment plan on the concession in respect of the CHE Area and concluded that no further well drilling programme would be launched.

#### 14. Available-for-sale investments

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Listed investments, at fair value:		
Debt securities listed in Hong Kong or overseas with fixed interests ranging from 4.70% to 8.75% per annum and maturity dates ranging from 12 June 2018 to 28 June 2025	<u>144,877</u>	<u>–</u>
Analysed as:		
Current portion	23,344	–
Non-current portion	<u>121,533</u>	<u>–</u>
	<u>144,877</u>	<u>–</u>

#### 15. Other tax recoverables

Pursuant to the relevant rules and regulations in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future sales of petroleum which the Group expects with reference to the current oil production from existing wells. During the year ended 31 December 2017, a reversal of impairment loss on value-added tax of HK\$1,790,000 (2016: provision of impairment loss HK\$797,000) was recognised in profit or loss (*Note 7*). The directors of the Company expect that amounts of HK\$1,759,000 (2016: HK\$1,465,000) and HK\$4,076,000 (2016: HK\$4,431,000) will be recovered from the sales of petroleum within and after twelve months from the end of the reporting period respectively, accordingly, such amounts were classified as current assets and non-current assets respectively.

## 16. Trade and other receivables and prepayments

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables ( <i>Note (i)</i> )	2,253	1,100
Deposits and prepayments	2,375	1,374
Deposits held for petroleum exploration and production operation	4,189	5,264
Interest receivables ( <i>Note (ii)</i> )	3,092	3,556
Others ( <i>Note (iii)</i> )	37,415	702
	<u>49,324</u>	<u>11,996</u>

### *Notes:*

- (i) The oil selling price for the Argentina operation is quoted in United States dollars and converted into Argentina Peso for invoicing. The Group allows an average credit period of 30 to 60 days. The trade receivables of HK\$2,253,000 (2016: HK\$1,100,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Receivables that were neither past due nor impaired related to a customer with no recent history of default.

- (ii) The amount mainly represents interest receivables from AFS investments and the loans to third party borrowers of the money lending business.
- (iii) The amount includes HK\$37,411,000 (2016: HK\$696,000) placed with securities brokers in relation to securities trading activities in Hong Kong.

**17. Loan receivables**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed-rate loan receivables	<u><b>67,235</b></u>	<u>102,000</u>
Analysed as:		
Guaranteed	<b>48,235</b>	27,000
Unsecured	<u><b>19,000</b></u>	<u>75,000</u>
	<u><b>67,235</b></u>	<u>102,000</u>

At 31 December 2017, the range of interest rate attributed to the Group's loan receivables was 10% to 18% (2016: 8% to 18%) per annum.

**18. Financial assets at fair value through profit or loss**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<b>95,849</b>	22,454
Unlisted investment, at fair value:		
– Debt securities	<u>–</u>	<u>5,000</u>
	<u><b>95,849</b></u>	<u>27,454</u>

**19. Trade and other payables**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	<b>552</b>	977
Other tax payables	<b>4,667</b>	2,447
Accrued professional fees	<b>10,331</b>	8,605
Interest payable on convertible notes	<b>1,203</b>	–
Payable for acquisition of financial assets at FVTPL	–	5,000
Other payables and accruals	<u><b>2,354</b></u>	<u>4,772</u>
	<u><b>19,107</b></u>	<u>21,801</u>

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

	<b>2017</b>	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>552</b>	451
31 – 60 days	–	20
61 – 120 days	–	40
121 – 365 days	–	466
	<u>552</u>	<u>977</u>

The average credit period on purchases of goods was 30 days.

## **20. Convertible notes**

On 11 April 2017, the Company entered into a subscription agreement with a subscriber, an independent third party, for the subscription of the 3% convertible notes in aggregate principal amount of HK\$80,000,000 which could be converted into ordinary shares of HK\$0.01 each of the Company at an initial conversion price of HK\$0.36 per share (the “CN Subscription”).

On 26 April 2017, the completion of the CN Subscription took place and the convertible notes were issued to the subscriber.

The convertible notes are denominated in HK\$ and shall be matured on the end of the eighteenth month from the issue date, i.e. on 26 October 2018 (the “Maturity Date”). The Company shall redeem all the convertible notes remain outstanding and not converted on the Maturity Date at 100% of the principal amount outstanding plus accrued and unpaid interest. The Company may at any time after the issue date and prior to the Maturity Date, by giving not less than five business days prior notice to the noteholder, redeem the outstanding convertible notes at 100% of the principal amount outstanding plus accrued and unpaid interest.

The holder of the convertible notes shall, subject to certain conditions, have the right on any business days prior to the earlier of the date on which the Company give notice to exercise the redemption rights or five business days prior to the Maturity Date convert the whole or part of the outstanding principal amount of the convertible notes at an initial conversion price of HK\$0.36 per share into ordinary shares of the Company.

The convertible notes contains two components, a liability component and a conversion component. The conversion component gives the holders the right at any time to convert the convertible notes into ordinary shares of the Company. However, since the conversion component would be settled other than by the exchange of a fixed amount of cash, the conversion component is accounted for as derivative liability and is measured at fair value with subsequent changes in fair value recognised in profit or loss.

The fair value of the liability component upon the issuance of the convertible notes was calculated at the present value of the redemption amount, at 100% of the principal amount.

The fair value of the conversion component was determined using the binomial option pricing model, and the key inputs into the model at the relevant dates were as follows:

	<b>Issue date as at 26 April 2017</b>	<b>As at 31 December 2017</b>
Conversion price	HK\$0.360	HK\$0.360
Share price	HK\$0.445	HK\$0.540
Volatility	41.31%	33.08%
Remaining life	1.5 years	0.82 year
Risk-free rate	0.68%	1.15%

The liability component and the conversion component are included in “convertible notes” and “derivative financial liability” on the consolidated statement of financial position respectively.

The fair value of the convertible notes at 26 April 2017 amounted to HK\$98,889,000. The subscription agreement entered into on 11 April 2017 represented a forward contract to issue the convertible notes on 26 April 2017 in exchange for cash proceeds of HK\$80,000,000 which met the definition of a derivative. Accordingly the Company recorded a fair value loss of HK\$18,889,000 in profit or loss in relation to the change in fair value of this subscription agreement (mainly driven by the increase in the Company’s share price between 11 April 2017 and 26 April 2017). On 26 April 2017, the Company derecognised the derivative and recognised the cash proceeds and the convertible notes at their fair value and at that date split between a derivative element of HK\$26,387,000 in respect of the conversion option and a non-derivative liability component of HK\$72,502,000.

During the year ended 31 December 2017, none of the convertible notes were converted into the ordinary shares of the Company.

	<b>Liability component HK\$’000</b>	<b>Conversion component HK\$’000</b>	<b>Total HK\$’000</b>
Fair value of convertible notes at issue date	72,502	26,387	98,889
Transaction cost	(109)	(39)	(148)
Change of fair value on derivative component recognised in profit of loss	–	20,269	20,269
Effective interest ( <i>Note 8</i> )	4,955	–	4,955
Interest paid/payable	(1,203)	–	(1,203)
<b>At 31 December 2017</b>	<b>76,145</b>	<b>46,617</b>	<b>122,762</b>

## 21. Share capital

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2016, 31 December 2016 and <b>31 December 2017</b>	<b>100,000,000</b>	<b>1,000,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2016	727,854	7,279
Issue of shares upon rights issue ( <i>Note (i)</i> )	3,639,268	36,392
At 31 December 2016	4,367,122	43,671
Issue of shares on share placement ( <i>Note (iii)</i> )	651,000	6,510
<b>At 31 December 2017</b>	<b>5,018,122</b>	<b>50,181</b>

### Notes:

- (i) On 27 January 2016, the Company completed an issue and allotment of 3,639,268,185 rights shares at a subscription price of HK\$0.14 per rights share by way of a rights issue on the basis of five rights shares for every one share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$7,651,000 from gross proceeds of HK\$509,497,000, were approximately HK\$501,846,000. Details of these were set out in the announcements of the Company dated 12 November 2015, 18 December 2015, 21 December 2015 and 26 January 2016, the circular of the Company dated 2 December 2015 and the prospectus of the Company dated 31 December 2015.

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

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

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

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

During the year ended 31 December 2016, no shares were issued as a result of the exercise of the Warrants. All outstanding Warrants expired on 29 February 2016. As at 31 December 2017 and 31 December 2016, the Company had no Warrants outstanding.

- (iii) On 4 July 2017, the Company completed a share placement and issued 651,000,000 placing shares at a placing price of HK\$0.308 each. The net proceeds from the share placement, after deducting directly attributable costs of HK\$5,117,000 from gross proceeds of HK\$200,508,000, were approximately HK\$195,391,000. Details of these are set out in the announcements of the Company dated 16 June 2017 and 4 July 2017.

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

## 22. Share option scheme

The existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the Company at the annual general meeting of the Company held on 22 June 2016 and the previous share option scheme of the Company adopted on 6 November 2006 (the “Old Share Option Scheme”) was terminated on the same date.

On 4 May 2017, the Company granted share options to eligible persons to subscribe for a total of 436,710,000 ordinary shares of the Company under the Share Option Scheme. The exercise price of the options granted is HK\$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

Details of the movements in the number of share options during the year ended 31 December 2017 under the Share Option Scheme are as follows:

Name or category of participant	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK\$ (Note (ii))	Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Reclassified during the year	Cancelled/ lapsed during the year	Outstanding at 31 December 2017
<b>Directors:</b>									
Mr. Liu Zhiyi (Note (iv))	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	-	-	43,500,000	-	43,500,000
Mr. Sue Ka Lok	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	22,800,000	-	-	-	22,800,000
Ms. Chan Yuk Yee (Note (v))	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	1,200,000	-	(1,200,000)	-	-
Mr. Yiu Chun Kong	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	600,000	-	-	-	600,000
Mr. Chan Shui Yuen	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	900,000	-	-	-	900,000
Mr. To Yan Ming, Edmond	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	300,000	-	-	-	300,000
Mr. Pun Chi Ping	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	300,000	-	-	-	300,000
Ms. Leung Pik Har, Christine	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	300,000	-	-	-	300,000
				-	26,400,000	-	42,300,000	-	68,700,000
<b>Employees:</b>									
In aggregate	4 May 2017	4 May 2017 – 3 May 2020	0.53	-	410,310,000	-	(42,300,000)	-	368,010,000
				-	436,710,000	-	-	-	436,710,000
				-	436,710,000	-	-	-	436,710,000

Notes:

- (i) The share options granted are vested upon granted.
- (ii) The exercise price of the share options is subject to adjustments in case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.

- (iii) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options granted on 4 May 2017 was HK\$0.46.
- (iv) 43,500,000 share options were granted to Mr. Liu Zhiyi on 4 May 2017 when he was an employee of the Group. He was then appointed as an executive director of the Company on 5 May 2017.
- (v) Ms. Chan Yuk Yee resigned as an executive director of the Company on 10 November 2017 but remains as an employee of the Group.

The binomial option pricing model was used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the independent professional valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions. The estimated fair value of the options on their respective grant dates were as follows:

Option type	Grant date	Exercisable period (both dates inclusive)	Fair value on grant date <i>HK\$</i>
Senior management	4 May 2017	4 May 2017 - 3 May 2020	0.171
Employees	4 May 2017	4 May 2017 - 3 May 2020	0.167

The inputs into the model in respect of the share options granted were as follows:

	Option type	
	Senior management	Employees
Share price on grant date	HK\$0.530	HK\$0.530
Exercise price on grant date	HK\$0.530	HK\$0.530
Volatility	47.10%	47.10%
Expected life	3 years	3 years
Risk-free rate	0.95%	0.95%

Volatility was determined by using the historical volatility of comparable companies with business natures and operations similar to the Company over the previous three years.

The Group recognised share-based payments expense of HK\$73,257,000 during the year ended 31 December 2017 (2016: nil) in relation to the share options granted by the Company.

Details of the Old Share Option Scheme were set out in the Company's 2015 Annual Report. Details of the movements in the number of share options granted to suppliers and others during the year ended 31 December 2016 under the Old Share Option Scheme were as follows:

Date of grant	Exercisable period (both dates inclusive)	Exercise price <i>HK\$</i> <i>Note (i)</i>	Outstanding at 1 January 2016	Adjusted during the year  <i>Note (ii)</i>	Lapsed during the year	Outstanding at 31 December 2016
11 April 2013	11 April 2013 – 10 April 2016	1.5459	15,025,920	6,087,000	(21,112,920)	–
25 November 2013	25 February 2014 – 24 November 2016	1.3277	7,512,960	3,043,500	(10,556,460)	–
			22,538,880	9,130,500	(31,669,380)	–
			22,538,880	9,130,500	(31,669,380)	–

*Notes:*

- (i) The exercise price of the share options was subject to adjustments in case of capitalisation of profits or reserve, bonus issues, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital or other changes in the capital structure of the Company.
- (ii) Upon the completion of the rights issue of the Company on 27 January 2016, the number of shares that can be subscribed for upon exercise of the outstanding share options and the exercise price of the share options were adjusted. Details of these were set out in the announcement of the Company dated 26 January 2016.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

## **BUSINESS REVIEW**

For the year ended 31 December 2017, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

For the year under review, the Group reported a revenue of HK\$57,870,000, decreased by 7% compared to the prior year (2016: HK\$62,253,000) that was mainly due to the decline in revenue of the petroleum business resulting from the drop in average selling price and volume of crude oil produced, and decrease in interest income generated from the money lending business, though such decreases in revenue were partly compensated by the increase in interest income generated from the investment in securities business.

### **Petroleum Exploration and Production**

During the year ended 31 December 2017, the Group continued to engage in petroleum exploration and production in Chañares Herrados Area (“CHE Area”) (the “Concession”) in the Cuyana Basin, Mendoza Province of Argentina. Chañares Herrados Empresa de Trabajos Petroleros S.A. (“Chañares”) is the concessionaire of the Concession (the “Concessionaire”).

On 2 December 2010, Southstart Limited (“Southstart”), a wholly owned subsidiary of the Company, and Chañares entered into a joint venture agreement (“2010 JV Agreement”). Pursuant to the 2010 JV Agreement, among others, EP Energy S.A. (“EP Energy”), a wholly owned subsidiary of the Company, had the right to drill and invest in the Concession and was entitled to share 72% of hydrocarbon production from the wells drilled by EP Energy in the current and future years until the end of the Concession.

On 5 June 2012, EP Energy, Have Result Investments Limited (“Have Result”), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the “Operation Agreement”). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retains the right to drill and invest in the Concession during the life of the Concession. The Operation Agreement confirmed that Have Result is entitled to 51% interest on the production of five oil wells and EP Energy is entitled to 72% interest on the production of the other five oil wells.

During the year under review, the Group continued to focus on the investment to improve the production of and had performed maintenance works for the 10 existing producing oil wells.

For the year under review, the Group's petroleum exploration and production business generated a revenue of HK\$42,914,000 (2016: HK\$51,320,000) and recorded an overall profit of HK\$24,319,000 (2016: loss of HK\$466,000). The decline of the operation's revenue was partly due to the drop in production volume of crude oil by about 9% compared with the prior year, which was mainly due to a longer period of maintenance works undertaken on some of the oil wells this year, and partly due to the decrease in crude oil sales price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from on average US\$57.0 per barrel in 2016 to US\$52.4 per barrel in 2017. The operation thus reported a small operating loss of HK\$59,000 (2016: HK\$1,951,000). Nevertheless, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties of the Concession and the other tax recoverables at 31 December 2017 and determined that there was no reversal of impairment loss on the exploration and evaluation assets but there was a reversal of impairment loss on the oil and gas properties of the Concession of HK\$22,588,000 (2016: HK\$2,282,000) and a reversal of impairment loss on other tax recoverables of HK\$1,790,000 (2016: provision of impairment loss of HK\$797,000). Overall speaking, the effect of the drop in operation's revenue was fully offset by the net reversal of impairment losses mentioned, with the result that the operation experienced a turnaround and recorded a reversal of impairment losses of HK\$24,378,000 and an overall profit, after deducting the small operating loss of HK\$59,000, of HK\$24,319,000 (2016: loss of HK\$466,000).

At 31 December 2017, the Group reconsidered the future development of the investment plan on the Concession and concluded that no further well drilling programme will be launched at present primarily in view of the low level of prevailing crude oil selling price.

References are made to the announcement of the Company dated 25 August 2016 and the annual report of the Company for the year ended 31 December 2016 disclosing that the Group was notified by the Concessionaire of the CHE Area and Puesto Pozo Cercado Area ("PPC Area") (together the "Concessions") that the department of hydrocarbons of the government of Mendoza (the "Mendoza Government") had been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 (the "Extension") previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. As disclosed in the announcement of the Company dated 15 August 2017, the Group was notified by the Concessionaire that the Executive of the Province of Mendoza published two decrees on 9 August 2017 to the effect that (i) it had accepted the investment commitment plan submitted by the Concessionaire in respect of the Extension for the CHE Area; and (ii) it declared the lapse of the concession in respect of the PPC Area by 30 October 2017. The Concessionaire also advised the Group that based on its discussions with the Mendoza Government, the concession in respect of the CHE Area would be extended until 14 November 2027.

In light of the above, it is the intention of the Group to continue its participation in the operations and sharing of interest on the production of the ten oil wells drilled in the CHE Area. As regards the PPC Area, as no oil wells have been drilled or are in operations by the Group and the Group's exploration and evaluation assets in respect of its right over the hydrocarbon production from the PPC Area was fully impaired in the year ended 31 December 2015, the Board considers that the lapse of the concession in respect of the PPC Area would not have material adverse effect on the business, financial positions or prospects of the Group.

### Money Lending

During the year ended 31 December 2017, the Group's money lending business recorded a decrease in revenue and operating profit by reporting HK\$7,797,000 (2016: HK\$10,133,000) and HK\$7,927,000 (2016: HK\$9,920,000) respectively. Such decreases were mainly due to the lower average amount of loans advanced to borrowers during the current year. Before granting loans to potential customers, the management uses internal credit assessment process to assess the potential borrower's credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

At 31 December 2017, the loan portfolio held by the Group amounted to HK\$67,235,000 with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	100.00	10 -18	Within one year

There was no default in repayments from borrowers and no impairment loss was recognised against the loan receivables during the current year.

### Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on

acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

At 31 December 2017, the Group's investment in securities operation held a financial asset at FVTPL portfolio valued at HK\$95,849,000 (2016: HK\$27,454,000), comprising equity securities listed in Hong Kong, and an AFS investment portfolio (constituted by non-current and current portions) valued at HK\$144,877,000 (2016: nil), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK\$7,159,000 (2016: HK\$800,000) and a profit of HK\$51,587,000 (2016: loss of HK\$4,099,000).

### **Financial assets at FVTPL**

At 31 December 2017, the Group held a financial asset at FVTPL portfolio amounting to HK\$95,849,000 measured at market/fair value. During the year under review, the portfolio generated a revenue of HK\$2,088,000 (2016: HK\$800,000) representing dividends from equity securities of HK\$1,832,000 (2016: HK\$800,000) and interest income from debt securities of HK\$256,000 (2016: nil). The Group recognised a net gain on financial assets at FVTPL of HK\$45,101,000, which comprised net unrealised gain and net realised gain of HK\$25,921,000 and HK\$19,180,000 respectively (2016: net loss on financial assets at FVTPL of HK\$4,344,000, which comprised net unrealised loss and net realised loss of HK\$3,313,000 and HK\$1,031,000 respectively). Such gains earned by the financial asset at FVTPL portfolio was largely due to the general upturn and strong momentum of financial market in Hong Kong during the second half of 2017.

At 31 December 2017, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$95,849,000 were as below:

<b>Category of companies</b>	<b>Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %</b>
Banking	14.73
Jewelry, pharmaceutical and health food products retailing	45.47
Petroleum exploration and production	4.87
Property	20.45
Real estate investment trust	7.56
Others	6.92
	100.00

At 31 December 2017, the weightings of the Group's top five investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$95,849,000 (together with other information) were as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	% of shareholding interest %	Acquisition costs HK\$'000	* Acquisition costs during the year/ carrying amount as at 1 January 2017 HK\$'000	Market/fair value as at 31 December 2017 HK\$'000	Accumulated unrealised gain (loss) recognised up to 31 December 2017 HK\$'000	Unrealised gain (loss) recognised during the year ended 31 December 2017 HK\$'000
				A	B	C	D = C - A
Larry Jewelry International Company Limited (stock code: 8351)	45.47	2.633	18,549	18,549	43,581	25,032	25,032
Emperor International Holdings Limited (stock code: 163)	20.45	0.203	18,278	18,278	19,598	1,320	1,320
Link Real Estate Investment Trust (stock code: 823)	7.56	0.005	6,285	6,285	7,245	960	960
HSBC Holdings plc (stock code: 5)	7.51	negligible	7,196	7,196	7,196	-	-
Industrial and Commercial Bank of China Limited (stock code: 1398)	7.22	0.001	6,908	6,908	6,919	11	11
Others	11.79	-	12,736	12,712	11,310	(1,426)	(1,402)
	<u>100.00</u>		<u>69,952</u>	<u>69,928</u>	<u>95,849</u>	<u>25,897</u>	<u>25,921</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

## AFS investments

At 31 December 2017, the Group's AFS investment portfolio (constituted by non-current and current portions) of HK\$144,877,000 (2016: nil) was measured at market/fair value. During the year under review, the Group's AFS investment portfolio generated total revenue amounting to HK\$5,071,000 (2016: nil) representing interest income from debt securities. According to the maturity of the AFS investments, part of the AFS investment portfolio of HK\$23,344,000 was classified as current assets.

During the year under review, the Group invested approximately HK\$145,396,000 for acquiring debt securities in the aggregate principal amount of US\$18,600,000 issued by an aircraft leasing company and seven property companies listed on the Stock Exchange. The Group has commenced its investments in debt securities during the year which offer stable returns.

At the year end, a net fair value loss on the AFS investment portfolio amounting to HK\$519,000 (2016: nil) was recognised as other comprehensive expense.

At 31 December 2017, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's AFS investment portfolio of HK\$144,877,000 (together with other information) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's AFS investment portfolio %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	* Acquisition costs during the year/ carrying amount as at 1 January 2017 HK\$'000	Market/ fair value as at 31 December 2017 HK\$'000	Accumulated fair value loss recognised up to 31 December 2017 HK\$'000	Fair value loss recognised during the year ended 31 December 2017 HK\$'000
				A	B	C	D = C - A
Aircraft leasing	10.51	4.93	15,444	15,444	15,231	(213)	(213)
Property	89.49	4.56 - 8.75	129,952	129,952	129,646	(306)	(306)
	<u>100.00</u>		<u>145,396</u>	<u>145,396</u>	<u>144,877</u>	<u>(519)</u>	<u>(519)</u>

\* The amount represented the costs of the securities acquired during the year ended 31 December 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current financial year.

## **Overall Results**

For year ended 31 December 2017, the Group reported a loss attributable to owners of Company of HK\$54,855,000 (2016: HK\$31,079,000) that was mainly attributable to the recognition of share-based payments expense of HK\$73,257,000 recorded for the grant of share options to directors and employees in May 2017 and the recognition of loss in the net fair value changes on convertible notes of HK\$39,158,000 for the convertible notes issued in April 2017, which were both non-cash in nature, despite the profitable results contributed by the Group's all three business segments, namely, petroleum exploration and production, money lending and investment in securities and the decrease in corporate expenses by 46% to HK\$14,299,000 (2016: HK\$26,397,000). Basic loss per share was HK1.17 cents and increased by HK0.41 cent compared to prior year (2016: HK0.76 cent). If the effect of the share-based payments expense, the net fair value changes on convertible notes and the reversal of impairment losses of HK\$24,378,000 were excluded, the Group would have, for illustrative purpose, reported a profit of HK\$33,182,000 for the current year which essentially reflects the operating results of the Group.

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Capital Structure**

On 11 April 2017, the Company entered into an agreement with an investor for the subscription of the 3% convertible notes in aggregate principal amount of HK\$80,000,000 which could be converted into ordinary shares of the Company at an initial conversion price of HK\$0.36 per share (the "CN Subscription"). The completion of the CN Subscription took place on 26 April 2017 and net proceeds of HK\$79,852,000 were raised. The Company intended to use approximately 50% of the net proceeds as working capital for the money lending business and the remaining for the investment in securities business of the Group. The Group recorded a net fair value loss on convertible notes amounting to HK\$39,158,000 that was mainly driven by the increase in the Company's share price between the date of entering the subscription agreement for the convertible notes i.e. 11 April 2017 and the financial year end date i.e. 31 December 2017. Further details of the issuance of convertible notes were set out in the announcements of the Company dated 11 April 2017 and 26 April 2017.

On 16 June 2017, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 651,000,000 new shares of the Company to not less than six independent places at the placing price of HK\$0.308 per share (the "Share Placement"). The completion of Share Placement took place on 4 July 2017, the net proceeds from the Share Placement, after deducting directly attributable costs of HK\$5,117,000 from gross proceeds of HK\$200,508,000, were approximately HK\$195,391,000. The Company intended to allocate the net proceeds on a 50:50 basis between the Group's money lending and investment in securities businesses but may apply the net proceeds toward funding investment opportunities which the Board considers to be in the interest of the Company. Further details of the Share Placement were set out in the announcements of the Company dated 16 June 2017 and 4 July 2017.

At 31 December 2017, approximately 70% of the funds raised through the CN Subscription and Share Placement had been used as the working capital of the Group's money lending and investment in securities businesses.

On 8 November 2017, two indirectly wholly-owned subsidiaries of the Company, Mega Link Hengtian (Xiamen) Equity Investment Co., Ltd. and Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership), entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent parties in respect of, among other matters, the establishment of the limited partnership (the "Limited Partnership") and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership is RMB120,000,000 in which the Group has committed to contribute a total of RMB61,510,000 to subscribe for an aggregate approximately 51.26% interest in the Limited Partnership. The purpose of the Limited Partnership is to invest in a series of projects in the smart city big data industry in the PRC. It is expected that the Limited Partnership will invest in smart city and big data application projects in the next few years and will construct cloud computing data centers. At 31 December 2017, capital had not yet been injected into the Limited Partnership. Details of the Limited Partnership were set out in the announcement of the Company dated 8 November 2017.

During the year ended 31 December 2017, the Group financed its operation mainly by cash generated from its operations, funds raised through the CN Subscription and the Share Placement, and shareholders' funds. At the year end, the Group had current assets of HK\$524,860,000 (2016: HK\$325,119,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$383,198,000 (2016: HK\$209,658,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$143,613,000 (2016: HK\$21,892,000), was about 3.7 (2016: 14.9). The decrease in current ratio in the current year was mainly attributed to the recognition of convertible notes of HK\$76,145,000 (2016: nil) and derivative financial liability of HK\$46,617,000 (2016: nil) on the convertible notes, and the application of funds for acquiring the AFS investments which were largely classified as non-current assets. At 31 December 2017, the Group's trade and other receivables and prepayments amounted to HK\$49,324,000 (2016: HK\$11,996,000), which mainly comprised deposits placed with securities brokers in relation to securities trading activities.

At 31 December 2017, the net assets of the Group increased to HK\$559,116,000 (2016: HK\$345,842,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$147,804,000 (2016: HK\$21,892,000) divided by total assets of HK\$706,920,000 (2016: HK\$367,734,000), was about 21% (2016: 6%). The finance costs for the year amounted to HK\$4,955,000, which represented the effective interest on convertible notes issued in April 2017 (2016: HK\$6,788,000, represented mainly interest on bank borrowings which were fully repaid in November 2016).

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

## **PROSPECTS**

The Group's petroleum exploration and production operation continued to record operating loss before reversal of impairment losses, though small, of HK\$59,000 during the year as business conditions of the operation remained challenging where Argentina local oil selling price remained hovering at low levels at an average of about US\$52.4 per barrel during 2017. Following the upturn of international oil price since late 2017, the gap between international oil price and Argentina local oil selling price has been narrowed recently, this price trend is expected to continue for the remaining duration of 2018 and there could be positive impact to the revenue of the operation.

As for the money lending business, the Group will continue to develop this business under prudent credit management and believe that this business will continue to contribute a stable and favorable income stream to the Group in future years.

The investment and stock markets in Hong Kong have been rather volatile recently, the management will continue to take a cautious and disciplined approach in managing the Group's securities investments portfolio, which currently comprises of equity securities listed in Hong Kong and debt securities listed in Hong Kong or overseas.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to further improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects aiming to enhance value to shareholders. As referred to in the Company's announcement dated 8 November 2017, the Group has entered into the Limited Partnership Agreement with two independent parties to establish the Limited Partnership for the purpose to invest in a series of projects in the smart city big data industry in the PRC. The Board expects that the investments to be carried out by the Limited Partnership will bring investments returns to and attract a new stream of revenue for the Group. Further announcement on this investment will be made by the Company to shareholders as and when appropriate.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2017, except for the following deviation with reason as explained:

## **Effective communications**

### *Code Provision E.1.2*

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

### *Deviation*

The Chairman of the Board, Mr. Suen Cho Hung, Paul, was unable to attend the annual general meeting of the Company held on 22 June 2017 as he had other important business engagement. However, Mr. Sue Ka Lok, an Executive Director of the Company, had chaired the meeting in accordance with Bye-law 70 of the Company's Bye-laws.

## **AUDIT COMMITTEE**

The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee of the Company and duly approved by the Board under the recommendation of the Audit Committee.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**EPI (Holdings) Limited**  
**Sue Ka Lok**  
*Executive Director*

Hong Kong, 29 March 2018

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