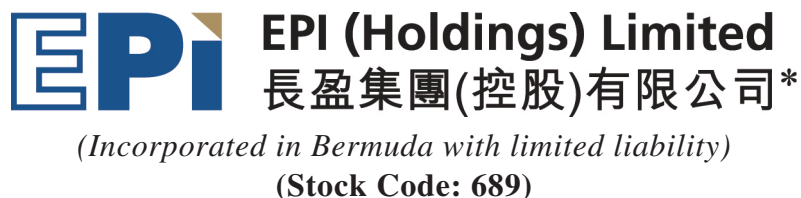


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INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Board of Directors (the “Board”) of EPI (Holdings) Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2018 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	33,131	27,439
Sales of petroleum		22,135	21,639
Interest income		10,758	5,395
Dividend and other income		238	405
Purchases, processing and related expenses		(15,369)	(16,837)
Other (loss) gain, net	5	(62)	1,059
Net (loss) gain on financial assets at fair value through profit or loss	6	(25,523)	10,640
Loss on redemption of debt instruments at fair value through other comprehensive income		(41)	–
Net fair value changes on convertible notes	18	(15,929)	3,575
Wages, salaries and other benefits		(6,052)	(5,095)
Share-based payments expense		–	(73,257)
Depreciation and depletion		(2,645)	(1,945)
Provision of impairment loss	9	(719)	–
Other expenses		(5,644)	(4,626)
Finance costs	7	(3,164)	(1,272)
Loss before tax		(42,017)	(60,319)
Income tax credit (expense)	8	2,703	(624)
Loss for the period attributable to owners of the Company	9	(39,314)	(60,943)

* For identification purpose only

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on:			
Available-for-sale investments		–	(2,402)
Debt instruments at fair value through other comprehensive income		(11,891)	–
Released on redemption of debt instruments at fair value through other comprehensive income		41	–
Exchange differences on translation of financial statements of foreign operations		(790)	–
		<hr/>	<hr/>
Total comprehensive expense for the period attributable to owners of the Company		(51,954)	(63,345)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to owners of the Company			
– Basic	<i>11</i>	HK0.78 cent	HK1.40 cents
		<hr/> <hr/>	<hr/> <hr/>
– Diluted	<i>11</i>	–	HK1.42 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

		As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		53,844	56,451
Available-for-sale investments	<i>12</i>	–	121,533
Debt instruments at fair value through other comprehensive income	<i>13</i>	133,021	–
Other tax recoverables		1,552	4,076
		<hr/>	<hr/>
Total non-current assets		188,417	182,060
Current assets			
Available-for-sale investments	<i>12</i>	–	23,344
Trade and other receivables and prepayments	<i>14</i>	19,679	49,324
Loan receivables	<i>15</i>	93,817	67,235
Other tax recoverables		1,243	1,759
Financial assets at fair value through profit or loss	<i>16</i>	83,230	95,849
Bank balances and cash		278,588	287,349
		<hr/>	<hr/>
Total current assets		476,557	524,860
Current liabilities			
Trade and other payables	<i>17</i>	15,874	19,107
Income tax payable		2,399	1,744
Derivative financial liability	<i>18</i>	61,588	46,617
Convertible notes	<i>18</i>	53,118	76,145
		<hr/>	<hr/>
Total current liabilities		132,979	143,613
		<hr/>	<hr/>
Net current assets		343,578	381,247
		<hr/>	<hr/>
Total assets less current liabilities		531,995	563,307
Non-current liability			
Deferred tax liabilities		272	4,191
		<hr/>	<hr/>
Net assets		531,723	559,116
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>19</i>	50,903	50,181
Reserves		480,820	508,935
		<hr/>	<hr/>
Total equity		531,723	559,116
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, and are presented in Hong Kong dollars (“HK\$”) which is the functional currency of the Company.

2. Principal accounting policies

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017. Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s audited financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group’s unaudited condensed consolidated interim financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle
Amendments to HKAS 40	Transfers of investment property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application of HKFRS 15 “Revenue from contracts with customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations.

The Group recognises revenue from the following major sources:

- Petroleum exploration and production
- Money lending
- Investment in securities

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The adoption of HKFRS 15 has had no material impact on the Company's financial performance and positions for the current period or at 1 January 2018.

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial instruments”

In the current period, the Group has applied HKFRS 9 “Financial instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial instruments: recognition and measurement”.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business combinations” applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amount that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “net gain (loss) on financial assets at FVTPL” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bank balances and cash, debt instruments at FVTOCI and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of that relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations; and
- adverse change in the fair value of the pledged assets on loan receivables.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flow that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and loan receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

At as 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 9

(a) Available-for-sale ("AFS") investments

Reclassification from AFS investments to debt instruments at FVTOCI

Listed bonds with a fair value of HK\$144,877,000 were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related net fair value loss of HK\$519,000 previously accumulated up to 31 December 2017 was continued to accumulate in investment revaluation reserve as at 1 January 2018.

(b) *Impairment under ECL model*

Loss allowances for other financial assets at amortised cost comprising mainly other receivables, loan receivables and bank balances and cash, and debt instruments at FVTOCI are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

As at 1 January 2018, credit loss allowance of HK\$3,630,000 in aggregate for loan receivables and debt instruments at FVTOCI was recognised against accumulated losses. Loss allowance of HK\$1,439,000 was recognised against the loan receivables while for the debt instruments at FVTOCI, the loss allowance of HK\$2,191,000 was recognised against the investment revaluation reserve.

The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	AFS investments HK\$'000	Debt instruments at FVTOCI HK\$'000	Loan receivables HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000
Closing balance at 31 December 2017					
- HKAS 39 (audited)	144,877	-	67,235	(519)	(462,476)
Effect arising from initial application of HKFRS 9:					
Reclassification					
From AFS investments	(144,877)	144,877	-	-	-
Remeasurement					
Impairment under ECL model	-	-	(1,439)	2,191	(3,630)
Opening balance at 1 January 2018 (restated)	-	144,877	65,796	1,672	(466,106)

3. Revenue

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Sales of petroleum	22,135	21,639
Interest income from money lending business	5,828	4,193
Arrangement fee income from money lending business	110	130
Dividend income from securities investments	128	275
Interest income from securities investments	4,930	1,202
	33,131	27,439

During the periods under review, the revenue is recognised at a point in time except for dividend income and interest income from securities investments and interest income from money lending business which fall outside the scope of HKFRS 15.

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 representing the Board, for the purposes of allocating resource 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:

	Petroleum exploration and production <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Investment in securities <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2018				
Segment revenue				
External sales/sources	<u>22,135</u>	<u>5,938</u>	<u>5,058</u>	<u>33,131</u>
Results				
Segment results	<u>1,010</u>	<u>5,105</u>	<u>(20,670)</u>	(14,555)
Other loss, net				(105)
Corporate expenses				(8,264)
Net fair value changes on convertible notes				(15,929)
Finance costs				<u>(3,164)</u>
Loss before tax				(42,017)
Income tax credit				<u>2,703</u>
Loss for the period				<u>(39,314)</u>
Six months ended 30 June 2017				
Segment revenue				
External sales/sources	<u>21,639</u>	<u>4,323</u>	<u>1,477</u>	<u>27,439</u>
Results				
Segment results	<u>(73)</u>	<u>4,447</u>	<u>11,655</u>	16,029
Other gain, net				779
Corporate expenses				(6,173)
Net fair value changes on convertible notes				3,575
Share-based payments expense				(73,257)
Finance costs				<u>(1,272)</u>
Loss before tax				(60,319)
Income tax expense				<u>(624)</u>
Loss for the period				<u>(60,943)</u>

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

Segment assets and liabilities

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

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Segment assets		
Petroleum exploration and production	63,335	69,509
Money lending	137,027	138,959
Investment in securities	<u>227,163</u>	<u>280,665</u>
Total segment assets	427,525	489,133
Property, plant and equipment	294	329
Bank balances and cash	235,078	214,643
Other unallocated assets	<u>2,077</u>	<u>2,815</u>
Consolidated assets	<u><u>664,974</u></u>	<u><u>706,920</u></u>
Segment liabilities		
Petroleum exploration and production	2,624	4,508
Money lending	1,048	393
Investment in securities	<u>1,351</u>	<u>5,542</u>
Total segment liabilities	5,023	10,443
Other payables	13,522	14,599
Derivative financial liability	61,588	46,617
Convertible notes	<u>53,118</u>	<u>76,145</u>
Consolidated liabilities	<u><u>133,251</u></u>	<u><u>147,804</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property, plant and equipment, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables, derivative financial liability and convertible notes.

Revenue from major products and services

The Group's revenue is arising from petroleum exploration and production, money lending and investment in securities businesses.

5. Other (loss) gain, net

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	439	431
Exchange (loss) gain, net	(809)	113
Others	308	515
	(62)	1,059

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised (loss) gain on financial assets at FVTPL	(28,501)	1,152
Net realised gain on disposal of financial assets at FVTPL	2,978	9,488
	(25,523)	10,640

7. Finance costs

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Effective interest on convertible notes (<i>Note 18</i>)	3,164	1,272

8. Income tax (credit) expense

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax (credit) charge comprises:		
Current tax		
Hong Kong	216	624
People's Republic of China ("PRC")	440	–
Argentina		
– Withholding tax on interest income from a group entity	560	–
	<u>1,216</u>	<u>624</u>
Deferred tax	<u>(3,919)</u>	<u>–</u>
Income tax (credit) expense recognised in profit or loss	<u>(2,703)</u>	<u>624</u>

Hong Kong, PRC and Argentina profits tax were calculated at 16.5%, 25% and 35% respectively of the estimated assessable profit for both periods under review.

9. Loss for the period

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases in respect of office properties and buildings	1,100	1,169
Professional and consultancy fee	2,378	833
Impairment allowance on loan receivables	719	–
	<u>4,197</u>	<u>2,832</u>

10. Dividends

No dividend was paid or proposed for the six months ended 30 June 2018 (six months ended 30 June 2017: nil), nor has any dividend been proposed since the end of the reporting periods.

11. Loss per share

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	(39,314)	(60,943)
Effect of dilutive potential ordinary shares:		
Effective interest on convertible notes	–	1,272
Net fair value changes on convertible notes	–	(3,575)
	<u> </u>	<u> </u>
Loss for the period attributable to owners of the Company for the purpose of calculating diluted loss per share	<u>(39,314)</u>	<u>(63,246)</u>
	Six months ended 30 June	
	2018	2017
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	5,035,534	4,367,122
Effect of dilutive potential ordinary shares:		
Convertible notes	–	81,031
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>5,035,534</u>	<u>4,448,153</u>

For the six months ended 30 June 2018, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and the exercise of the Company's share options since their assumed exercises would result in a decrease in loss per share.

For the six months ended 30 June 2017, the computation of diluted loss per share assumed the conversion of the Company's outstanding convertible notes into ordinary shares and the net loss was adjusted to eliminate the related gain/loss and expenses stated above. However, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options because the exercise price of share options was higher than the average market price per share of the Company during the previous interim period.

12. Available-for-sale investments

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
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	–	144,877
	<u>–</u>	<u>144,877</u>
Analysed as:		
Current portion	–	23,344
Non-current portion	–	121,533
	<u>–</u>	<u>144,877</u>

As at 31 December 2017, AFS investments were stated at fair values. The fair values of the listed debt securities were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchange.

Upon initial application of HKFRS 9 during the current interim period, AFS investments were reclassified as debt instruments at FVTOCI, which is detailed in Note 2.2.2(a).

13. Debt instruments at fair value through other comprehensive income

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
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 19 July 2020 to 28 June 2025	133,021	–
	<u>133,021</u>	<u>–</u>

As at 30 June 2018, debt instruments at FVTOCI are stated at fair values which were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

Debt instruments at FVTOCI are listed bonds with the credit loss allowance measured on 12m ECL basis as the credit risk on financial instrument has not increased significantly since initial recognition. The Group assessed the ECL by reference to credit rating of the bond investment by rating agencies, macroeconomic factors affecting the respective industry for each issuer, corporate historical default and loss rate and exposure of default of each bond investment.

At the date of initial application of HKFRS 9, the Group provided impairment allowance of approximately HK\$2,191,000 and there is insignificant change in the impairment allowance for the current interim period.

14. Trade and other receivables and prepayments

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (i)</i>)	2,311	2,253
Deposits and prepayments	2,160	2,375
Deposits held for petroleum exploration and production operation	3,022	4,189
Interest receivables (<i>Note (ii)</i>)	4,094	3,092
Others (<i>Note (iii)</i>)	8,092	37,415
	<u>19,679</u>	<u>49,324</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\$2,311,000 (31 December 2017: HK\$2,253,000) 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 debt instruments at FVTOCI and the loans to third party borrowers of the money lending business.

- (iii) The amount includes HK\$7,701,000 (31 December 2017: HK\$37,411,000) placed with securities brokers in relation to securities trading activities in Hong Kong.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. As at 30 June 2018, the trade receivables balances were within the credit period of 60 days, the directors of the Company considered that the lifetime ECL allowance is insignificant as at 30 June 2018.

15. Loan receivables

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	95,975	67,235
Less: impairment allowance	<u>(2,158)</u>	<u>-</u>
	<u>93,817</u>	<u>67,235</u>
Analysed as:		
Guaranteed	47,589	48,235
Secured	10,000	-
Unsecured	<u>36,228</u>	<u>19,000</u>
	<u>93,817</u>	<u>67,235</u>

At 30 June 2018, the range of interest rate attributed to the Group's loan receivables was 10% to 18% (31 December 2017: 10% to 18%) per annum.

The movement of impairment allowance for loan receivables for the period is as follows:

	Impairment allowance for loan receivables <i>HK\$'000</i> (Unaudited)
As at 31 December 2017	-
Impairment allowance recognised	<u>1,439</u>
As at 1 January 2018 (restated)	1,439
Impairment allowance recognised	<u>719</u>
As at 30 June 2018	<u>2,158</u>

16. Financial assets at fair value through profit or loss

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>83,230</u>	<u>95,849</u>

Listed equity securities are stated at fair values which were determined based on quoted market closing prices available on the Stock Exchange.

17. Trade and other payables

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Trade payables	289	552
Other tax payables	3,637	4,667
Accrued professional fees	8,181	10,331
Interest payable on convertible notes	808	1,203
Other payables and accruals	<u>2,959</u>	<u>2,354</u>
	<u>15,874</u>	<u>19,107</u>

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

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
0 - 30 days	<u>289</u>	<u>552</u>

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

18. 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 the 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. On 10 April 2018, convertible notes with aggregate principal amount of HK\$26,000,000 were converted into ordinary shares at the conversion price of HK\$0.36 per share and 72,222,222 ordinary shares of HK\$0.01 each were issued to the holder of convertible notes. At 30 June 2018, convertible notes with aggregate principal amount of HK\$54,000,000 remained outstanding. Assuming full conversion of these convertible notes at the conversion price of HK\$0.36 at 30 June 2018, 150,000,000 new ordinary shares of HK\$0.01 each of the Company will be issued.

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 plus coupon interest of 3% discounted at the Company’s cost of borrowing.

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:

	Issue date as at 26 April 2017	As at 30 June 2018
Conversion price	HK\$0.360	HK\$0.360
Share price	HK\$0.445	HK\$0.760
Volatility	41.31%	49.82%
Remaining life	1.5 years	0.32 year
Risk-free rate	0.68%	1.51%

The liability component and the conversion component are included in “convertible notes” and “derivative financial liability” on the condensed 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. The effective interest rate of the non-derivative liability component was 10.37%.

During the six months ended 30 June 2018, convertible notes with aggregate principal amount of HK\$26,000,000 were converted into ordinary shares at the conversion price of HK\$0.36 per share and 72,222,222 ordinary shares of HK\$0.01 each were issued to the holder of convertible notes.

	Liability component HK\$'000	Conversion component HK\$'000	Total HK\$'000
Fair value of convertible notes at issue date	72,502	26,387	98,889
Transaction cost	(109)	(39)	(148)
Change in fair value on derivative component recognised in profit or loss	–	20,269	20,269
Effective interest	4,955	–	4,955
Interest paid/payable	(1,203)	–	(1,203)
	<hr/>	<hr/>	<hr/>
As at 31 December 2017 and 1 January 2018	76,145	46,617	122,762
Conversion of convertible notes (<i>Note</i>)	(25,042)	(958)	(26,000)
Change in fair value on derivative component recognised in profit or loss	–	15,929	15,929
Effective interest (<i>Note 7</i>)	3,164	–	3,164
Interest paid/payable	(1,149)	–	(1,149)
	<hr/>	<hr/>	<hr/>
As at 30 June 2018	53,118	61,588	114,706
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

On 10 April 2018, convertible notes with aggregate principal amount of HK\$26,000,000 were converted into ordinary shares at the conversion price of HK\$0.36 per share and 72,222,222 ordinary shares of HK\$0.01 each were issued.

19. Share capital

	Number of ordinary shares '000	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	100,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2017	4,367,122	43,671
Issue of shares upon share placement (<i>Note (i)</i>)	651,000	6,510
As at 31 December 2017 and 1 January 2018	5,018,122	50,181
Issue of shares upon conversion of convertible notes (<i>Note (ii)</i>)	72,222	722
As at 30 June 2018	5,090,344	50,903

Notes:

- (i) On 4 July 2017, the Company completed a share placement and issued 651,000,000 placing shares at the placing price of HK\$0.308 each. The net proceeds from the share placement, after deducting directly attributable expenses 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.
- (ii) On 10 April 2018, convertible notes with aggregate principal amount of HK\$26,000,000 were converted into ordinary shares at the conversion price of HK\$0.36 per share and 72,222,222 ordinary shares of HK\$0.01 each were issued.

All ordinary shares issued by the Company during the six months ended 30 June 2018 and the year ended 31 December 2017 rank pari passu with the then existing ordinary shares in all respects.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

BUSINESS REVIEW

During the six months ended 30 June 2018, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

For the period under review, the Group reported revenue of HK\$33,131,000, increased by 21% compared with the previous period (30 June 2017: HK\$27,439,000) that was mainly due to the rise of interest income generated from the investment in securities and money lending businesses, accompanied with the increase in revenue of the petroleum business resulting from the rise in average selling price of crude oil sold, though the incremental effect on revenue was partly offset by the drop in volume of crude oil produced by the Group's petroleum operation.

Petroleum Exploration and Production

During the first half of 2018, 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 period under review, the Group continued to focus on the investment to improve production of and had performed maintenance works for the 10 existing producing oil wells.

For the period under review, the Group's petroleum exploration and production operation generated revenue of HK\$22,135,000 (30 June 2017: HK\$21,639,000) and recorded profit of HK\$1,010,000 (30 June 2017: loss of HK\$73,000). The increase in the operation's revenue was due to the rise in average crude oil selling price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from an average of US\$51.4 per barrel for the six month period ended 30 June 2017 to US\$63.7 per barrel for the current interim period, though the incremental effect on revenue was partly offset by the drop in production volume of crude oil by about 17%. The drop in crude oil production volume during the current period was mainly the combined results of the extended maintenance works performed on several oil wells and natural decline of output of the ten oil wells the Group has interested in, such oil wells have been in production for over seven years. Provided that the maintenance works on the oil wells are conducted as planned, it is expected that the reduction in output of the oil wells will be lessened in the second half of 2018. Overall speaking, for the current interim period, the operation experienced a turnaround and recorded a profit of HK\$1,010,000 (30 June 2017: loss of HK\$73,000).

At 30 June 2018, 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 because, according to management's estimates, the prevailing and outlook of crude oil selling price has not yet reached a level that new well drillings will warrant a satisfactory financial return. In addition, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties and other tax recoverables at 30 June 2018 and determined that there was no reversal of impairment loss of these assets.

References are made to the announcement of the Company dated 15 August 2017 and the annual report of the Company for the year ended 31 December 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 Puesto Pozo Cercado Area ("PPC Area") by 30 October 2017. The Concessionaire also advised the Group that based on its discussions with the Mendoza Government, the concessions in respect of the CHE Area will 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 six months ended 30 June 2018, the Group's money lending business recorded an increase in revenue and operating profit by reporting HK\$5,938,000 (30 June 2017: HK\$4,323,000) and HK\$5,105,000 (30 June 2017: HK\$4,447,000) respectively. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the current period. Before granting loans to potential customers, the management uses internal credit assessment process to assess individual borrower's credit quality and defines the credit limit granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

At 30 June 2018, the carrying amount of the loans portfolio held by the Group amounted to HK\$93,817,000 with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	70.54	10 - 18	Within one year
Individuals	29.46	12 - 14	Within one year
	<u>100.00</u>		

During the period under review, impairment allowance of HK\$719,000, as a general provision, was recognised against the loan receivables.

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

At 30 June 2018, the Group's investment in securities operation held a financial asset at fair value through profit or loss ("FVTPL") portfolio valued at HK\$83,230,000 (31 December 2017: HK\$95,849,000), comprising equity securities listed in Hong Kong, and debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio valued at HK\$133,021,000 (31 December 2017: HK\$144,877,000, previously recognised as available-for-sale ("AFS") investments), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK\$5,058,000 (30 June 2017: HK\$1,477,000) and a loss of HK\$20,670,000 (30 June 2017: profit of HK\$11,655,000).

Financial assets at FVTPL

At 30 June 2018, the Group held a financial asset at FVTPL portfolio amounting to HK\$83,230,000 (31 December 2017: HK\$95,849,000) measured at market/fair value. During the period under review, the portfolio generated a revenue of HK\$128,000 representing dividends from equity securities (30 June 2017: HK\$531,000, representing dividends from equity securities of HK\$275,000 and interest income from debt securities of HK\$256,000). The Group recognised a net loss on financial assets at FVTPL of HK\$25,523,000, which comprised net unrealised loss and net realised gain of HK\$28,501,000 and HK\$2,978,000 respectively (30 June 2017: net gain on financial assets at FVTPL of HK\$10,640,000, which comprised net unrealised gain and net realised gain of HK\$1,152,000 and HK\$9,488,000 respectively). Such unrealised loss of HK\$28,501,000 recorded by the financial asset at FVTPL portfolio was mainly resulting from the net decrease in fair value of the Group's listed equity securities portfolio primarily owing to the volatile conditions of the Hong Kong stock market during the current period. On a historical costs basis, the unrealised loss on the portfolio was HK\$2,264,000 as referred to in the table below in relation to the Group's top five and other investments.

At 30 June 2018, 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\$83,230,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Conglomerate	25.53
Jewelry, pharmaceutical and health food products retailing	27.25
Property	20.49
Real estate investment trust	18.08
Others	8.65
	100.00

At 30 June 2018, the weightings of the Group's top five and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$83,230,000 (together with other information) are as below:

Investee company's 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 period/ carrying amount as at 1 January 2018 HK\$'000	Market/fair value as at 30 June 2018 HK\$'000	Accumulated unrealised gain (loss) recognised up to 30 June 2018 HK\$'000	Unrealised gain (loss) recognised during the period ended 30 June 2018 HK\$'000
				A			
<i>Equity securities listed in Hong Kong</i>							
Larry Jewelry International Company Limited (stock code: 8351)	27.25	2.46	18,549	43,581	22,680	4,131	(20,901)
Emperor International Holdings Limited (stock code: 163)	20.49	0.20	18,278	19,598	17,054	(1,224)	(2,544)
Link Real Estate Investment Trust (stock code: 823)	18.08	negligible	14,061	15,021	15,047	986	26
Life Healthcare Group Limited (stock code: 928)	16.28	0.90	12,066	12,066	13,549	1,483	1,483
South Shore Holdings Limited (stock code: 577)	9.25	1.09	12,100	12,100	7,700	(4,400)	(4,400)
Others	8.65	N/A	10,440	9,365	7,200	(3,240)	(2,165)
	<u>100.00</u>		<u>85,494</u>	<u>111,731</u>	<u>83,230</u>	<u>(2,264)</u>	<u>(28,501)</u>

* The amount represented the costs of the securities acquired during the six months ended 30 June 2018 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 interim period.

Debt instruments at FVTOCI (debt instruments previously recognised as AFS investments)

At 30 June 2018, the Group's debt instrument at FVTOCI portfolio of HK\$133,021,000 (31 December 2017: HK\$144,877,000, previously recognised as AFS investment) was measured at market/fair value. During the period under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$4,930,000 (30 June 2017: HK\$946,000) representing interest income from debt securities.

During the period under review, the Group invested approximately HK\$23,435,000 to subscribe for corporate bonds in the principal amount of US\$3,000,000 issued by a property company listed on the Stock Exchange and debt securities of HK\$23,400,000 was redeemed by an issuer. A loss on redemption of HK\$41,000 was released from the Group's investment revaluation reserve and reclassified as loss in the current period (30 June 2017: nil).

At the period end, a fair value loss on debt instrument at FVTOCI portfolio amounting to HK\$11,891,000 (30 June 2017: HK\$2,402,000, previously recognised as fair value loss on AFS investments) was recognised as other comprehensive expense. Such fair value loss on debt instruments held by the Group was mainly a result of the general increase in market interest rates during the current interim period, which caused the market value of debt instruments held by the Group to drop.

At 30 June 2018, the Group invested in bonds issued by an aircraft leasing company and seven property companies as debt instruments at FVTOCI and their respective weightings to the market/fair value of the Group's debt instrument at FVTOCI portfolio of HK\$133,021,000 (together with other information) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio %	Yield to maturity on acquisition %	Acquisition costs HK\$'000	* Acquisition costs during the period/ carrying amount as at	Market/fair value as at 30 June 2018 HK\$'000	Accumulated fair value loss recognised up to 30 June 2018 HK\$'000	Fair value loss recognised during the period ended 30 June 2018 HK\$'000
				1 January 2018 HK\$'000			
			A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>							
Aircraft leasing	10.46	4.93	15,444	15,231	13,915	(1,529)	(1,316)
Property	89.54	4.56 - 8.75	129,946	129,737	119,106	(10,840)	(10,631)
	<u>100.00</u>		<u>145,390</u>	<u>144,968</u>	<u>133,021</u>	<u>(12,369)</u>	<u>(11,947)</u>

- * The amount represented the costs of the securities acquired during the six months ended 30 June 2018 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 period.

The yield to maturity on acquisition of debt securities that remained held by the Group at the period end ranged from 4.56% to 8.75% per annum.

Overall Results

For the six months ended 30 June 2018, the Group reported a loss attributable to owners of the Company of HK\$39,314,000 (30 June 2017: HK\$60,943,000) that was mainly attributable to the net loss on financial assets at FVTPL of HK\$25,523,000 and the recognition of loss for the net fair value changes on convertible notes of HK\$15,929,000, which is non-cash in nature, though the losses were partly offset by the profitable results contributed by the petroleum exploration and production as well as the money lending businesses. Basic loss per share was HK0.78 cent and decreased by HK0.62 cent compared to the six months ended 30 June 2017 (30 June 2017: HK\$1.40 cents).

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 the 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\$15,929,000 for the current period (30 June 2017: net fair value gain HK\$3,575,000) that was mainly resulted from the increase in the closing price of the Company’s share as at 29 June 2018, being the last trading day for the current period, as compared with the closing price of the Company’s shares as at 29 December 2017, being the last trading day for the year ended 31 December 2017. On 10 April 2018, convertible notes with aggregate principal amount of HK\$26,000,000 were converted into ordinary shares. Further details of the issuance of the convertible notes were set out in the announcements of the Company dated 11 April 2017 and 26 April 2017.

As at 30 June 2018, the net proceeds raised from the CN Subscription had been utilised as intended as approximately HK\$40,000,000 had been applied by the money lending business for granting loans to borrowers and approximately HK\$40,000,000 had been applied by the investment in securities business for acquiring corporate bonds.

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 the Share Placement took place on 4 July 2017, the net proceeds from the Share Placement, after deducting directly attributable expenses 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.

As at 30 June 2018, the net proceeds raised from the Share Placement had been utilised as intended as approximately HK\$96,000,000 had been applied by the money lending business for granting loans to borrowers and approximately HK\$99,000,000 had been applied by the investment in securities business for acquiring corporate bonds and listed equity securities as to approximately HK\$60,000,000 and HK\$39,000,000 respectively.

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 of 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 People’s Republic of China (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 in the PRC. At 30 June 2018, the Group had not yet injected any capital into the Limited Partnership, though the Group is in the advanced stage of negotiation of a project which is expected to be finalised in the near future. Details of the Limited Partnership were set out in the announcement of the Company dated 8 November 2017.

During the six months ended 30 June 2018, the Group financed its operations mainly by cash generated from operations, convertible notes issued and shareholders' funds. At the period end, the Group had current assets of HK\$476,557,000 (2017: HK\$524,860,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$361,818,000 (31 December 2017: HK\$383,198,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$132,979,000 (31 December 2017: HK\$143,613,000), was about 3.6 (31 December 2017: 3.7). At 30 June 2018, the Group's trade and other receivables and prepayments amounted to HK\$19,679,000 (31 December 2017: HK\$49,324,000). The decrease in trade and other receivables and prepayments was mainly due to the decrease in amount placed with securities brokers in relation to investment in securities activities down to HK\$7,701,000 at the period end (31 December 2017: HK\$37,411,000).

At 30 June 2018, the net assets of the Group decreased to HK\$531,723,000 (31 December 2017: HK\$559,116,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$133,251,000 (31 December 2017: HK\$147,804,000) divided by total assets of HK\$664,974,000 (31 December 2017: HK\$706,920,000), was about 20% (31 December 2017: 21%). The finance costs for the period amounted to HK\$3,164,000, which represented the effective interest on convertible notes issued in April 2017 (30 June 2017: HK\$1,272,000).

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

For the six months ended 30 June 2018, the Group's petroleum exploration and production operation achieved a turnaround result by reporting profit of HK\$1,010,000 (30 June 2017: loss of HK\$73,000) that was mainly attributed to the rise in crude oil selling price during the current period, though the profitable result was partly offset by the drop in the operation's production volume. It is expected that the Argentina local oil selling price will remain at high level following the spark off of upward trend of international oil price since late 2017 and there will be continuous positive effect on the revenue of the operation.

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

The investment and stock market in Hong Kong have been rather volatile during the current interim period, 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 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 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 and the annual report of the Company for the year ended 31 December 2017, the Group had entered into a 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 and attract a new stream of revenue to the Group. In addition, as referred to in the Company's announcement dated 29 August 2018, the Group had entered into a memorandum of understanding ("MOU") with a company listed on the Australian Securities Exchange to acquire a certain percentage of shareholdings in its wholly owned subsidiary (the "Target Company"), which in turn holds three wholly owned subsidiaries that had respectively entered into three production sharing contracts with several Indonesia entities including Indonesian state-owned entities in respect of exploration and exploitation activities of coalbed methane. The transaction contemplated under the MOU is subject to formal agreement and the satisfaction of due diligence to be conducted on the Target Company. Further announcements on the progress of the investment in the Limited Partnership and the MOU will be made by the Company 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 to the Listing Rules throughout the six months ended 30 June 2018, except for the following deviation with reason as explained:

Chairman and chief executive

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

There has been a deviation from the Code Provision A.2.1 due to Mr. Liu Zhiyi, an Executive Director of the Company, has served both roles of the chairman and the chief executive officer since 1 July 2018. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

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 former Chairman of the Board, Mr. Suen Cho Hung, Paul, was unable to attend the annual general meeting of the Company held on 27 June 2018 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 unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2018 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2018, 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
Liu Zhiyi
Chairman and Chief Executive Officer

Hong Kong, 31 August 2018

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