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INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<i>Notes</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	31,293	33,131
Sales of petroleum		12,581	22,135
Interest income		18,406	10,868
Others		306	128
Purchases, processing and related expenses		(10,674)	(15,369)
Other income and losses, net	5	(487)	(62)
Net loss on financial assets at fair value through profit or loss	6	(19,588)	(25,523)
Gain (loss) on redemption of debt instruments at fair value through other comprehensive income		328	(41)
Net fair value changes on derivative component of convertible notes		–	(15,929)

* *For identification purpose only*

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Wages, salaries and other benefits		(7,336)	(6,052)
Depreciation and depletion		(5,364)	(2,645)
Expected credit loss on financial assets of:			
Loan and interest receivables		(5,130)	(719)
Debt instruments at fair value through other comprehensive income		(316)	–
Provision of impairment losses on non-financial assets	7	(14,126)	–
Other expenses		(5,521)	(5,644)
Finance costs	8	(145)	(3,164)
Loss before tax		(37,066)	(42,017)
Income tax (expense) credit	9	(2,192)	2,703
Loss for the period attributable to owners of the Company	10	(39,258)	(39,314)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain (loss) on debt instruments at fair value through other comprehensive income		7,802	(11,891)
Release on redemption of debt instruments at fair value through other comprehensive income		(328)	41
Exchange differences on translation of foreign operations		(337)	(790)
Other comprehensive income (expense) for the period, net of income tax		7,137	(12,640)
Total comprehensive expense for the period attributable to owners of the Company		(32,121)	(51,954)
Loss per share attributable to owners of the Company			
– Basic	12	HK(0.75) cent	HK(0.78) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		30,658	47,951
Right-of-use assets		5,668	–
Debt instruments at fair value through other comprehensive income	<i>13</i>	136,800	115,708
Loan and interest receivables	<i>14</i>	6,821	–
Other tax recoverables		187	315
		<hr/>	<hr/>
Total non-current assets		180,134	163,974
Current assets			
Debt instruments at fair value through other comprehensive income	<i>13</i>	3,172	14,622
Loan and interest receivables	<i>14</i>	245,195	251,652
Trade and other receivables and prepayments	<i>15</i>	10,295	12,780
Other tax recoverables		884	1,230
Financial assets at fair value through profit or loss	<i>16</i>	49,172	71,816
Bank balances and cash		79,613	83,593
		<hr/>	<hr/>
Total current assets		388,331	435,693
Current liabilities			
Trade and other payables	<i>17</i>	14,599	19,126
Income tax payable		5,195	5,204
Lease liabilities		4,099	–
		<hr/>	<hr/>
Total current liabilities		23,893	24,330
Net current assets		<hr/> 364,438 <hr/>	<hr/> 411,363 <hr/>
Total assets less current liabilities		<hr/> 544,572 <hr/>	<hr/> 575,337 <hr/>

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	2	284
Lease liabilities	<u>1,638</u>	<u>–</u>
Total non-current liabilities	<u>1,640</u>	<u>284</u>
Net assets	<u>542,932</u>	<u>575,053</u>
Capital and reserves		
Share capital	52,403	52,403
Reserves	<u>490,529</u>	<u>522,650</u>
Total equity	<u>542,932</u>	<u>575,053</u>

Notes:

1. Basis of preparation

The condensed consolidated 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 condensed consolidated 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. All values are rounded to the nearest thousand (HK\$’000) unless otherwise indicated.

2. Principal accounting policies

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018. 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 condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interest in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 “Determining whether an arrangement contains a lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

At 1 January 2019, the Group recognised additional lease liabilities of HK\$7,645,000 and right-of-use assets of HK\$7,645,000.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied for lease on properties located in Hong Kong, the People's Republic of China (the "PRC") and Argentina are 3.5%, 5.0% and 1.38% per annum respectively.

	At 1 January 2019 <i>HK\$'000</i>
Operating lease commitments disclosed at 31 December 2018	8,417
Lease liabilities discounted at relevant incremental borrowing rates	7,821
Less: Leases with lease term ends within 12 months of the date of initial application	<u>(176)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	<u><u>7,645</u></u>
Analysed as:	
Current	4,211
Non-current	<u>3,434</u>
	<u><u>7,645</u></u>

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	At 1 January 2019 HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,645
By class:	
Land and buildings	7,645

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Carrying amounts previously reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK\$'000
Non-current assets			
Right-of-use assets	–	7,645	7,645
Current liabilities			
Lease liabilities	–	4,211	4,211
Non-current liabilities			
Lease liabilities	–	3,434	3,434

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position at 1 January 2019 as disclosed above.

3. Revenue

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

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of petroleum	12,581	22,135
Interest income from money lending business*	13,942	5,938
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")*	4,464	4,930
Dividend and interest income from financial assets at fair value through profit or loss ("FVTPL")	306	128
	31,293	33,131

* Under effective interest method

During the periods under review, revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15 "Revenue from contracts with customers".

Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales.

This is consistent with the revenue information disclosed for each reportable segment.

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 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:

Six months ended 30 June 2019

	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)
Segment revenue				
External sales/sources	<u>12,581</u>	<u>13,942</u>	<u>4,770</u>	<u>31,293</u>
Results				
Segment results before provision of impairment losses/expected credit loss	(3,865)	13,967	(14,518)	(4,416)
Provision of impairment losses/expected credit loss	<u>(14,126)</u>	<u>(5,130)</u>	<u>(316)</u>	<u>(19,572)</u>
Segment results	<u>(17,991)</u>	<u>8,837</u>	<u>(14,834)</u>	<u>(23,988)</u>
Other income and losses, net				(358)
Corporate expenses				(12,575)
Finance costs				<u>(145)</u>
Loss before tax				(37,066)
Income tax expense				<u>(2,192)</u>
Loss for the period				<u>(39,258)</u>

Six months ended 30 June 2018

	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)
Segment revenue				
External sales/sources	22,135	5,938	5,058	33,131
	<u>22,135</u>	<u>5,938</u>	<u>5,058</u>	<u>33,131</u>
Results				
Segment results before provision of expected credit loss	1,010	5,824	(20,670)	(13,836)
Provision of expected credit loss	–	(719)	–	(719)
	<u>1,010</u>	<u>5,105</u>	<u>(20,670)</u>	<u>(14,555)</u>
Segment results	<u>1,010</u>	<u>5,105</u>	<u>(20,670)</u>	<u>(14,555)</u>
Other income and losses, net				(105)
Corporate expenses				(8,264)
Net fair value changes on derivative component of 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><u>(39,314)</u></u>

Segment results represent the loss incurred/profit earned by each segment without allocation of certain other income and losses, net, corporate expenses, net fair value changes on derivative component of convertible notes, finance costs and income tax (expense) credit.

Segment assets and liabilities

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

	At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	34,830	54,355
Money lending	263,008	268,145
Investment in securities	190,911	204,723
	<hr/>	<hr/>
Total segment assets	488,749	527,223
Unallocated:		
Property, plant and equipment	1,435	1,783
Right-of-use assets	5,668	–
Bank balances and cash	67,854	65,185
Other unallocated assets	4,759	5,476
	<hr/>	<hr/>
Consolidated assets	568,465	599,667
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Petroleum exploration and production	1,846	2,406
Money lending	1,298	1,210
Investment in securities	–	414
	<hr/>	<hr/>
Total segment liabilities	3,144	4,030
Unallocated:		
Other payables	16,652	20,584
Lease liabilities	5,737	–
	<hr/>	<hr/>
Consolidated liabilities	25,533	24,614
	<hr/> <hr/>	<hr/> <hr/>

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, right-of-use assets, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables and lease liabilities.

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 income and losses, net

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	163	439
Interest and other income from a securities broker	1	275
Exchange losses, net	(488)	(809)
Others	(163)	33
	(487)	(62)

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at FVTPL	(19,232)	(28,501)
Net realised (loss) gain on disposal of financial assets at FVTPL	(356)	2,978
	(19,588)	(25,523)

7. Provision of impairment losses on non-financial assets

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of impairment losses on property, plant and equipment	14,126	–

8. Finance costs

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on convertible notes	–	3,164
Interest on lease liabilities	145	–
	<u>145</u>	<u>–</u>
	145	3,164
	<u>145</u>	<u>3,164</u>

9. Income tax (expense) credit

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax (charge) credit comprises:		
Current tax		
Hong Kong	(2,298)	(216)
The PRC	–	(440)
Argentina		
– Withholding tax on interest income from a group entity	(300)	(560)
	<u>(2,598)</u>	<u>(1,216)</u>
Overprovision in prior years		
Hong Kong	70	–
The PRC	54	–
Deferred tax	282	3,919
	<u>282</u>	<u>3,919</u>
Income tax (expense) credit recognised in profit or loss	<u>(2,192)</u>	<u>2,703</u>

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

No provision of the PRC enterprise income tax was made for the period as there was no assessable profit. The PRC enterprise income tax was calculated at 25% of the estimated assessable profit for the previous period.

Argentina withholding tax on interest income received from an Argentinean subsidiary by the Group was calculated at 35% on such income for both periods.

10. Loss for the period

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Minimum lease payments under operating leases in respect of office properties and buildings	–	1,100
Professional and consultancy fee	2,648	2,378
	<u>2,648</u>	<u>2,378</u>

11. Dividends

No dividend was paid or proposed for the six months ended 30 June 2019 (six months ended 30 June 2018: nil), nor has any dividend been proposed since the end of the reporting periods.

12. 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	
	2019	2018
	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	(39,258)	(39,314)
	<u>(39,258)</u>	<u>(39,314)</u>

	Six months ended 30 June	
	2019	2018
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	5,240,344	5,035,534
	<u>5,240,344</u>	<u>5,035,534</u>

Diluted loss per share for the six months ended 30 June 2019 and 2018 are not presented as there were no dilutive potential ordinary shares in issue during both periods.

For the six months ended 30 June 2019, the computation of diluted loss per share does not assume the exercise of the Company's share options since the exercise price of the share options is higher than the average market price of the Company's share.

For the six months ended 30 June 2018, the computation of diluted loss per share did not assume the conversion of the Company's outstanding convertible notes since their assumed exercises would result in a decrease in loss per share. In addition, the computation also did not assume the exercise of the Company's share options since the exercise price of the share options was higher than the average market price of the Company's share.

13. Debt instruments at fair value through other comprehensive income

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <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 11.75% (31 December 2018: 4.70% to 8.75%) per annum and maturity dates ranging from 19 July 2020 to 28 June 2025 (31 December 2018: 13 February 2019 to 28 June 2025)	139,972	130,330
Analysed as:		
Current portion	3,172	14,622
Non-current portion	136,800	115,708
	139,972	130,330

At 30 June 2019, debt instruments at FVTOCI were 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 12-month expected credit loss (“ECL”) basis as the credit risks on the financial instruments have not increased significantly since initial recognition. The Group assessed the ECL for debt instruments at FVTOCI by reference to credit rating of the bonds by rating agencies or credit spread and yield to maturity of bonds issued with similar industries, macroeconomic factors affecting the respective industry for each issuer, corporate historical default and loss rate and exposure of default of each bond investment.

During the six months ended 30 June 2019, ECL on debt instruments at FVTOCI of HK\$316,000 (six months ended 30 June 2018: nil) was recognised in profit or loss.

14. Loan and interest receivables

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	252,128	250,997
Interest receivables	12,070	7,707
	<u>264,198</u>	<u>258,704</u>
Less: impairment allowance	(12,182)	(7,052)
	<u>252,016</u>	<u>251,652</u>
Analysed as:		
Guaranteed (unsecured)	49,383	46,535
Secured	176,135	167,349
Unsecured	26,498	37,768
	<u>252,016</u>	<u>251,652</u>

At 30 June 2019, the range of interest rate and maturity dates attributed to the Group's loan receivables was 8% to 18% (31 December 2018: 10% to 18%) per annum and from 4 July 2019 to 14 March 2022 (31 December 2018: 3 January 2019 to 16 November 2019) respectively.

An analysis of the Group's fixed-rate loan and interest receivables by the respective contractual maturity dates is as follows:

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
Fixed-rate loan and interest receivables:		
Within one year	245,195	251,652
In more than one year but not more than two years	–	–
In more than two years but not more than three years	6,821	–
	<u>252,016</u>	<u>251,652</u>

During the six months ended 30 June 2019, ECL on loan and interest receivables of HK\$5,130,000 (six months ended 30 June 2018: HK\$719,000) was recognised in profit or loss.

15. Trade and other receivables and prepayments

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (i)</i>)	280	1,060
Deposits and prepayments	4,085	5,001
Deposits held for petroleum exploration and production operation	3,220	3,265
Others (<i>Note (ii)</i>)	2,710	3,454
	<u>10,295</u>	<u>12,780</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\$280,000 (31 December 2018: HK\$1,060,000) 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.

The Group applies the simplified approach of HKFRS 9 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. At 30 June 2019, 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 at 30 June 2019.

- (ii) The amount included HK\$1,768,000 (31 December 2018: HK\$2,578,000) placed with securities brokers in relation to securities investment activities in Hong Kong.

16. Financial assets at fair value through profit or loss

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>49,172</u>	<u>71,816</u>

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

17. Trade and other payables

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
Trade payables	179	338
Other tax payables	3,709	3,885
Accrued professional fees	8,778	10,865
Other payables and accruals	<u>1,933</u>	<u>4,038</u>
	<u>14,599</u>	<u>19,126</u>

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

	At 30 June 2019 <i>HK\$'000</i> (Unaudited)	At 31 December 2018 <i>HK\$'000</i> (Audited)
0 – 30 days	<u>179</u>	<u>338</u>

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

BUSINESS REVIEW

For the six months ended 30 June 2019, 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 recorded revenue of HK\$31,293,000 which declined by 6% compared to the prior interim period (30 June 2018: HK\$33,131,000). The decline was mainly due to the drop in revenue of the petroleum business resulting from the decrease in average selling price of crude oil sold and reduction in volume of crude oil produced by the Group's petroleum business, though the drop in revenue was partly offset by the increase in interest income generated from the money lending business.

Petroleum Exploration and Production

During the six months ended 30 June 2019, the Group continued to engage in petroleum exploration and production in the 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, 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 current interim period, the Group continued to focus on the investment to improve the production of and had performed maintenance works for the ten existing oil wells in the CHE Area.

For the period under review, the Group's petroleum exploration and production business generated a revenue of HK\$12,581,000 (30 June 2018: HK\$22,135,000) and recorded an operating loss before provision of impairment losses of HK\$3,865,000 (30 June 2018: operating profit of HK\$1,010,000). The decrease in the operation's revenue was the combined effect of the drop in average crude oil selling price offered by YPF S.A., an Argentina state-owned oil company and the buyer of the operation's output, from an average US\$63.7 per barrel in the corresponding period last year to US\$52.1 per barrel in the current interim period, and the drop in production of crude oil by about 30%. The fall in oil price offered by YPF S.A. during the interim period, which largely followed the downward trend of international oil price after reaching its peak in October 2018, reflects the cloudy outlook of international oil price caused by, among other factors, the continuous trade disputes between the United States and China, and the higher than expected oil production in the United States. Whilst the drop in crude oil production of the operation during the review period was the combined results of (i) the extended maintenance works performed on two oil wells which took more than double the normal time required to complete the tasks; (ii) the natural decline of output of the Group's ten oil wells, which have been in production for over eight years; and (iii) the temporary production suspension of two oil wells pending for costs-revenue analysis, as after years of production the reserves of these oil wells have fallen to a level that it may not be economical to continue production.

The Group had performed an impairment review on the exploration and evaluation assets and the oil and gas properties of the Concession at 30 June 2019. At 30 June 2019, 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 forecast crude oil selling prices have not yet reached a level that new well drillings will warrant a satisfactory return. Accordingly, the Group determined that there was no reversal of impairment loss on the exploration and evaluation assets of the Concession. For the impairment assessment of the oil and gas properties, the recoverable amount of the oil and gas properties was determined based on the discounted cash flow projection of the Group's oil wells with their production reserves and the estimated future oil prices being the major parameters. Having taken into account the drop in production of the Group's oil wells by 30% during the current interim period as mentioned, the estimates of production reserves of the oil wells have been adjusted downward and a provision of impairment losses on the Group's oil and gas properties of HK\$14,126,000 (30 June 2018: nil) was recognised accordingly. Overall speaking, the operation recorded an overall loss of HK\$17,991,000 (30 June 2018: profit of HK\$1,010,000) comprising operating loss of HK\$3,865,000 (30 June 2018: operating profit of HK\$1,010,000) and provision of impairment losses of HK\$14,126,000 (30 June 2018: nil).

As disclosed in the Company's announcement dated 15 August 2017, based on the representation of the Concessionaire of the Concession in the CHE Area (the "CHE Concession"), the Executive of the Province of Mendoza accepted the investment commitment plan (the "Investment Commitment") submitted by the Concessionaire in respect of the CHE Area, and the CHE Concession was extended until 14 November 2027 (the "CHE Extension").

References are also made to the announcements of the Company dated 24 May 2019 and 18 June 2019, the Company was notified by the Concessionaire that the Executive of the Province of Mendoza has issued a decree (the "Decree") in respect of the termination of the CHE Concession as the Concessionaire has not fulfilled its Investment Commitment, without stating an effective date of termination of the CHE Extension. Accordingly, the Company has clarified with its legal adviser in Argentina (the "Local Legal Adviser") as to the contents of the Decree and has been advised that it is stated in the Decree that the CHE Concession should now be made available for other investors to invest and operate under a formal bidding process (the "Bidding Process"), and that before the successful bidder takes over the concession, the Concessionaire can continue to operate in the CHE Concession and pay the same fees, royalties and other payments to the government under the same contractual conditions previously granted. The interpretation of the Local Legal Adviser for these statements in the Decree is that the Concessionaire is allowed to continue operating the oilfield until a new concessionaire takes over, and that during such period, the Concessionaire should be able to extract and sell oil and should continue to pay fees, royalties and other payments, which logically are only payable in a context where the Concessionaire is allowed to extract and sell oil. Based on the understanding of the Company, the Concessionaire continues to operate in the CHE Concession and has continued to send to the Group the daily production reports which contains daily production and sales quantity, and monthly report which contains production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and the Concessionaire under the Operation Agreement entered into between the relevant parties on 5 June 2012.

In light of the advice from the Local Legal Adviser and the Company's understanding that the Concessionaire continues to operate in the CHE Concession, the Company considers that the termination of the CHE Extension contemplated under the Decree has no immediate impact on the Group's operations, financial position and performance unless and until there is a successful bidder who can take over the CHE Concession after the Bidding Process.

The Group was notified by the Concessionaire that it has taken several legal actions in order to protect its rights in the CHE Concession, including action to reverse the decision under the Decree in respect of the termination of the CHE Concession.

The Company is also evaluating its position and if it is in the interest of the Company to do so, it may participate in the Bidding Process (subject to the legal actions of the Concessionaire, if and when the bidding process materialises) when it commences so as to minimise interruption to the Group's petroleum exploration and production business if the Company's bid is accepted.

As of the date of this announcement, the Company is not aware that the Bidding Process has commenced.

Further announcement in relation to the above matters will be made as and when practicable.

Money Lending

During the six months ended 30 June 2019, the Group's money lending business reported increases in both revenue and operating profit (before expected credit loss allowance) by 135% to HK\$13,942,000 (30 June 2018: HK\$5,938,000) and 140% to HK\$13,967,000 (30 June 2018: HK\$5,824,000) respectively. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the period under review. Before granting loans to potential customers, the management uses internal credit assessment process to assess the borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. During the current period, an expected credit loss of HK\$5,130,000 (30 June 2018: HK\$719,000), which reflects the credit risk involved in collectability of certain loans determined under the Group's loan impairment policy, was recognised against the loan receivables.

At 30 June 2019, the loans portfolio held by the Group amounted to HK\$252,016,000 (after expected credit loss allowance of HK\$12,182,000) (31 December 2018: HK\$251,652,000 (after expected credit loss allowance of HK\$7,052,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio				Interest rate per annum	Maturity
	Guaranteed (unsecured) %	Secured %	Unsecured %	Total %		
Corporate	19.60	33.85	2.27	55.72	10 - 18	Within one year
Corporate	-	2.71	-	2.71	8	More than two years but within three years
Individual	-	33.33	8.24	41.57	10 - 18	Within one year
	<u>19.60</u>	<u>69.89</u>	<u>10.51</u>	<u>100.00</u>		

As shown above, 19.60% of the loan portfolio is guaranteed by credible guarantor(s), 69.89% is secured by various collaterals and the remaining 10.51% is unsecured.

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 the 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 the form of trading gains.

At 30 June 2019, the Group's investment in securities operation held a financial asset at FVTPL portfolio valued HK\$49,172,000 (31 December 2018: HK\$71,816,000), comprising equity securities listed in Hong Kong, and debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK\$139,972,000 (31 December 2018: HK\$130,330,000), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK\$4,770,000 (30 June 2018: HK\$5,058,000) and a loss (before expected credit loss allowance) of HK\$14,518,000 (30 June 2018: HK\$20,670,000).

Financial assets at FVTPL

At 30 June 2019, the Group held a financial asset at FVTPL portfolio amounting to HK\$49,172,000 (31 December 2018: HK\$71,816,000) measured at market/fair value. During the period under review, the portfolio generated a revenue of HK\$306,000 (30 June 2018: HK\$128,000) representing dividends from equity securities of HK\$138,000 (30 June 2018: HK\$128,000) and interest income from debt securities of HK\$168,000 (30 June 2018: nil). The Group recognised a net loss on financial assets at FVTPL of HK\$19,588,000, which comprised net unrealised loss and net realised loss of HK\$19,232,000 and HK\$356,000 respectively (30 June 2018: 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).

The realised loss recorded during the period represented loss on disposal of equity securities in open market and the unrealised loss represented decrease in market value of those equity securities held by the Group at the period end. The losses on the financial assets at FVTPL recognised by the Group was largely a result of the volatile conditions of the Hong Kong stock market during the interim period resulting mainly from the continuous trade disputes between the United States and China. The Group has adopted a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market fluctuations during the review period.

At 30 June 2019, 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\$49,172,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Conglomerate	7.80
Education	13.40
Game publishing and service	33.34
Property	39.51
Others	5.95
	100.00

At 30 June 2019, 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\$49,172,000 (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 %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2019 %	% of shareholding interest %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2019 HK\$'000	Market/fair value at 30 June 2019 HK\$'000	Accumulated unrealised loss recognised up to 30 June 2019 HK\$'000	Unrealised gain (loss) recognised during the six months ended 30 June 2019 HK\$'000	Dividend income recognised during the six months ended 30 June 2019 HK\$'000
				A	B	C	D = C - A	E = C - B	
<i>Equity securities listed in Hong Kong</i>									
Emperor International Holdings Limited (HKEX stock code: 163)	30.73	2.66	0.20	18,278	13,838	15,110	(3,168)	1,272	-
FingerTango Inc. (HKEX stock code: 6860)	26.56	2.30	0.53	25,284	18,307	13,062	(12,222)	(5,245)	-
China E-Information Technology Group Limited (HKEX stock code: 8055)	13.40	1.16	1.17	9,304	10,982	6,589	(2,715)	(4,393)	-
CNQC International Holdings Limited (HKEX stock code: 1240)	8.78	0.76	0.18	4,632	4,667	4,316	(316)	(351)	138
Digital Hollywood Interactive Limited (HKEX stock code: 2022)	6.78	0.59	0.79	16,802	4,345	3,334	(13,468)	(1,011)	-
Others	13.75	1.18	-	40,244	16,265	6,761	(33,483)	(9,504)	-
	100.00	8.65		114,544	68,404	49,172	(65,372)	(19,232)	138

* The amount represented the costs of the securities acquired during the six months ended 30 June 2019 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

At 30 June 2019, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$139,972,000 (31 December 2018: HK\$130,330,000) 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\$4,464,000 (30 June 2018: HK\$4,930,000) representing interest income from debt securities. According to the maturity of the debt securities, part of the debt instruments at FVTOCI of HK\$3,172,000 was classified as current assets.

During the current period, the Group invested HK\$13,840,000 for acquiring debt securities issued by a property company listed on the Stock Exchange.

At the period end, a net fair value gain on debt instruments at FVTOCI amounting to HK\$7,802,000 was recognised as other comprehensive income (30 June 2018: net fair value loss of HK\$11,891,000 recognised as other comprehensive expense). Such fair value gain on debt instruments held by the Group was mainly a result of the general expectation of a reduction in market interest rates during the current interim period, which caused the market value of debt instruments held by the Group to rise.

During the review period, debt securities of HK\$11,738,000 were redeemed by an issuer. A gain on redemption of HK\$328,000 was released from the Group's investment revaluation reserve and recognised as a gain in the current period (30 June 2018: loss of HK\$41,000).

At 30 June 2019, the Group invested in debt securities issued by various aircraft leasing company and property companies and their respective weightings to the market/fair value of the Group's debt instrument at FVTOCI portfolio of HK\$139,972,000 (together with other information) are 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 at 1 January 2019 HK\$'000	Market/fair value at 30 June 2019 HK\$'000	Accumulated fair value loss recognised up to 30 June 2019 HK\$'000	Fair value gain recognised during the six months ended 30 June 2019 HK\$'000
			A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>							
Aircraft leasing	10.09	4.93	15,444	13,562	14,120	(1,324)	558
Property	89.91	5.26 - 12.50	128,084	118,818	125,852	(2,232)	7,034
	100.00		143,528	132,380	139,972	(3,556)	7,592

- * The amount represented the costs of the securities acquired during the six months ended 30 June 2019 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.

The yield to maturity on acquisition of debt securities which were held by the Group at the period end ranging from 4.93% to 12.50% per annum.

Overall Results

For the six months ended 30 June 2019, the Group reported a loss attributable to owners of the Company of HK\$39,258,000 (30 June 2018: HK\$39,314,000) that was mainly due to the net loss on financial assets at FVTPL of HK\$19,588,000, the provision of impairment losses on oil and gas properties of HK\$14,126,000 and the expected credit loss on loan and interest receivables of HK\$5,130,000, though the losses were partly offset by the profitable results contributed by the money lending business of HK\$13,967,000 (before expected credit loss allowance) and the absence of net fair value changes on derivative component of convertible notes of HK\$15,929,000 which was recognised in the prior interim period. Basic loss per share was HK0.75 cent, decreased by HK0.03 cent when compared to the previous period (30 June 2018: HK0.78 cent).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

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 a 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 in the PRC. At 30 June 2019, capital had not yet been injected into the Limited Partnership, the Group is in negotiation of a project with good business potential and capital will be injected into the Limited Partnership once the Group has decided to invest in the project. 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 2019, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the interim period end, the Group had current assets of HK\$388,331,000 (31 December 2018: HK\$435,693,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$128,785,000 (31 December 2018: HK\$155,409,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$23,893,000 (31 December 2018: HK\$24,330,000), was about 16.3 (31 December 2018: 17.9). At 30 June 2019, the Group's trade and other receivables and prepayments amounted to HK\$10,295,000 (31 December 2018: HK\$12,780,000). The decrease in trade and other receivables was mainly due to the amount placed with securities brokers in relation to securities investment activities reduced to HK\$1,768,000 (31 December 2018: HK\$2,578,000) and the trade receivables of the petroleum business reduced to HK\$280,000 (31 December 2018: HK\$1,060,000) at the period end.

At 30 June 2019, the Group's net assets decreased by 6% to HK\$542,932,000 (31 December 2018: HK\$575,053,000) was mainly a result of the loss incurred for the period. The Group's gearing ratio, calculated on the basis of total liabilities of HK\$25,533,000 (31 December 2018: HK\$24,614,000) divided by total assets of HK\$568,465,000 (31 December 2018: HK\$599,667,000), was about 4% (31 December 2018: 4%). Finance costs represented interest on lease liabilities of HK\$145,000 for the current period whilst finance costs in the prior period represented the effective interest on convertible notes issued in April 2017 (30 June 2018: HK\$3,164,000).

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

The Group's petroleum exploration and production operation recorded an operating loss of HK\$3,865,000 for the current period (before provision of impairment losses, which was non-cash in nature, on certain properties of the concession) (30 June 2018: operating profit of HK\$1,010,000). The operating loss was mainly due to the decrease in the operation's revenue resulting from the drop in average crude oil selling price from an average of US\$63.7 per barrel in the corresponding period last year to US\$52.1 per barrel in the current period; and the drop in production of crude oil by about 30% mainly due to the natural decline of output and reserves of the Group's oil wells as they have been in production for over eight years. The market outlook for international oil price is unclear and will remain volatile mainly led by the continuous trade disputes between the United States and China and any unexpected changes in world demand and supply. To alleviate such adverse impact, the Group will work with the Concessionaire of the CHE Concession for various possible measures to lift up the oil production of the operation in order to improve its financial performance, despite the threat from the local authorities for terminating the concession of the CHE Area.

The Group's money lending business continued to deliver encouraging results for the review period by showing increases in both revenue and operating profit, however, it is the intention of the management to manage this business under more stringent credit control measures and be more prudent in granting new loans in light of the possible slowdown of the Hong Kong economy.

The investment and stock markets in Hong Kong have been very volatile in recent months and there are signs that the local economy may slow down owing to the continuous trade disputes between the United States and China, and the recent outbreak of a series of social events in Hong Kong against the amendment bill to Fugitive Offenders Ordinance. The Group had recorded losses for its securities investments for the review period, the management will continue its cautious and disciplined approach in managing the Group's securities investments portfolio, which comprises of equity securities listed in Hong Kong and corporate bonds listed in Hong Kong or overseas with a view to reduce its exposure to market fluctuations.

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, particularly in the energy sector, aiming to create new value for shareholders.

As referred to in the Company's announcement dated 8 November 2017, the Group had entered into a limited partnership agreement with two independent parties to establish a limited partnership for the purpose of investing 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 attractive investment returns and create a new stream of revenue for the Group. Further announcement in relation to these investments 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 to the Listing Rules throughout the six months ended 30 June 2019, except for the following deviations with reasons 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 during the six months ended 30 June 2019 due to Mr. Liu Zhiyi, an Executive Director of the Company, has served both roles of the chairman and the chief executive officer. 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 Chairman of the Board, Mr. Liu Zhiyi, was unable to attend the annual general meeting of the Company held on 21 June 2019 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 condensed consolidated financial statements of the Company for the six months ended 30 June 2019 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 2019, 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, 29 August 2019

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 four Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.