EPI (Holdings) Limited
長盈集團(控股)有限公司*

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board of directors (the "**Directors**") of EPI (Holdings) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2014 with comparative figures for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014** *HK$'000*	2013 *HK$'000* (restated)
Continuing operation:			
Revenue	3	**85,689**	89,853
Purchases, processing and related expenses		**(38,881)**	(44,333)
Other (losses)/gains, net	4	**(16,542)**	13,689
Wages, salaries and other benefits	5	**(34,253)**	(56,201)
Depreciation and depletion		**(18,043)**	(27,443)
Provision of impairment losses	6	**(73,576)**	(492,648)
Fair value gains/(losses) on financial instruments	7	**49,109**	(18,402)
Expenses incurred in exploring potential investment opportunities		**(25,260)**	(16,248)
Other expenses		**(73,783)**	(69,623)
Finance costs	8	**(34,693)**	(43,757)
Loss and total comprehensive loss for the year from continuing operation	10	**(180,233)**	(665,113)
Discontinued operation:			
Loss and total comprehensive loss for the year from a discontinued operation	11	**(200,910)**	(14,058)
Loss and total comprehensive loss attributable to the owners of the Company		**(381,143)**	(679,171)
Basic and diluted loss per share attributable to owners of the Company (expressed in HK$ per share)	12		
— From continuing operation (HK$)		**(0.04)**	(0.19)
— From discontinued operation (HK$)		**(0.04)**	–
— From loss for the year (HK$)		**(0.08)**	(0.19)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	**2014** *HK$'000*	2013 *HK$'000*
Assets			
Non-current assets			
Exploration and evaluation assets	*14*	**115,222**	206,271
Property, plant and equipment		**138,422**	153,458
Other tax recoverables		**17,563**	28,542
		271,207	388,271
Current assets			
Trade and other receivables and prepayments	*15*	**45,928**	227,192
Other tax recoverables		**16,140**	12,753
Held-for-trading investments		**52**	98
Cash and cash equivalents		**28,565**	48,029
		90,685	288,072
Total assets		**361,892**	676,343
Equity			
Share capital		**485,236**	416,988
Reserves		**(454,551)**	(198,802)
Total equity		**30,685**	218,186
Liabilities			
Non-current liabilities			
Borrowings		**163,800**	218,400
Convertible notes		**–**	76,054
Derivative financial liabilities		**–**	58,903
Other non-current liabilities		**–**	1,410
		163,800	354,767
Current liabilities			
Trade and other payables	*16*	**44,013**	38,790
Borrowings		**54,600**	56,600
Convertible notes		**62,877**	8,000
Derivative financial liabilities		**5,917**	–
		167,407	103,390

	2014	2013
	HK$'000	*HK$'000*
Total liabilities	**331,207**	458,157
Total equity and liabilities	**361,892**	676,343
Net current (liabilities)/assets	**(76,722)**	184,682
Total assets less current liabilities	**194,485**	572,953

1 BASIS OF PREPARATION

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

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 March 2015.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Changes in accounting policy and disclosures

(a) New standards, revisions and amendments to existing standards and interpretations effective for annual periods beginning 1 January 2014 and adopted by the Group

Amendment to HKAS 32	Financial instruments: Presentation — Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets
Amendments to HKFRS 10, 11 and 12	Transition guidance
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 39 Amendment	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

The adoption of the new standards, revisions and amendments to existing standards and interpretations did not have any material impact on the preparation of the Group's financial statements.

(b) *New standards, amendments to existing standards and interpretations which have been issued but are not effective and have not been early adopted*

		Effective for annual periods beginning on or after
Amendment to HKAS 16 and 38	Clarification of acceptance methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 16 and 41	Agriculture bearer, plants	1 January 2016
Amendment to HKAS 19	Defined benefit plans: Employee contributions	1 July 2014
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 14	Regulatory deferred accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
Amendments to HKFRSs	Annual improvements 2010–2012 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements 2011–2013 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements 2012–2014 cycle	1 January 2016

The Group is assessing the impact of these amendments, standards and interpretations and will apply them once they are effective.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Group's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.1.1 Going concern

The Group incurred a loss attributable to the owners of the Company of approximately HK$381,143,000 and had a net operating cash outflow of approximately HK$51,162,000 during the year ended 31 December 2014. As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$76,722,000, and its cash and cash equivalents balance was reduced to approximately HK$28,565,000. In addition, the Group had total borrowings of approximately HK$281,277,000, consisting of convertible notes of approximately HK$62,877,000 (the "2013 CN") and a bank loan of approximately HK$218,400,000 as at 31 December 2014. Total borrowings amounting to approximately HK$117,477,000, including the current portion of bank loan of approximately HK$54,600,000 and the 2013 CN of approximately HK$62,877,000, will be due for repayment within twelve months from the statement of financial position date.

Pursuant to the bank loan agreement of the bank loan of approximately HK$218,400,000, the Group is required to comply with certain requirements, including to maintain Mr.Wu Shaozhang ("Mr.Wu") as a substantial shareholder of the Company as defined under the Listing Rules of the Stock Exchange ("Substantial Shareholder"). A Substantial Shareholder is one who is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company. The failure to comply with such requirements would constitute an event of default, which may cause the relevant bank loan totalling HK$218,400,000 become immediately repayable.

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

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2014. The directors are of the opinion that, taking into account the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the statement of financial position date:

(1) On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the maturity date of the 2013 CN issued by the Company on 11 April 2013 for one year from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by the Company's shareholders at the special general meeting to approve the amendment deed.

(2) On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as the Substantial Shareholder, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as the Substantial Shareholder in any event that he is reasonably expected to cease to be the Substantial Shareholder as a result of issue of new shares by the Company. As at 31 December 2014 and up to the date of approval of these consolidated financial statements, Mr. Wu, directly or indirectly, holds 10.01% of the Company's shares and remains as the Substantial Shareholder.

(3) The Company is planning to raise additional financial resources by carrying out various financing activities, including but not limited to, rights issue and other means of financing activities. The completion of these financing activities are subject to the approval from the shareholders and relevant regulatory bodies, where applicable, and will also depend on Mr. Wu's commitment and ability to subscribe for or acquire additional shares of the Company, where necessary, in order to maintain his position as the Substantial Shareholder.

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

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

Notwithstanding the above, material uncertainties exist as to whether management of the Company will be able to obtain the necessary funding as described above as and when needed. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate cash inflows through continuous compliance with the bank loan requirement, which in turn depends on the commitment and ability of Mr. Wu to maintain as the Substantial Shareholder; successfully securing additional financial resources from its planned financing activities; and generating adequate operating cash inflows. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for any further financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the petroleum exploration and production. Turnover and revenue for the year comprise the following:

	2014	2013
	HK$'000	*HK$'000*
Sales of petroleum	**85,689**	89,853

The chief executive officer of the Company (the "Chief Executive Office") is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Chief Executive Officer for the purposes of allocating resources and assessing performance.

The Chief Executive Officer having considered the business of the Group from both a geographic and product perspective and has determined with management that the Group operated only in one geography segment, being Argentina and has a single product in activity segment by petroleum exploration and production.

The Group's reportable segments are (1) Petroleum exploration and production (Continuing operation) and (2) Metal transactions (Discontinued operation). Segment information of metal transaction is set out in Note 11.

The Chief Executive Officer assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenses from the operating segments such as legal expenses and impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments. Interest income and expenses are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Continuing operation

Petroleum exploration and production

	2014	2013
	HK$'000	*HK$'000*
		(Restated)
Segment revenue (external sales)	**85,689**	89,853
Result		
Segment results excluding impairment	**17,271**	4,408
Impairment losses	**(91,049)**	(493,308)
Segment loss	**(73,778)**	(488,900)
Unallocated other gains and losses	**776**	13,360
Unallocated corporate expenses	**(72,538)**	(145,816)
Finance costs	**(34,693)**	(43,757)
Loss for the year from continuing operation	**(180,233)**	(665,113)

	2014	2013
	HK$'000	*HK$'000*
Assets		
Petroleum exploration and production	**284,969**	422,002
Metals transactions	**–**	200,838
Total segment assets	**284,969**	622,840
Unallocated	**76,923**	53,503
Consolidated assets	**361,892**	676,343
Liabilities		
Petroleum exploration and production	**5,363**	10,904
Metals transactions	**–**	6
Total segment liabilities	**5,363**	10,910
Unallocated	**325,844**	447,247
Consolidated liabilities	**331,207**	458,157

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

— all assets are allocated to reportable segments other than other tax recoverables, held-for-trading investments and assets used jointly by reportable segments.

— all liabilities are allocated to reportable segment other than convertible notes, borrowings, derivative financial liabilities and liabilities for which reportable segment are jointly liable.

	2014	2013
	HK$'000	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:		
Capital expenditure		
— Petroleum exploration and production	**3,402**	26,473
— Unallocated	**69**	1,247
	3,471	27,720
Depreciation and depletion		
— Petroleum exploration and production	**17,757**	27,307
— Unallocated	**286**	136
	18,043	27,443
Impairment loss recognised in respect of exploration and evaluation assets	**91,049**	442,197
Impairment loss recognised in respect of property, plant and equipment	**–**	51,111
Reversal of impairment loss recognised in respect of tax recoverable	**(17,473)**	(660)

The Group's revenue from external customers based on the location of customers and information about its non-current assets, excluding other tax recoverables, by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Argentina	**85,689**	89,853	**252,617**	358,480
Others	**–**	–	**1,027**	1,249
	85,689	89,853	**253,644**	359,729

For the year ended 31 December 2014, external revenue of approximately HK$85,689,000 (2013: HK$89,853,000) is generated from one major customer which accounts for 100% of the Group's external revenue. The revenue is attributable to petroleum exploration and production segment.

4 OTHER (LOSSES)/GAINS, NET

Continuing operation:	**2014** ***HK$'000***	2013 *HK$'000*
Other interest income	**1,014**	1
Bank interest income	**2**	–
Total interest income	**1,016**	1
Government grants *(Note)*	**–**	13,313
Exchange (losses)/gains, net	**(18,333)**	328
Loss on disposal of property, plant and equipment	**(464)**	(164)
Others	**1,239**	211
	(17,558)	13,688
	(16,542)	13,689

Note:

The amount represented government subsidy obtained for the Group's petroleum exploration and production in Argentina. No subsidy was granted by the Argentina government during the year 2014 as Chañares, the Concession owner of the field did not meet the requirement for subsidy entitlement.

5 WAGES, SALARIES AND OTHER BENEFITS (INCLUDING DIRECTORS' EMOLUMENTS)

Continuing operation:	**2014** ***HK$'000***	2013 *HK$'000*
Wages, salaries and other benefits	**25,295**	23,780
Pension costs — defined contribution plans	**198**	182
Share-based payments	**8,760**	32,239
	34,253	56,201

6 PROVISION OF IMPAIRMENT LOSSES

Continuing operation:	**2014** **HK$'000**	2013 *HK$'000*
Impairment loss of exploration and evaluation assets *(Note 14)*	**91,049**	442,197
Impairment loss of property, plant and equipment	**–**	51,111
Reversal of impairment loss of other tax recoverables	**(17,473)**	(660)
	73,576	492,648

Note:

The provision for impairment loss of a discontinued operation is set out in note 11.

7 FAIR VALUE GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

Continuing operation:	**2014** **HK$'000**	2013 *HK$'000*
Fair value gain/(loss) on derivative component of convertible notes	**29,340**	(12,464)
Fair value (loss)/gain on held-for-trading investments	**(46)**	61
Fair value gain/(loss) on warrants	**20,751**	(5,999)
Loss on disposal of bond	**(936)**	–
	49,109	(18,402)

8 FINANCE COSTS

Continuing operation:	**2014** **HK$'000**	2013 *HK$'000*
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	**11,564**	14,345
Other loans	**180**	9,292
Effective interest expense on convertible notes	**22,949**	20,120
Total interest expenses	**34,693**	43,757

9 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made in these financial statements as the Group did not have assessable profits arising in Hong Kong for the year (2013: Nil).

Argentina income tax is calculated at 35% (2013: 35%) of assessable profit for the year. No provision for Argentina income tax has been made as there is no net assessable profits arising in Argentina for the year.

10 LOSS FOR THE YEAR FROM CONTINUING OPERATION

	2014	2013
	HK$'000	*HK$'000*
Loss for the year from continuing operation has been arrived after charging the following items:		
Auditor's remuneration	**3,000**	2,500
Minimum lease payments under operating leases in respect of office properties and buildings	**2,681**	2,524
Share-based payments granted to consultants	**34,916**	16,730
Professional fees	**17,466**	14,401

11 DISCONTINUED OPERATION

On 5 December 2014, the Board of Directors of the Company passed a resolution to discontinue the operation in EPI Metals Limited, a subsidiary of the Company collectively holds 100% equity interest. EPI Metals Limited is principally engaged in the trading of metals. The discontinued operation decision is based on Company's strategy of focusing on the exploration and production of oil and gas industry.

The discontinued operation represents the whole metal transactions segment. The financial information below serves the purpose of both discontinued operation and segment disclosure in note 3.

	2014	2013
	HK$'000	*HK$'000*
Loss for the year from a discontinued operation		
Segment results excluding impairment	**(100)**	(92)
Impairment loss	**(200,810)**	(13,966)
Loss for the year from a discontinued operation	**(200,910)**	(14,058)
Cashflows from a discontinued operation		
Net cash flows used in operating activities	**(14)**	(2)
Net cash outflows	**(14)**	(2)

As at 31 December 2014, directors considered that the receivable arising from metal contract amounting to HK$200,810,000 was impaired and fully provided for.

Movements in the Group's allowance for impairment of other receivables and prepayments are as follows:

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**13,966**	–
Recognition of impairment loss	**200,810**	13,966
At 31 December	**214,776**	13,966

12 LOSSES PER SHARE

(a) Basic

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

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company		
— Continuing operation	**(180,233)**	(665,113)
— Discontinued operation	**(200,910)**	(14,058)
	'000	*'000*
Weighted average number of ordinary shares in issue	**4,642,939**	3,544,464

(b) Diluted

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. The Company has three (2013: three) categories of potential dilutive ordinary shares: warrants, convertible notes and share options (2013: warrants, convertible notes and share options). The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense less the tax effect. For the share options and warrants (2013: share options and warrants), a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

These potential dilutive ordinary shares were anti-dilutive for the years ended 31 December 2014 and 2013.

13 DIVIDEND

The board of directors does not recommend the payment of a dividend during the year (2013: Nil).

14 EXPLORATION AND EVALUATION ASSETS

	2014	2013
	HK$'000	*HK$'000*
Cost		
At 1 January and 31 December	**3,778,574**	3,778,574
Impairment		
At 1 January	**3,572,303**	3,130,106
Charged to consolidated profit or loss *(Note 6)*	**91,049**	442,197
At 31 December	**3,663,352**	3,572,303
Net book amount		
At 1 January	**206,271**	648,468
At 31 December	**115,222**	206,271

Note:

The balance relates to exploration and evaluation assets in respect of oil exploration rights through the participating interest in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the "Concessions") in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively.

The Puesto Pozo Cercado Concession and Chañares Herrados Concession were awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire. The terms of these oil exploration and production concessions are 25 years commencing from 26 June 1992 and 24 September 1992, respectively, with the possibility of obtaining a 10-year extension under certain conditions.

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

Since 2012 onwards, the Argentina government has been taking more drastic measures to ensure growth and keeping the currency stable, such as import restrictions and severe capital controls. These policies are exacerbating economic stagnation and leading to political unrest. As a result, the directors of the Company decided to delay the Group's overall drilling plan to later years until the investment climate in Argentina is improved.

In 2013, the economic and political environment in Argentina remained uncertain. With reference to certain future oil price forecast available to the date of approval of the consolidated financial statements for the year ended 31 December 2013, the directors expected that there would be a high probability of deterioration in the growth of future oil price outlook. Taking into account of potential acquisition opportunity identified by the Group, the directors decided to further delay the Group's overall drilling plan to later years. As a result, the directors conducted a review of the Group's petroleum exploration and production business in Argentina and determined that the Group's exploration and evaluation assets, and oil and gas properties under property, plant and equipment should be further impaired. Accordingly, impairment losses of HK$442,197,000 and HK$51,111,000 were recognised in respect of the Group's exploration and evaluation assets and oil and gas properties under property, plant and equipment, respectively during the year ended 31 December 2013.

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

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

The recoverable amounts of the exploration and evaluation assets and oil and gas properties under property, plant and equipment were determined from value in use calculations based on a cash flow projection derived from estimated oil reserve at the Concessions up to the expiry of the concession right in 2027 at a discount rate of 18.06% (2013: 17.7%) for exploration and evaluation assets and 16.2% (2013: 17.0%) for oil and gas properties under property, plant and equipment respectively.

The relevant pre-tax discount rates used in these value in use calculation for exploration and evaluation assets and oil and gas properties under property, plant and equipment are 25.6% (2013: 27.2%) and 21.4% (2013: 26.2%) respectively.

The key assumptions for the value in use calculation are those regarding the discount rates, production decline rates and expected changes in future oil prices. The expected future oil prices for our Argentina Operation for the next five years range from US$66.90 to US$106.30 (2013: from US$89.87 to US$100.45) per barrel.

Should the future oil price be further decreased by 3% (2013: 5%), the carrying amount of the exploration and evaluation assets would have recognised further impairment of HK$47,221,000 (2013: HK$206,271,000). In respect of oil and gas properties under property, plant and equipment, if the expected oil price be further decreased by 3% (2013: 5%) the Group would have recognised further impairment of HK$4,879,000 (2013: HK$10,442,000).

Should the discount rate used in the value in use calculations for exploration and evaluation assets and oil and gas properties under property, plant and equipment had been one percentage point higher, additional impairment of HK$27,589,000 (2013: HK$79,856,000) and HK$4,413,000 (2013: HK$8,255,000) would have been recognised respectively.

15 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2014, included in the trade and other receivables and prepayments was a trade receivables balance totalling to HK$3,596,000 (2013: HK$4,716,000). The Group allows on average credit period of 30 to 60 days to its trade customer. The trade receivables of HK$3,596,000 (2013: HK$4,716,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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

16 TRADE AND OTHER PAYABLES

As at 31 December 2014, included in the trade and other payables was a balance of trade payables amounted to HK$253,000 (2013: HK$3,050,000). The ageing analysis of trade payables based on invoice date were as follows:

	2014	2013
	HK$'000	*HK$'000*
Less than 30 days	**253**	3,050

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to Note 2.1.1 to the consolidated financial statements which states that the Group incurred a loss attributable to the owners of the Company of approximately HK$381,143,000 and had a net operating cash outflow of approximately HK$51,162,000 during the year ended 31 December 2014, and as at that date, the Group's current liabilities exceeded its current assets by approximately HK$76,722,000. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's core business is the petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the "**Concessions**") in the Cuyana Basin, Mendoza Province of Argentina. Pursuant to the operation agreement signed on 5 June 2012, Chañares agreed to release EP Energy S.A. ("**EP Energy**") from the commitment under a joint venture agreement (the "**JV Agreement**") signed on 12 January 2011. Following the short-term development plan, the Group continued to focus on investment to improve production, and to maintain operation costs of the existing 10 producing wells. The Group has performed a workover job to one of its producing oil wells during year 2014. The Group has continued investing to improve our own well fluid collection tank and pipeline. As at 31 December 2014, the Group has finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result Investments Limited ("**Have Result**") where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production. The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield as at 31 December 2014 are as follows,

Contingent Oil Resource *(unit: million barrels)**	**31 December 2014**	31 December 2013
Category Gross (100%)		
Low Estimate (1C)	**81.3**	82.3
Best Estimate (2C)	**139.6**	140.6
High Estimate (3C)	**238.2**	239.2

* According to the Technical Review Report issued by Roma Oil and Mining Associates Limited on 25 March 2015 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

On 6 March 2014, EP Energy was notified by Chañares that the shareholders of Chañares received an irrevocable offer from a third party for the acquisition of the entire issued share capital of Chañares targetted to be completed by 5 June 2014. Pursuant to the JV Agreement, EP Energy has the right to compete on equal footing in the event that Chañares decides to, among other things, sell or transfer, totally or partially, its capacity as concessionaire of the Concessions, or if Chañares's shareholders decide to sell the majority of the shares of Chañares. EP Energy informed Chañares before 5 April 2014 of its interest to compete under the referred terms. The deadline for submission of an acquisition offer by EP Energy was in principle on 5 May 2014. The Company has not made the proposed offer to Chañares by 5 May 2014. The Company received a notice from Chañares's shareholders dated 3 July 2014 whereby they were informed that the sale of their aggregate 100% equity interest in Chañares was completed on 12 June 2014. The buyer of such equity interest is an individual third party.

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

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

West Texas Intermediate ("**WTI**") spot price has dropped substantially from December 2014 and January 2015, the average WTI spot price for December 2014 reduced by more than 21% as compared with that of November 2014, and the average WTI spot price had a further decrease of 20% in January 2015 average WTI spot price (sourced from U.S. Energy Information Administration ("**EIA**") website). With reference to the reduction by 45% and 30%, respectively, in Year 2015 and 2016 WTI spot oil price forecast in Year 2015 Short Term Energy Outlook issued by U.S. Energy Information Administration (part of U.S. Department of Energy) as compared with the WTI price forecast in Year 2014 Annual Energy Outlook ("**Year 2014 Outlook**"), the directors of the Company considered that there would be a high probability of deterioration in the growth of future oil price. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. The Group decided to delay and change its development plan on the Argentina oil project and performed an impairment test on its E&E assets as at 31 December 2014. The Company has engaged Roma Oil and Mining Associates Limited ("**Roma**") to perform a valuation of the E&E assets. Details of impairment review are set out in the Group Financial Review section.

GROUP FINANCIAL REVIEW

For the year ended 31 December 2014, the Group's turnover was HK$85.7 million, a decrease of HK$4.1 million as compared with HK$89.8 million recorded in last year. The Group recorded a loss for the year of HK$381.1 million, against a loss for the year of HK$679.2 million in year 2013. During year 2014, an impairment loss of HK$91,049,000 (year 2013: HK$442,197,000) was recognised in respect of the E&E assets and impairment loss of HK$0 (year 2013: HK$51,111,000) was recorded in respect of property, plant and equipment relating to the Chañares oil project.

On 3 November 2009, the Group acquired the entire issued share capital of Have Result for a consideration of HK$3,835,273,000. The principal assets held by Have Result are E&E assets, including oil exploration rights. For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at an initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including the shares and convertible notes issued, was used to account for the cost of the oil exploration rights, which was HK$3,810,136,000, being capitalised as an E&E assets. At the time of acquiring the entire issued share capital of Have Result, except for the 51% working interest in the Concessions in the Cuyana Basin, Mendoza Province of Argentina, Have Result has no other operating assets and therefore the market value of Have

Result is mainly dominated by the value of the oilfield. Three generally accepted valuation methodologies have been considered in valuing Have Result by BMI Appraisals Limited ("**BMI**"), the professional valuer, namely the market approach, the cost approach and income approach. The market approach provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market. The cost approach provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile. BMI have considered that the income approach is not appropriate to value Have Result, as there are insufficient historical and forecasted financial and operational data of the oilfield. Moreover, the income approach may involve adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event that any such assumptions are founded to be incorrect or unfounded, the valuation result would be significantly affected. The cost approach is also regarded inadequate in this valuation, as this approach does not take future growth potential of Have Result into consideration. Thus, they have determined that the market approach is the most appropriate valuation approach for this valuation.

BMI used the market approach by referring to recent sales and purchase transactions of oilfields. They referred to 84 recent sales and purchase transactions related to oilfields over the world (referred to as the "**Comparable Transactions**") till June 2009, of which they further analysed the natures, the presentation methods of the reserves and other parameters that may affect the comparability to the oilfield. In the valuation, BMI used the weighted-average adjusted consideration price to proved and probable reserve (the "**Adjusted P/Reserve**") multiple of the Comparable Transactions to determine the market value of the oilfield and the market value of Have Result accordingly. Based on the investigation and analysis done by BMI, it was determined that the market value of a 100% equity interest in Have Result as at 30 June 2009 was US$612,000,000 (or HK$4,773,600,000). The carrying value of the E&E assets of HK$3,810,136,000 as at 3 November 2009, date of acquisition, was approximately 79.82% of the valuation of a 100% equity interest in Have Result as at 30 June 2009. When determining the fair value of the E&E assets acquired, as the exploration on the acquired areas was at an initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible notes issued, was used to account for the cost of the E&E assets. The carrying amount of the E&E assets is reviewed for impairment indicators annually and adjusted for impairment loss in accordance with HKAS 36 and whenever there are any "trigger" events or changes in circumstances indicating that the carrying amount may not be recoverable. During the years ended 31 December 2009, 31 December 2010, 31 December 2011 and the period ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of E&E assets might not be recoverable. According to the requirements under HKAS 36, no impairment needed to be provided for the E&E assets.

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

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

From December 2014, WTI spot price has dropped substantially, where average price in December 2014 has decreased by US$16.5 per barrel to US$59.3 per barrel (November 2014 at US$75.8 per barrel). The average price further decreased to US$47.2 per barrel in January 2015. The Group's Argentina subsidiaries were selling oil at US$73.9 per barrel in December 2014 and US$66.9 per barrel in January 2015, which were higher than the WTI spot price for the same period.

On 10 March 2015, EIA has released a Short Term Energy Outlook where the forecast WTI spot price for Year 2015 and Year 2016 are US$52 per barrel and US$70 per barrel respectively. An extract from Short Term Energy Outlook: "*EIA projects the Brent crude oil price will average $59/bbl in 2015, up $2/bbl from last month's STEO, with prices rising from an average of $56/bbl in the second quarter to an average of $67/bbl in the fourth quarter.*

The Brent crude oil price is projected to average $75/bbl in 2016. WTI prices in 2015 and 2016 are expected to average $7/bbl and $5/bbl, respectively, below Brent.". Compared with the above latest WTI spot price forecast against the price forecast in Year 2014 Annual Energy Outlook, the latest price forecast has dropped by 42% and 25% for Year 2015 and Year 2016 respectively, the Directors considered that there would be a high probability of deterioration in the growth of short term to mid-term future oil price. Should the drilling plan be taken place in accordance with schedule made in last year, it would not be beneficial to the Group. The Directors of the Company decided to change and delay the Group's overall development plan in its Argentina oil field operation, and conducted a review of the impairment on the E&E assets as at 31 December 2014.

The Company has engaged Roma to perform a valuation of the E&E assets as of 31 December 2014. As the sample size of the recent comparable transactions in or closest to Argentina was small, Roma considered the market approach could not give a conclusive result. Roma has adopted the income approach in arriving at both the value in use and fair value less costs of disposal of the E&E assets.

Roma adopted discounted cash flow method in the income approach valuation. With reference to the recent drops in actual WTI spot price and the reduction in future price forecast as stated below, the Directors of the Company decided to change and delay the Group's overall development plan in its Argentina oil field operation:

- WTI spot price has dropped substantially in December 2014 and January 2015, the average WTI spot price was at US$75.79 per barrel for November 2014, at US$59.29 per barrel for December 2014 and at US$47.22 per barrel for January 2015, a reduction by 21% in December 2014 and 20% in January 2015 respectively (average WTI spot price sourced from EIA website).

- According to the Short Term Energy Outlook issued by EIA on 10 March 2015, the forecast WTI spot price for Year 2015 and Year 2016 are US$52 per barrel and US$70 per barrel respectively. These short term WTI spot prices reduced by 30% or more as compared with the Year 2014 Outlook, where forecast oil price per barrel for Year 2015 at US$52 (Year 2014 Outlook: US$89.8), Year 2016 at US$70 (Year 2014 Outlook: US$92.9). The Directors took a more prudent approach in estimating the short term and mid-term future oil selling prices to YPF and considered the future oil selling prices would increase steadily.

- With reference to the decrease in future growth in oil selling prices, the directors of the Company decided to change and delay the Group's overall drilling plan to later years as the original plan made in last year would not be beneficial to the Group. The production quantity used to calculate future cash flows from operations has decreased.

- The discount rate used for the impairment assessment in 2014 has considered a higher country risk of Argentina in view of the depreciation of Argentina Peso against US Dollar in January 2014 and economic situation in Argentina. The discount rate used in year 2014 was 18.06% (year 2013: 17.72%).

The discount rate reduced the net present value of future cash flow of the project. With reference to the E&E Assets Valuation issued by Roma dated 25 March 2015, the value in use of the E&E assets under the income approach was estimated as US$14,772,000; while the fair value less costs of disposal under the income approach was US$11,970,000 as at 31 December 2014. According to HKAS 36, the recoverable amount of an asset is defined as "the higher of its fair value less costs to sell and its value in use". The Company adopted the value in use valuation under income approach as the recoverable amount of the E&E assets following the requirement in HKAS 36. As a result, an impairment loss of HK$91,049,000 (year 2013: HK$442,197,000) was recognised as the carrying amount of the E&E assets over its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

REVIEW OF GROUP OPERATIONS

Exploration and sales of petroleum

During year 2014, the Group had performed a workover job to one of its producing oil wells. The Group had continued investing to improve our own well fluid collection tank and pipeline. As at 31 December 2014, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells were in production, of which 5 oil wells were drilled by Have Result Investments Limited ("**Have Result**") where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

During year 2014, the Group had 10 producing wells generating oil sales revenue. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner.

Revenue generated from the sales of petroleum segment for the year ended 2014 amounted to HK$85.7 million. As of 31 December 2014, the Company had invested HK$589.2 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK$411.8 million in oil well drilling and completion which was classified as oil & gas properties and for which depreciation started from the commencement of production; (2) HK$177.4 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that was located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the year 2014, the depreciation and depletion of the oil & gas properties was HK$17.6 million.

Future operation plan

Short-term development plan

Pursuant to the Operation Agreement signed on 5 June 2012, Chañares agreed to release EP Energy from its commitments under the JV Agreement signed on 12 January 2011. The Group is focused on workover and infrastructure investments to improve production on the existing oil wells from year 2012 to 2014. The Group will continue to invest in workover on the existing 10 producing oil wells and in improving own well fluid collection system during year 2015.

Long-term development plan

The Directors considered the current economic situation of Argentina and decided to restart the overall business development plan on Chañares oil project in later years. The future business plan is developed by applying a more prudent estimation on those factors and assumptions for future cashflow estimation on the project. In developing the future business plan, the Directors have taken a more prudent approach and only considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027. The change in development plan and the production estimation is a more prudent way to value the project. The production quantity used to calculate future cash flow from operations has decreased.

Other business opportunities

After setting up the technical & operational team and having a stable development in Argentina operation, the Group continues making effort in searching for opportunities in oil & gas exploration and production business. The Group is focused on the oil & gas field with stable production base, with proven reserves, with certain development opportunities, in those industrial-advanced countries, such as the United States of America ("**U.S.**").

On 10 January 2014, the Company entered into a confidential letter of intent (the "**Letter of Intent**") with three independent third parties (the "**Possible Vendors**") with respect to the proposed acquisition (the "**Proposed Acquisition**") of the entire interest in those private oil and gas properties in the U.S. and certain related assets (the "**Target Assets**") held by the Possible Vendors and others through specific corporate and partnership structures. Similar to the memorandum of understanding referred to in the Company's announcement dated 28 November 2012, the Letter of Intent does not create legally binding obligations on the parties to proceed with the transaction.

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

FINANCIAL POSITION

As at 31 December 2014, the net asset value of the Group was HK$30.7 million (2013: HK$218.2 million) and the net asset value per share was HK$0.006 (2013: HK$0.05).

The Company has entered into a bank loan agreement with China Development Bank, of which the outstanding balance was approximately HK$218,400,000 as at 31 December 2014. Pursuant to the terms of the bank loan agreement, if, among others, Mr. Wu Shaozhang ("**Mr. Wu**"), the substantial shareholder of the Company, maintains less than 10% of the beneficial shareholding interest in the issued share capital of the Company, the loan together with accrued interest may become immediately due and payable. As at 31 December 2014 and up to the date of these financial statements, Mr. Wu directly and/or indirectly holds 10.01% of the Company's shares and remains a substantial shareholder of the Company. Nevertheless Mr. Wu has signed a deed of undertaking with the Company that he undertakes to maintain his position as a substantial shareholder of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The following states the fund raising activity conducted by the Company during the year ended 31 December 2014:

Reference is made to the announcements of the Company dated 11 March 2014 and 22 April 2014 (the "**Placing Completion Announcement**") and the shareholders circular dated 20 March 2014 (the "**Circular**") pursuant to which the Company raised approximately HK$149.4 million net proceeds by the issue of 682,480,000 shares. Except where the context otherwise requires, terms defined in the Circular have the same meanings when used in this section.

A total of 682,480,000 Placing Shares had been placed to not less than six independent placees at the placing price of HK$0.228 per Placing Share, details of which have been disclosed in the Company's announcement dated 22 April 2014. The placing price of HK$0.228 per Placing Share represented (i) a discount of approximately 10.6% over the closing price of HK$0.255 per share as quoted on the Stock Exchange on 11 March 2014, being the date of the placing agreement; and (ii) a discount of approximately 7.3% over the closing price of HK$0.246 per share as quoted on the Stock Exchange on 7 April 2014, being the date of the SGM to approve the issue of the Placing Shares. The Directors considered the Placing represent an opportunity to raise capital for the Company and enlarge the equity and shareholder base of the Company. The ordinary resolution approving the share placing was passed by the shareholders of the Company at the SGM. On 22 April 2014, all the conditions set out in the placing agreement had been fulfilled and the Placing was completed, details of which have been disclosed in the Company's announcement dated 22 April 2014.

The net proceeds, after deduction of the placing commission and other related expenses, was approximately HK$149.4 million. The Company stated in the Placing Completion Announcement that a portion of the net proceeds of the Placing was earmarked to be used in and towards the payment of part of an indicative deposit to the Possible Vendors. The remainder of the deposit would have had to be funded by further debt or equity financing. However, given that the Proposed Acquisition is still under discussions, the payment of deposit has not yet been scheduled. In order to deploy funds available to the Group more efficiently, the Company is reallocating part of the proceeds of the Placing instead to pay down its debt financings raised in 2012 and 2013 that primarily funded or refinanced borrowings for the Group's oil and gas project in Argentina and working capital, as this can help reduce the gearing of and borrowing costs to the Group and the balance in and towards general working capital and professional fees in connection with the Proposed Acquisition. As such, it has been disclosed in the announcement of the Company dated 30 September 2014 regarding "Change In Use Of Proceeds In Relation To New Shares Issued Under Specific Mandate" (the "**Change In Use Of Proceeds Announcement**").

The revised use of the net proceeds, HK$149.4 million, as stated in the Change In Use Of Proceeds Announcement, would be applied as to (i) approximately HK$17.4 million for the professional fees to be incurred in the Proposed Acquisition; (ii) approximately HK$94.6 million for paying down the Company's debt financing as mentioned above; and (iii) the remaining balance of approximately HK$37.4 million as general working capital of the Company. Accordingly, the actual use of the net proceeds raised under the Placing were all used as intended as at 31 December 2014.

Reference is also made to the announcement of the Company dated 8 January 2015 (Update On Possible Acquisition Of Target Oil And Gas Properties In The United States Of America) in relation to the Proposed Acquisition, whilst the Company has continued to work with the Possible Vendors, recent significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in such prices are presenting challenges in pursuing the Proposed Acquisition based on the basic purchase price range set out in the MOU entered into between the parties in November 2012. The Company and the Possible Vendors will decide whether or not it is desirable to resume negotiations for a possible revised terms after oil prices stabilise.

Save for the equity fund raising exercise as stated above, the Company has not undertaken any other fund raising activity for the year ended 31 December 2014.

The Company plans to raise additional funds to finance its general working capital requirements in the coming year. Fund raising activities under consideration includes and are not limited to issue by way of rights, issue of convertible notes, placement of shares and/or other means of financing activities.

PLEDGE OF ASSETS

At 31 December 2014, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) The entire stock capital of EP Energy whose principal asset is the 72% equity interest in the joint venture company formed under the New JV Agreement.

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

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

EMPLOYEES

As at 31 December 2014, the Group had a total of 17 employees in Hong Kong and 8 employees in Argentina. Employee's cost (excluding directors' emoluments) amounted to approximately HK$12.1 million (2013: HK23.45 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making processes are properly regulated. During the year under review, the Company has applied the principles and has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") with deviations from the code provision A.4.1 of the CG Code as summarised below.

The code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Currently the non-executive directors are not appointed for a specific term. However, all non-executive directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct rules (the "**Model Code**") regarding securities transactions by directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiries of all directors, the Company confirms that all the directors have complied with the Model Code throughout the year.

REVIEW OF FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2014.

PUBLICATION OF ANNUAL REPORT

The 2014 annual report of the Group will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.epiholdings.com) respectively in due course.

APPRECIATION

Lastly, I would like to express my sincere gratitude to the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

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

Hong Kong, 27 March 2015

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