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EPI (Holdings) Limited
長盈集團(控股)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	19,861	31,293
Sales of petroleum		5,669	12,581
Interest income		14,192	18,406
Others		–	306
Purchases, processing and related expenses		(4,670)	(10,674)
Other income and losses, net	5	1,012	(487)
Net loss on financial assets at fair value through profit or loss	6	(11,901)	(19,588)
Gain on redemption of debt instruments at fair value through other comprehensive income		–	328
Wages, salaries and other benefits		(7,859)	(7,336)
Depreciation		(643)	(5,364)
Reversal (provision) of expected credit loss on financial assets of:			
Loan and interest receivables		15,136	(5,130)
Debt instruments at fair value through other comprehensive income		(680)	(316)

* For identification purpose only

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Provision of impairment losses on property, plant and equipment	7	–	(14,126)
Other expenses		(8,146)	(5,521)
Finance costs	8	(106)	(145)
Profit (loss) before tax		2,004	(37,066)
Income tax credit (expense)	9	131	(2,192)
Profit (loss) for the period	10	2,135	(39,258)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value (loss) gain on debt instruments at fair value through other comprehensive income		(1,260)	7,802
Release on redemption of debt instruments at fair value through other comprehensive income		–	(328)
Exchange differences on translation of foreign operations		(1,662)	(337)
Other comprehensive (expense) income for the period, net of income tax		(2,922)	7,137
Total comprehensive expense for the period		(787)	(32,121)
Profit (loss) for the period attributable to:			
Owners of the Company		2,217	(39,258)
Non-controlling interests		(82)	–
		2,135	(39,258)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(705)	(32,121)
Non-controlling interests		(82)	–
		(787)	(32,121)
Earnings (loss) per share attributable to owners of the Company			
– Basic	12	HK0.04 cent	HK(0.75) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
	Notes		
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		510	605
Right-of-use assets	13	3,335	–
Intangible asset		420	420
Debt instruments at fair value through other comprehensive income	14	128,933	123,022
Loan and interest receivables	15	–	33,000
Total non-current assets		<u>133,198</u>	<u>157,047</u>
Current assets			
Debt instruments at fair value through other comprehensive income	14	19,351	18,804
Inventories		236	–
Loan and interest receivables	15	157,532	152,688
Trade and other receivables and prepayments	16	14,763	9,296
Other tax recoverables		1,032	881
Income tax recoverable		1,827	1,089
Financial assets at fair value through profit or loss	17	25,634	37,059
Bank balances and cash		<u>113,550</u>	<u>92,400</u>
Total current assets		<u>333,925</u>	<u>312,217</u>
Current liabilities			
Trade and other payables	18	15,288	16,913
Income tax payable		3,524	4,796
Lease liabilities		<u>3,056</u>	<u>3,612</u>
Total current liabilities		<u>21,868</u>	<u>25,321</u>
Net current assets		<u>312,057</u>	<u>286,896</u>
Total assets less current liabilities		<u>445,255</u>	<u>443,943</u>

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	8	47
Lease liabilities	<u>2,138</u>	<u>—</u>
Total non-current liabilities	<u>2,146</u>	<u>47</u>
Net assets	<u>443,109</u>	<u>443,896</u>
Capital and reserves		
Share capital	52,403	52,403
Reserves	<u>390,788</u>	<u>391,493</u>
Equity attributable to owners of the Company	443,191	443,896
Non-controlling interests	<u>(82)</u>	<u>—</u>
Total equity	<u>443,109</u>	<u>443,896</u>

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “**HKAS**”) 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 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 have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

Other than additional accounting policies resulting from application of 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 2020 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period has had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. Revenue

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

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

	Six months ended 30 June	
	2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)
Sales of petroleum	5,669	12,581
Interest income from money lending business*	8,845	13,942
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)*	5,347	4,464
Dividend and interest income from financial assets at fair value through profit or loss (“FVTPL”)	–	306
	<u>19,861</u>	<u>31,293</u>

* 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 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 operating segments:

For the six months ended 30 June 2020

	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>5,669</u>	<u>8,845</u>	<u>5,347</u>	<u>19,861</u>
Results				
Segment results before reversal (provision) of expected credit loss ("ECL")	(2,252)	8,874	(6,662)	(40)
Reversal (provision) of ECL	<u>–</u>	<u>15,136</u>	<u>(680)</u>	<u>14,456</u>
Segment results	<u>(2,252)</u>	<u>24,010</u>	<u>(7,342)</u>	<u>14,416</u>
Other income and losses, net				669
Corporate expenses				(12,975)
Finance costs				<u>(106)</u>
Profit before tax				2,004
Income tax credit				<u>131</u>
Profit for the period				<u>2,135</u>

For the 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/ECL	(3,865)	13,967	(14,518)	(4,416)
Provision of impairment losses	(14,126)	–	–	(14,126)
Provision of ECL	<u>–</u>	<u>(5,130)</u>	<u>(316)</u>	<u>(5,446)</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><u>(39,258)</u></u>

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

Segment assets and liabilities

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Segment assets		
Petroleum exploration and production	4,433	5,645
Money lending	160,016	206,630
Investment in securities	180,249	180,290
Total segment assets	344,698	392,565
Unallocated:		
Property, plant and equipment	485	520
Right-of-use assets	3,335	—
Bank balances and cash	111,276	70,433
Other unallocated assets	7,329	5,746
Consolidated assets	467,123	469,264
Segment liabilities		
Petroleum exploration and production	3,808	3,108
Money lending	2	419
Investment in securities	8	47
Total segment liabilities	3,818	3,574
Unallocated:		
Lease liabilities	5,194	3,612
Other liabilities	15,002	18,182
Consolidated liabilities	24,014	25,368

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 lease liabilities and certain other 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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	517	163
Exchange gain (losses), net	496	(488)
Others	(1)	(162)
	<u>1,012</u>	<u>(487)</u>

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at FVTPL	7,353	19,232
Net realised loss on disposal of financial assets at FVTPL	4,548	356
	<u>11,901</u>	<u>19,588</u>

7. Provision of impairment losses on property, plant and equipment

	Six months ended 30 June	
	2020	2019
	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	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	106	145

9. Income tax credit (expense)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax charge comprises:		
Current tax		
Hong Kong	–	(2,298)
The People's Republic of China (the "PRC")	(69)	–
Argentina		
– Withholding tax paid on interest income from a group entity	–	(300)
	(69)	(2,598)
Overprovision in prior years		
Hong Kong	–	70
The PRC	161	54
Deferred tax	39	282
Income tax credit (expense) recognised in profit or loss	131	(2,192)

The Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessment profits above HK\$2 million. There is no assessable profit arising in Hong Kong for the period under review.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the period under review. No provision of the PRC EIT was made for the previous period as there was no assessable profit.

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

10. Profit (loss) for the period

Profit (loss) for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	120	3,230
Depreciation of right-of-use assets	523	2,134
Total depreciation	643	5,364
Staff costs		
– directors' emoluments	1,388	1,448
– other staff costs	5,726	5,210
– other staff's retirement benefit scheme contributions	745	678
Total staff costs	7,859	7,336
Professional and consultancy fee	5,178	2,648

11. Dividends

No dividend was paid, declared or proposed for the six months ended 30 June 2020 (six months ended 30 June 2019: nil), nor has any dividend been proposed since the end of the reporting periods.

12. Earnings (loss) per share attributable to owners of the Company

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to the owners of the Company for the purpose of calculating basic earnings (loss) per share attributable to owners of the Company	2,217	(39,258)

Six months ended 30 June	
2020	2019
'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share attributable to owners of the Company

5,240,344	5,240,344
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For the six months ended 30 June 2020 and 2019, the computation of diluted earnings (loss) per share attributable to owners of the Company 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 Company's shares.

On 4 May 2020, all the outstanding share options were lapsed.

13. Right-of-use assets

During the current interim period, the Group entered into certain new lease agreements with lease term ranging from one year to three years. On lease commencement, the Group recognised right-of-use assets of HK\$3,858,000 (six months ended 30 June 2019: nil) and lease liabilities of HK\$3,858,000 (six months ended 30 June 2019: nil).

14. Debt instruments at fair value through other comprehensive income

At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
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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 2019: 4.70% to 11.75%) per annum and maturity dates ranging from 19 July 2020 to 28 June 2025 (31 December 2019: 19 July 2020 to 28 June 2025)

148,284	141,826
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Analysed as:

Current portion

19,351	18,804
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Non-current portion

128,933	123,022
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148,284	141,826
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At 30 June 2020 and 31 December 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 credit loss allowance measured on 12-month ECL basis as the credit risks on these financial instruments have not increased significantly since initial recognition. The Group assessed the ECL for debt instruments at FVTOCI by reference to the credit rating of the bond investments by rating agencies, macroeconomic factors affecting the respective industry of each issuer, corporate historical default and loss rate and exposure of default of each bond investment. The Group also considered macroeconomic factors and recent forward-looking information (such as gross domestic product growth and unemployment rate with adjustment on different scenarios of economic environment prospect) affecting the respective industry for each issuer in the assessment.

During the six months ended 30 June 2020, provision of ECL of HK\$680,000 (six months ended 30 June 2019: HK\$316,000) was recognised.

15. Loan and interest receivables

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	193,172	241,365
Interest receivables	17,979	13,078
	<u>211,151</u>	<u>254,443</u>
Less: impairment allowance	(53,619)	(68,755)
	<u><u>157,532</u></u>	<u><u>185,688</u></u>
Analysed as:		
Current portion	157,532	152,688
Non-current portion	–	33,000
	<u><u>157,532</u></u>	<u><u>185,688</u></u>
Analysed as:		
Secured	153,532	158,619
Unsecured	4,000	27,069
	<u><u>157,532</u></u>	<u><u>185,688</u></u>

At 30 June 2020, the range of interest rates attributed to the Group's loan receivables was 8% to 18% (31 December 2019: 8% to 18%) per annum.

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

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Loan and interest receivables:		
Within one year or on demand	157,532	152,688
In more than one year but not more than two years	—	33,000
	<u>157,532</u>	<u>185,688</u>

During the six months ended 30 June 2020, reversal of ECL of HK\$15,136,000 (six months ended 30 June 2019: provision of ECL of HK\$5,130,000) on loan and interest receivables was recognised in profit or loss, which represented mainly the recovery from loans that were recognised as credit-impaired at 31 December 2019.

16. Trade and other receivables and prepayments

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (i)</i>)	645	1,261
Deposits and prepayments	4,722	4,693
Deposits held for petroleum exploration and production operation	1,788	1,676
Others (<i>Note (ii)</i>)	7,608	1,666
	<u>14,763</u>	<u>9,296</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\$645,000 (31 December 2019: HK\$1,261,000) 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.

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 2020, aging of the trade receivables balances were within the credit period of 60 days, the directors of the Company considered that the lifetime ECL allowance was insignificant at 30 June 2020.

- (ii) The amount included HK\$6,331,000 (31 December 2019: HK\$1,405,000) placed with securities brokers in relation to securities investment activities in Hong Kong.
- (iii) No ECL was recognised on other receivables as the directors of the Company considered that the amount was immaterial.

17. Financial assets at fair value through profit or loss

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>25,634</u>	<u>37,059</u>

At 30 June 2020 and 31 December 2019, listed equity securities were stated at fair values which were determined based on quoted market closing prices available on the Stock Exchange.

18. Trade and other payables

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	1,693	866
Other tax payables	1,774	1,644
Accrued professional fees	8,262	10,719
Other payables and accruals	3,559	3,684
	<u>15,288</u>	<u>16,913</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 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
0 – 30 days	<u>1,693</u>	<u>866</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 2020 (30 June 2019: nil).

BUSINESS REVIEW

For the six months ended 30 June 2020 (“**HY2020**”), the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

The health crises brought by the global outbreak of COVID-19 have posed great threats to many nations and their economies, and have caused significant uncertainties in the global and local investment markets and volatilities of international oil prices. During HY2020, the fluctuations of international oil prices were further escalated owing to the non-consensus between major oil producing countries on their production cut, and different counter measures adopted by major oil buying countries on their inventory level. Against this macroeconomic backdrop, coupled with the continuous disputes between China and the United States that extend from the trade to technology sector, and the social events that took place in Hong Kong, the Group has been operating under some unprecedented market conditions.

During the interim period, the Group has adopted a prudent approach in managing its businesses and managed to report a profit attributable to owners of the Company of HK\$2,217,000 (30 June 2019: loss of HK\$39,258,000), mainly due to the reversal of expected credit loss on loan and interest receivables of HK\$15,136,000 (30 June 2019: provision of expected credit loss of HK\$5,130,000), the decrease in net loss on financial assets at fair value through profit or loss to HK\$11,901,000 (30 June 2019: HK\$19,588,000), and the absence of impairment loss of the Group’s oil and gas properties in Argentina (30 June 2019: impairment loss of HK\$14,126,000). Basic earnings per share were HK0.04 cent, in contrast to the loss per share of HK0.75 cent in the previous interim period. For HY2020, the Group’s revenue declined by 37% to HK\$19,861,000 (30 June 2019: HK\$31,293,000) mainly due to the drop in revenue of the petroleum and money lending businesses.

Petroleum Exploration and Production

During HY2020, the Group continued to engage in petroleum exploration and production in the Chañares Herrados area (the “**CHE Concession**”) located in the Cuyana Basin, Mendoza Province of Argentina. Chañares Energía S.A. (“**Chañares**”) is the concessionaire of the CHE Concession.

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

For HY2020, the Group’s petroleum exploration and production business generated a revenue of HK\$5,669,000 (30 June 2019: HK\$12,581,000) and recorded an operating loss before provision of impairment loss of HK\$2,252,000 (30 June 2019: HK\$3,865,000). The decrease in the operation’s revenue was the combined effect of the reduction in oil production by about 43% which mainly due to the reasons as explained below, and the drop in average crude oil selling price offered by YPF Sociedad Anonima (“**YPF S.A.**”), an Argentina state-owned oil company and the major buyer of the operation’s output, from an average of US\$52.1 per barrel in the last interim period to US\$44.5 per barrel in the current interim period, which largely followed the downward trend of international oil prices since March 2020.

As disclosed in the Company’s announcement dated 7 April 2020, as a result of the situation brought by the outbreak of COVID-19, and the measures adopted by the national and provincial authorities in Argentina, there was a drastic reduction on the demand for fuels. Accordingly, YPF S.A. had been forced to stop and/or reduce production at their refineries and to temporarily suspend the purchase of crude oil, which thereby led to the decision of Chañares to suspend the operations in the Chañares Herrados concession area (the “**Chañares Concession**”) since mid April 2020, and henceforth the decrease of oil production from the CHE Concession which forms part of the Chañares Concession.

In early July 2020, following the ease off of the pandemic, the Hydrocarbons Department of Mendoza Province advised the Group that YPF S.A. would restart the purchase of crude oil during July 2020, and as advised by Chañares recently, YPF S.A. has resumed the purchase of crude oil after mid July 2020 and the oil production in the Chañares Concession, including the CHE Concession, has recommenced accordingly.

As disclosed in the Company's circular dated 12 March 2020, the Executive of the Province of Mendoza had issued a decree in respect of the termination of the CHE Concession as Chañares had not fulfilled its investment commitment, subsequently, the Chañares Concession, of which the CHE Concession area forms part, has been made available for other investors to bid under the Bidding Process. The Group understands that before the successful bidder takes over the Chañares Concession, Chañares 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 and 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. Accordingly, Chañares has continued to send to the Group the daily production reports which contain daily production and sales quantity, and monthly reports which contain production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and Chañares under the Operation Agreement (except for the period when Chañares suspended the operation of the Chañares Concession referred to above). It is expected that the Group will continue to be entitled to its share of production under the Operation Agreement up until the Chañares Concession is delivered to the successful bidder under the Bidding Process.

As disclosed in the Company's circular dated 12 March 2020, after due evaluation of the data and information relating to the Chañares Concession (of which the CHE Concession area forms part), the Company intends, through its indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process. Further, as referred to in the Company's announcements dated 27 March 2020 and 30 June 2020, for various reasons, the shareholders' meeting to approve the submission of the bid offer and the timeline of the Bidding Process have been delayed. Further announcements on the shareholders' meeting and the Bidding Process will be made by the Company as and when appropriate.

Money Lending

For HY2020, the Group's money lending business reported a decrease in revenue and operating profit (before reversal or provision of expected credit loss) by 37% to HK\$8,845,000 (30 June 2019: HK\$13,942,000) and 36% to HK\$8,874,000 (30 June 2019: HK\$13,967,000) respectively. Such decreases were mainly due to the lower average amount of loans advanced to borrowers during the current interim period. Before granting loans to potential borrowers, the management performs internal credit assessment process to assess the borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly. The management has adopted a prudent approach in managing the money lending business during the interim period. For the period under review, a reversal of expected credit loss of HK\$15,136,000 (30 June 2019: provision of expected credit loss of HK\$5,130,000) was recognised which represented mainly the recovery from certain credit-impaired loans during the interim period. At the period end, the balance of impairment allowance was HK\$53,619,000 (31 December 2019: HK\$68,755,000), which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of certain credit-impaired loans.

At 30 June 2020, the loans portfolio held by the Group amounted to HK\$157,532,000 (after expected credit loss allowance of HK\$53,619,000) (31 December 2019: HK\$185,688,000 (after expected credit loss allowance of HK\$68,755,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio			Interest rate per annum	Maturity
	Secured %	Unsecured %	Total %		
Corporate	36.04	–	36.04	10 - 18	Within one year
Individual	61.42	2.54	63.96	10 - 18	Within one year
	<u>97.46</u>	<u>2.54</u>	<u>100.00</u>		

At 30 June 2020, 97.46% (31 December 2019: 85.42%) of the carrying amount of the loan portfolio was collateral loans with the remaining 2.54% (31 December 2019: 14.58%) being 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 form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

At 30 June 2020, the Group's securities investments comprised a financial asset at fair value through profit or loss ("**FVTPL**") portfolio valued at HK\$25,634,000 (31 December 2019: HK\$37,059,000), comprising equity securities listed in Hong Kong, and debt instrument at fair value through other comprehensive income ("**FVTOCI**") portfolio (constituted by non-current and current portions) valued at HK\$148,284,000 (31 December 2019: HK\$141,826,000), comprising debt securities listed in Hong Kong or overseas. As a whole, the Group's securities investments recorded a revenue of HK\$5,347,000 (30 June 2019: HK\$4,770,000) and a loss of HK\$7,342,000 (30 June 2019: HK\$14,834,000).

Financial assets at FVTPL

At 30 June 2020, the Group held a financial asset at FVTPL portfolio amounting to HK\$25,634,000 (31 December 2019: HK\$37,059,000) measured at market/fair value. For HY2020, no revenue was generated from the portfolio (30 June 2019: HK\$306,000, representing dividends from equity securities of HK\$138,000 and interest income from debt securities of HK\$168,000). The Group recognised a net loss on financial assets at FVTPL of HK\$11,901,000 for the period, which comprised net unrealised loss and net realised loss of HK\$7,353,000 and HK\$4,548,000 respectively (30 June 2019: HK\$19,588,000, which comprised net unrealised loss and net realised loss of HK\$19,232,000 and HK\$356,000 respectively).

The realised loss recorded during the period represented loss on disposal of equity securities in open market and the unrealised loss represented the decrease in market value of those equity securities held by the Group at the period end. The losses incurred were largely resulting from the volatile conditions of the Hong Kong stock market subsisting during the interim period, which in turn related to the outbreak of COVID-19, the continuous trade disputes between China and the United States, the social events took place in Hong Kong, and the declining financial performance of some of the investee companies. The Group has adopted a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market volatilities during the interim period.

At 30 June 2020, 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\$25,634,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Conglomerate	3.86
Pharmaceutical	35.32
Property	53.02
Others	7.80
	<u>100.00</u>

At 30 June 2020, the weightings of the Group's top three and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$25,634,000 (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 2020 %	% of shareholding interest %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2020 HK\$'000	Market/fair value at 30 June 2020 HK\$'000	Accumulated unrealised loss recognised up to 30 June 2020 HK\$'000	Unrealised loss recognised during the six months ended 30 June 2020 HK\$'000
				A	B	C	D = C - A	E = C - B
Emperor International Holdings Limited (HKEX stock code: 163)	36.39	2.00	0.20	17,667	12,508	9,327	(8,340)	(3,181)
Austar Lifesciences Limited (HKEX stock code: 6118)	34.29	1.88	0.41	10,021	10,231	8,791	(1,230)	(1,440)
Eminence Enterprise Limited (HKEX stock code: 616)	16.63	0.91	1.12	5,023	5,023	4,264	(759)	(759)
Others	12.69	0.70	N/A	23,045	5,225	3,252	(19,793)	(1,973)
	<u>100.00</u>	<u>5.49</u>		<u>55,756</u>	<u>32,987</u>	<u>25,634</u>	<u>(30,122)</u>	<u>(7,353)</u>

* The amount represented the costs of the securities acquired during the six months ended 30 June 2020 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 2020, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$148,284,000 (31 December 2019: HK\$141,826,000) was measured at market/fair value. During HY2020, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$5,347,000 (30 June 2019: HK\$4,464,000) representing interest income from debt securities. According to the maturity of the debt instruments, part of the debt instruments at FVTOCI of HK\$19,351,000 (31 December 2019: HK\$18,804,000) was classified as current assets.

During the period under review, the Group invested HK\$7,903,000 for acquiring debt securities issued by a property company.

At the period end, a net fair value loss on debt instruments at FVTOCI amounting to HK\$1,260,000 was recognised as other comprehensive expense (30 June 2019: net fair value gain of HK\$7,802,000 recognised as other comprehensive income). Such fair value loss was to a certain extent caused by the negative investment sentiments resulting from the outbreak of COVID-19, whilst there were no material fundamental changes in the financial parameters of the debt instruments.

At 30 June 2020, the Group invested in debt securities issued by an aircraft leasing company and eight property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$148,284,000 (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 %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2020 %	Yield to maturity on acquisition date %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount at 1 January 2020 HK\$'000	Market/fair value at 30 June 2020 HK\$'000	Accumulated fair value loss recognised up to 30 June 2020 HK\$'000	Fair value loss recognised during the six months ended 30 June 2020 HK\$'000
				A	B	C	D = C - A	E = C - B
<i>Debt securities listed in Hong Kong or overseas</i>								
Aircraft leasing	9.32	2.96	4.93	15,444	14,744	13,819	(1,625)	(925)
Property	90.68	28.79	5.26 - 12.50	135,987	134,985	134,465	(1,522)	(520)
	<u>100.00</u>	<u>31.75</u>		<u>151,431</u>	<u>149,729</u>	<u>148,284</u>	<u>(3,147)</u>	<u>(1,445)</u>

* The amount represented the costs of the securities acquired during the six months ended 30 June 2020 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 the debt securities which were held by the Group at the period end ranging from 4.93% to 12.50% per annum.

Overall Results

For HY2020, the Group reported a profit attributable to owners of the Company of HK\$2,217,000 (30 June 2019: loss of HK\$39,258,000) that was mainly due to the reversal of expected credit loss on loan and interest receivables of HK\$15,136,000, though partly offset by the net loss on financial assets at fair value through profit or loss of HK\$11,901,000, and the increase in other expenses that mainly related to the professional fees incurred for the evaluation and preparation of documentations for the Bidding Process of the Chañares Concession. The Group recorded a comprehensive expense attributable to owners of the Company of HK\$705,000 (30 June 2019: HK\$32,121,000) that mainly due to the fair value loss recognised on debt instruments at FVTOCI and the exchange loss on translation of foreign operations.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2020, 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\$333,925,000 (31 December 2019: HK\$312,217,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$139,184,000 (31 December 2019: HK\$129,459,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$21,868,000 (31 December 2019: HK\$25,321,000), was at a liquid level of about 15.3 (31 December 2019: 12.3). The Group is preserving its cash resources for the possible investment in the Chañares Concession under the Bidding Process.

At 30 June 2020, the Group's net assets slightly decreased to HK\$443,109,000 (31 December 2019: HK\$443,896,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK\$24,014,000 (31 December 2019: HK\$25,368,000) divided by total assets of HK\$467,123,000 (31 December 2019: HK\$469,264,000), was at a low level of about 5% (31 December 2019: 5%). Finance costs represented the imputed interest on lease liabilities of HK\$106,000 for the current period (30 June 2019: HK\$145,000).

At 30 June 2020, the equity attributable to owners of the Company amounted to HK\$443,191,000 (31 December 2019: HK\$443,896,000) and was equivalent to an amount of approximately HK8.46 cents (31 December 2019: HK8.47 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$705,000 was mainly a result of the comprehensive expenses incurred by the Group during the interim period.

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

As disclosed in the Company's circular dated 12 March 2020, after due evaluation of the data and information relating to the Chañares Concession (of which the CHE Concession area forms part), the Company intends, through its indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process. Further, as referred to in the Company's announcements dated 27 March 2020 and 30 June 2020, for various reasons, the shareholders' meeting to approve the submission of the bid offer and the timeline of the Bidding Process have been delayed. The Directors considered that the submission of the bid offer presents a valuable investment opportunity to acquire a valuable petroleum asset which facilitates the development of the Group's petroleum exploration and production business. Further announcements on the shareholders' meeting and the Bidding Process will be made by the Company as and when appropriate.

Although the easing of tension of the trade disputes between China and the United States since the signing of the first phase trade deal in January 2020 was expected to give a positive boost to international oil prices, the global outbreak of COVID-19 has posed great threats to many nations and their economies, and has created significant uncertainties in the global and local investment markets and volatilities of international oil prices. The fluctuations of international oil prices were further escalated during HY2020 owing to the non-consensus between major oil producing countries on their production cut, and different counter measures adopted by major oil buying countries on their inventory level. Against this macroeconomic backdrop, coupled with the continuous disputes between China and the United States that extend from the trade to technology sector, and the social events that took place in Hong Kong, the Group has been operating under some unprecedented market conditions.

Nevertheless, there are signs that gradual revival of economic activities of some major economies including Mainland China have taking place and international oil prices have stabilised, and that many measures have been adopted by the Hong Kong government in controlling the pandemic conditions locally. With all the efforts of many governments across the globe in fighting against the COVID-19 pandemic, the Group believes that the effect of the pandemic will finally ease off and is prudently optimistic about the prospect of the global and local economy.

Looking forward, the management will continue to adopt a prudent approach in managing the Group's businesses and will diligently consider to, subject to the prevailing market conditions when the Bidding Process commences and other applicable conditions, participate in the Bidding Process.

EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 30 June 2020, the Company is assessing the timeline of the Bidding Process and the terms of the Bid in light of the prevailing market condition. At the reporting date, the Bidding Process has not yet commenced.

The outbreak of COVID-19 that is affecting many nations, the global and local investment and credit markets and the international oil prices has adverse impact on the Group's operations. The Directors considered it is difficult to predict the evolution and duration of the pandemic and that at the reporting date, the extent of its impact to the Group's operations cannot be reliably quantified or estimated. The management will continue to closely monitor the situation and will take all necessary and appropriate measures to reduce the impact of the pandemic to the Group.

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 for the six months ended 30 June 2020, 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 had been a deviation from the Code Provision A.2.1 during the six months ended 30 June 2020 due to Mr. Liu Zhiyi (“**Mr. Liu**”), a former Executive Director of the Company, had served both roles of the chairman and chief executive officer until 30 June 2020. Following the resignation of Mr. Liu on 30 June 2020, the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Effective communication

Code Provision E.1.2

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

Deviation

The former Chairman of the Board, Mr. Liu, was unable to attend the annual general meeting of the Company held on 26 June 2020 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 2020 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 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 28 August 2020

At the date of this announcement, the Board comprises three Executive Directors, namely Mr. Sue Ka Lok, Mr. Yiu Chun Kong and Mr. Chan Shui Yuen; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.