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EPI **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 2013**

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 2013 with comparative figures for the year ended 31 December 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> <i>(Restated)</i> <i>(Note 2.1)</i>
Revenue	3	89,853	86,682
Purchases, processing and related expenses		(44,333)	(36,382)
Other gains, net	4	13,689	15,513
Wages, salaries and other benefits	5	(56,201)	(16,909)
Depreciation and depletion		(27,443)	(37,374)
Impairment losses	6	(506,614)	(3,266,628)
Fair value (losses)/gains on financial instruments	7	(18,402)	363
Expenses incurred in exploring potential investment opportunities		(16,248)	(17,331)
Other expenses		(69,715)	(34,698)
Finance costs	8	(43,757)	(34,925)
Loss before income tax	9	(679,171)	(3,341,689)
Income tax expense	10	–	(10,351)
Loss for the year attributable to the owners of the Company		(679,171)	(3,352,040)

* For identification purpose only

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000 <i>(Restated)</i> <i>(Note 2.1)</i>
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for the cumulative gain of available-for-sale investments included in profit or loss upon disposal		–	(57,176)
Reversal of deferred tax liabilities upon disposal of available-for-sale investments		–	5,718
Other comprehensive loss for the year		–	(51,458)
Total comprehensive loss attributable to the owners of the Company		(679,171)	(3,403,498)
Losses per share			
– basic (HK\$)	<i>11</i>	(0.19)	(1.26)
– diluted (HK\$)		(0.19)	(1.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Assets			
Non-current assets			
Exploration and evaluation assets	<i>13</i>	206,271	648,468
Property, plant and equipment		153,458	204,456
Other tax recoverables		28,542	48,878
		388,271	901,802
Current assets			
Trade and other receivables and prepayments	<i>14</i>	227,192	218,635
Other tax recoverables		12,753	13,553
Held-for-trading investments		98	37
Cash and cash equivalents		48,029	2,680
		288,072	234,905
Total assets		676,343	1,136,707
Equity			
Share capital		416,988	313,038
Reserves		(198,802)	360,564
Total equity		218,186	673,602
Liabilities			
Non-current liabilities			
Borrowings		218,400	273,000
Convertible notes		76,054	—
Derivative financial liabilities		58,903	—
Assets retirement obligations		1,410	2,854
		354,767	275,854
Current liabilities			
Trade and other payables	<i>15</i>	38,790	95,516
Borrowings		56,600	65,808
Convertible notes		8,000	25,927
		103,390	187,251

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Total liabilities	458,157	463,105
Total equity and liabilities	676,343	1,136,707
Net current assets	184,682	47,654
Total assets less current liabilities	572,953	949,456

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, available-for-sale financial assets and financial liabilities (including derivative instruments) at fair value through consolidated profit or loss, which are carried at fair value.

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.

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 28 March 2014.

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 presentation of the consolidated statement of comprehensive income

In previous years, the Group presented an analysis of expenses in its consolidated statement of comprehensive income using a classification based on their functions within the Group.

During the year, the Board of Directors has performed a review of the content and presentation of the financial statements to ensure compliance with relevant accounting standards as well as comparison to those of other market participants within the same industry and to better reflect the business development and operation of the Group. As a result of this review, the Board of Directors considered that it is appropriate to adopt an analysis of expenses in its consolidated statement of comprehensive income using a classification based on their nature which would be more relevant to the Group’s circumstances and users of the Group’s consolidated financial statements.

Consequently, the presentation of the consolidated statement of comprehensive income for the year ended 31 December 2013 has been revised and the comparative figures have been reclassified in order to conform with the presentation adopted in these financial statements. The changes in presentation of the consolidated statement of comprehensive income did not have any impact on the Group’s loss position or the calculation of the Group’s loss per share for all years presented.

2.2 Changes in accounting policy and disclosures

(a) *New standards, revisions and amendments to existing standards and interpretations effective for annual periods beginning 1 January 2013 and adopted by the Group*

Amendment to HKAS 1	Presentation of financial statements
Amendment to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, 11 and 12	Transition guidance
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

The adoption of the new standards, revisions, amendments to existing standards and interpretations has not had a 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 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 7 and 9	Disclosures: Mandatory effective date of HKFRS 9 and transitional disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 11 and HKAS 27	Investment entities	1 January 2014
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 9	Financial instruments	<i>(Note)</i>
HKFRS 14	Regulatory deferral accounts	1 January 2016
HK(IFRIC)-Int 21	Levies	1 January 2014

Note: The Group intends to adopt this new standard when the effective date is determined.

3. REVENUE AND SEGMENT INFORMATION

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sales of petroleum	89,853	80,854
Income from metals transactions	–	5,828
	<hr/>	<hr/>
	89,853	86,682
	<hr/> <hr/>	<hr/> <hr/>

The Chief Executive Officer 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 considers the business from both a geographic and product perspective. Geographically, management considers the performance in the People's Republic of China (the "PRC"), Argentina and Hong Kong. From a product perspective, management separately considers the activities of petroleum exploration and production, and metal transactions in these geographies. The Group has activities of petroleum exploration and production in Argentina, and activities of metal transactions in the PRC and Hong Kong.

The Group presented the following two reportable segments:

- Petroleum exploration and production
- Metals transactions

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 segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

For the year ended 31 December 2013

	Petroleum exploration and production <i>HK\$'000</i>	Metals transactions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (external sales)	89,853	–	89,853
Result			
Segment results excluding impairment	4,408	(1,091)	3,317
Impairment losses	(493,308)	(13,966)	(507,274)
Segment loss	(488,900)	(15,057)	(503,957)
Unallocated other gains and losses			13,360
Unallocated corporate expenses			(144,817)
Finance costs			(43,757)
Loss before income tax			(679,171)

For the year ended 31 December 2012

	Petroleum exploration and production <i>HK\$'000</i>	Metals transactions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue (external sales)	80,854	5,828	86,682
Result			
Segment results excluding impairment	(5,463)	(148)	(5,611)
Impairment losses	(3,263,012)	–	(3,263,012)
Segment loss	(3,268,475)	(148)	(3,268,623)
Unallocated other gains and losses			1,724
Unallocated corporate expenses			(39,865)
Finance costs			(34,925)
Loss before income tax			(3,341,689)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Assets		
Petroleum exploration and production	422,002	867,089
Metals transactions	200,838	201,014
	<hr/>	<hr/>
Total segment assets	622,840	1,068,103
Unallocated	53,503	68,604
	<hr/>	<hr/>
Consolidated assets	676,343	1,136,707
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Petroleum exploration and production	10,904	46,378
Metals transactions	6	16,781
	<hr/>	<hr/>
Total segment liabilities	10,910	63,159
Unallocated	447,247	399,946
	<hr/>	<hr/>
Consolidated liabilities	458,157	463,105
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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 segments other than convertible notes, borrowings, derivative financial liabilities and liabilities for which reportable segments are jointly liable.

For the year ended 31 December 2013

	Petroleum exploration and production <i>HK\$'000</i>	Metals transactions <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	26,473	–	1,247	27,720
Depreciation and depletion	27,307	–	136	27,443
Impairment loss of an other receivable	–	13,966	–	13,966
Impairment loss recognised in respect of exploration and evaluation assets	442,197	–	–	442,197
Impairment loss recognised in respect of property, plant and equipment	51,111	–	–	51,111

For the year ended 31 December 2012

	Petroleum exploration and production <i>HK\$'000</i>	Metals transactions <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	26,321	–	231	26,552
Depreciation and depletion	37,265	1	108	37,374
Impairment loss recognised in respect of exploration and evaluation assets	3,130,106	–	–	3,130,106
Impairment loss recognised in respect of property, plant and equipment	132,906	–	–	132,906

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Argentina	89,853	80,854	358,480	852,623
Others	–	5,828	1,249	301
	89,853	86,682	359,729	852,924

For the year ended 31 December 2013, external revenue of approximately HK\$89,853,000 (2012: HK\$80,854,000) is generated from one major customer which accounts for 10% or more of the Group's external revenue. The revenue is attributable to petroleum exploration and production segment.

4. OTHER GAINS, NET

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other interest income	1	43
Imputed interest on other tax recoverables	–	6,327
	<hr/>	<hr/>
Total interest income	1	6,370
	<hr/>	<hr/>
Government grants (<i>Note</i>)	13,313	14,746
Exchange gains/(losses), net	328	(8,878)
(Loss)/gain on disposal of property, plant and equipment	(164)	962
Gain on disposal of available-for-sales financial assets	–	1,566
Others	211	747
	<hr/>	<hr/>
	13,688	9,143
	<hr/>	<hr/>
	13,689	15,513
	<hr/> <hr/>	<hr/> <hr/>

Note:

The amount represented government subsidy obtained for the Group's petroleum exploration and production in Argentina.

5. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Wages and salaries	23,780	16,752
Pension costs – defined contribution plans	182	157
Share-based payments	32,239	–
	<hr/>	<hr/>
	56,201	16,909
	<hr/> <hr/>	<hr/> <hr/>

6. IMPAIRMENT LOSSES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Impairment loss of exploration and evaluation assets (<i>Note 13</i>)	442,197	3,130,106
Impairment loss of property, plant and equipment	51,111	132,906
(Reversal of impairment loss)/impairment loss of other tax recoverables	(660)	3,616
Impairment loss of an other receivable	13,966	–
	<hr/>	<hr/>
	506,614	3,266,628
	<hr/> <hr/>	<hr/> <hr/>

7. FAIR VALUE (LOSSES)/GAINS ON FINANCIAL INSTRUMENTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Fair value (loss)/gain on derivative component of convertible notes	(12,464)	378
Fair value gain/(loss) on held-for-trading investments	61	(15)
Fair value loss on warrants	(5,999)	–
	<u>(18,402)</u>	<u>363</u>

8. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	14,345	2
Other loans	9,292	8,987
Interest on borrowings not wholly repayable within five years:		
Bank borrowings	–	13,281
Effective interest expense on convertible notes	20,120	9,031
Compensation charge for late payments to supplier in relation to petroleum exploration and production	–	3,624
	<u>43,757</u>	<u>34,925</u>

9. LOSS BEFORE INCOME TAX

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss before income tax has been arrived after charging the following items:		
Minimum lease payments under operating leases in respect of office properties and buildings	2,524	3,289
Share-based payments granted to consultants	16,730	–
	<u>19,254</u>	<u>3,289</u>

10. 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 (2012: Nil).

Argentina income tax is calculated at 35% (2012: 35%) of assessable profit for the year. No provision for Argentina income tax has been made as there is no assessable profits arising in Argentina for the year.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax – under provision in prior years	–	(311)
Argentina income tax	–	(1,026)
	<hr/>	<hr/>
Total current tax	–	(1,337)
Deferred tax	–	(9,014)
	<hr/>	<hr/>
Income tax expense	–	(10,351)
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11. 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.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(679,171)</u>	<u>(3,352,040)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>3,544,464</u>	<u>2,670,736</u>

(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 (2012: two) categories of potential dilutive ordinary shares: warrants, convertible notes and share options (2012: 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 (2012: share options), 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.

There potential dilutive ordinary shares were anti-dilutive for the years ended 31 December 2013 and 2012.

12. DIVIDEND

The Board does not recommend the payment of a dividend during the year (2012: Nil).

13. EXPLORATION AND EVALUATION ASSETS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cost		
At 1 January	3,778,574	3,837,156
Write-off	–	(50,700)
Transfer to property, plant and equipment	–	(7,882)
	<hr/>	<hr/>
At 31 December	3,778,574	3,778,574
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Impairment		
At 1 January	3,130,106	–
Charged to consolidated profit or loss (<i>Note 6</i>)	442,197	3,130,106
	<hr/>	<hr/>
At 31 December	3,572,303	3,130,106
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net book amount		
At 31 December	206,271	648,468
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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. The deferral of drilling plans had a significant impact on the net present value of the cash flows of the oil and gas fields. Accordingly, impairment losses of HK\$3,130,106,000 and HK\$132,906,000 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 2012.

During the year ended 31 December 2013, the economic and political environment in Argentina remained uncertain. With reference to certain future oil price forecast, the directors expect that there would be a high probability of deterioration in 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.

The above changes in 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\$442,197,000 (2012: HK\$3,130,106,000) and HK\$51,111,000 (2012: HK\$132,906,000) 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.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

At 31 December 2013, included in the trade and other receivables and prepayments was a trade receivables balance totalling to HK\$4,716,000 (2012: HK\$3,945,000). The Group allows on average credit period of 30 to 60 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The trade receivables of HK\$4,716,000 (2012: HK\$3,945,000) was 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 customer for whom there was no recent history of default.

15. TRADE AND OTHER PAYABLES

At 31 December 2013, included in the trade and other payables was a balance of trade payables amounted to HK\$3,050,000 (2012: HK\$34,447,000). The ageing analysis of trade payables based on invoice date were as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0-30 days	3,050	11,574
31-60 days	–	15
61-90 days	–	38
Over 91 days	–	22,820
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	3,050	34,447
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The average credit period on purchases of goods is 30 days.

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 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 lower operation costs of the existing 10 producing wells. The Group has performed 3 workover jobs to the oil wells during year 2013. The overall results are satisfactory with increase in initial production after workover better than expected. The Group has completed the investment in our own water injection capacity in the field. Our owned well fluid collection tank and pipeline have been put into use, and the Group is investing on its improvement, such as heating system.

As at 31 December 2013, 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 2013 are as follows,

Contingent Oil Resource (<i>unit: million barrels</i>) *	31 Dec 2013	31 Dec 2012
Category Gross (100%)		
Low Estimate (1C)	82.3	83.5
Best Estimate (2C)	140.6	146.9
High Estimate (3C)	239.2	245.5

* According to the Technical Review Report issued by Roma Oil and Mining Associates Limited on 19 March 2014 on The Chañares Herrados and Puesto Pozo Cercado Oil Project in Mendoza Province, Argentina.

During year 2013, the Group had received HK\$13.3 million incentive from Petr leo Plus Program executed by the government of Argentina. The incentive was received from and distributed by Cha ares according to the distribution methodology as agreed in the Operation Agreement signed on 5 June 2012 between EP Energy, Have Result and Cha ares.

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 period ended 30 June 2012, there were no events or changes in circumstances indicating that the carrying amount of exploration and evaluation assets might not be recoverable. Accordingly, no impairment needed to be provided for the E&E assets.

The Company has performed an impairment test on its E&E assets during the audit of year 2012 annual result and has applied a more prudent estimation on factors and assumptions in accessing the recoverable amounts on the E&E assets by adopting discounted cash flow method. An impairment loss of HK\$3,130,106,000 was recognised as the carrying amount of the E&E assets exceeds its recoverable amount as at 31 December 2012. It is a non-cash item adjustment and does not affect the current operations of oil field. With reference to the short term West Texas Intermediate spot oil price forecast in Year 2014 Energy Outlook issued by U.S. Energy Information Administration (part of the U.S. Department of Energy) reduced by 20% or more as compared with the Year 2013 Energy Outlook and the economic and political environment in Argentina remained uncertain, the Group decided to further delay its development plan on the Argentina oil project and performed an impairment test on its E&E assets as at 31 December 2013. The Company has engaged Roma Oil and Mining Associate Limited ("**Roma**") to perform a valuation of the E&E assets.

Details of impairment review are set out in the Group Financial Review section.

On 2 March 2014, EP Energy had been notified by the shareholders of Cha ares that the shareholders of Cha ares received an irrevocable offer for the acquisition of the entire issued share capital of Cha ares. Pursuant to the JV Agreement, EP Energy has the right to compete on equal footing in the event that Cha ares decides to, among other things, sell or transfer, totally or partially, its capacity as concessionaire of the Concessions, or if Cha ares' shareholders decide to sell the majority of the shares of Cha ares. However, pursuant to the terms of the JV Agreement, this shall not constitute any preference or right of first refusal in favour of EP Energy. Should such interest be informed to Cha ares in the referred terms on or before 5 April 2014, the deadline for submission of the Proposed Offer will be in Principal on 5 May 2014.

GROUP FINANCIAL REVIEW

For the year ended 31 December 2013, the Group's turnover was HK\$89.8 million, an increase of HK\$3.1 million as compared with HK\$86.7 million recorded in last year. The Group recorded a loss for the year of HK\$679.2 million, against a loss for the year of HK\$3,352.0 million in year 2012. During year 2013, an impairment loss of HK\$442,197,000 (year 2012: HK\$3,130,106,000) was recognised in respect of the E&E assets and impairment loss of HK\$51,111,000 (year 2012: HK\$132,906,000) 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 the 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 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 (referred to as 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 the 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 of oil price decrease since the Company commenced its investment in Argentina. The Company has performed an impairment test on its E&E assets during the audit of year 2012 annual result and has applied a more prudent estimation on factors and assumptions in accessing 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 exceeded its recoverable amount in year ended 31 December 2012.

From May 2013, the crude oil selling price has gradually increased and reached US\$71.7 per barrel in December 2013, represents a 7.8% increase as compared with December 2012. In January and February 2014, the Group noted that the crude oil selling price to YPF through Chañares decreased to US\$61.72 per barrel.

During January 2014, Argentina Peso, the Official Currency of Argentina, has been depreciated against US Dollar by more than 15%. There is no official explanation from the Argentina Government on the currency depreciation.

Taking into account of the decrease in short term West Texas Intermediate spot oil price forecast in Year 2014 Energy Outlook issued by U.S. Energy Information Administration (part of the U.S. Department of Energy) by 20% or more as compared with the Year 2013 Energy Outlook and the potential acquisition opportunity, the Directors of the Company 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 exploration and evaluation assets were used:

- Future oil selling price are reference to West Texas Intermediate spot oil price. The Company noticed that the short term West Texas Intermediate spot oil price forecast in Year 2014 Energy Outlook issued by U.S. Energy Information Administration (part of the U.S. Department of Energy) reduced by 20% or more as compared with the Year 2013 Energy Outlook (“**2013 Outlook**”), where forecast oil price per barrel for year 2015 at USD89.8 (2013 Outlook: USD119.4), year 2016 at USD92.9 (2013 Outlook: USD122.4), year 2017 at USD97.8 (2013 Outlook: USD125.5), year 2018 at USD100.5 (2013 Outlook: USD126.6), and year 2019 at USD103.1 (2013 Outlook: USD127.9). The Directors take a more prudent approach in estimating future oil selling price to YPF and consider the future selling price will increase in a more steadily way;

- With reference to the decrease in future oil selling price, the directors of the Company decided to further delay the Group's overall drilling plan to later years. The production quantity used to calculate future cash flows from operations decrease.
- The discount rate used for the impairment assessment in 2013 consider a higher country risk of Argentina in view of the depreciation of Argentina Peso against US Dollar in January 2014. The discount rate used in year 2013 is 17.7% (year 2012: 14.1%). The discount rate substantially reduced the net present value of future cash flow of the project.

With reference to the E&E Assets Valuation issued by Roma dated 24 March 2014, the E&E Assets are valued at USD24,575,000 and USD26,445,000 by Market Approach and Income Approach respectively. The Directors considered the valuation in Market Approach represents the fair value less cost to sell and Income approach represents the Value in use of its E&E assets.

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-based approach represents the fair value less cost to sell and the value in use of its E&E assets. The Company adopted the Income-based approach valuation as the recoverable amount of the E&E asset 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 exceeds its recoverable amount. It is a non-cash item adjustment and does not affect the current operations of oil field.

REVIEW OF GROUP OPERATIONS

During year ended 31 December 2013, the Group's core and continuing operations is petroleum exploration and production.

The Group did not generate revenue from the trading of petroleum related products during the year 2013.

Exploration and sales of petroleum

During year 2013, the Group has performed 3 workover jobs to the oil wells, The overall results are satisfactory with increase in initial production after workover better than expected. The Group had completed the investment in our own water injection capacity and invested in our owned centralised well fluid collection tank and collection pipeline.

During year 2013, the Group had 10 producing wells generating oil sales revenue and has received from Chañares incentive from Petróleo Plus Program in respect of production for 3rd quarter 2011 and in respect of Proved Reserve for year 2011. 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 2013 amounted to HK\$89.9 million.

As of 31 December 2013, the Company has invested HK\$585.8 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount includes: 1) HK\$408.4 million in oil well drilling and completion which is 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 is located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010.

During the year 2013, the depreciation of the oil & gas properties was HK\$27 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 the Commitment 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 and 2013. The Group has completed the investment in our own water injection capacity in year 2013.

The Group will continue invest in workover on the existing 10 producing wells and in improving own well fluid collection system during year 2014.

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 take 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 decrease.

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 on Oil & Gas Exploration and production business. The Group is focused on the oil & gas field with stable production base, with proven reserve, with certain development opportunities, in those industrial-advanced countries, such as the United States of America. The Group is now looking into a few acquisition opportunities in North America and one of them has been negotiated to an advance stage. If the proposed acquisition proceeds, the transaction may constitute a major/very substantial acquisition transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and further announcement will be made by the Company in accordance with the Listing Rules. The Board wishes to emphasize that the negotiations for the proposed acquisition may or may not proceed. Shareholders and investors of the Company are urged to exercise caution when dealing in the shares of the Company.

FINANCIAL POSITION

As at 31 December 2013, the net asset value of the Group was HK\$218.2 million (2012: HK\$673.6 million) and the net asset value per share was HK\$0.05 (2012: HK\$0.2).

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet general working capital requirements, the Group has decided to raise additional capital via the placement of shares and the issue of convertible notes during the year. On 21 January 2013, the Company raised net proceeds of approximately HK\$21.6 million via the placement of 125,000,000 shares at HK\$0.18 per share. In addition, the Company will issue non-listed warrants, on the basis of 5 warrants for each placing share issued, at no initial issue price, entitling the holder of each warrant to subscribe for one new share, at an exercise price of HK\$0.20 at any time for a period of three years from the date of issue of such warrant. On 24 February 2013, the Company raised net proceeds of approximately HK\$95.5 million via the issue of HK\$100 million 8% convertible notes due 2015. The initial conversion price of the convertible notes is HK\$0.19 per conversion share. On 22 July 2013, the Company raised net proceeds of approximately HK\$118.6 million via the placement of 650,000,000 shares at HK\$0.19 per share. The Company will raise additional funds via placement of shares and the issue of convertible notes to finance its general working capital requirements and the potential acquisition in the coming year.

PLEDGE OF ASSETS

At 31 December 2013, 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 2013, the Group had a total of about 12 employees in Hong Kong and 9 employees in Argentina. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$23.45 million (2012: HK\$13.97 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 AND 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 2013

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 process 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 Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited with deviations from the code provision A.4.1 of the CG Code as summarized 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.

During the year 2012, the office of the chairman of the Company was vacant and in turn the Company has deviated from the code provision of A.2.2 and A.2.3. The code provision A.2.2 of the CG Code stipulates that the chairman should ensure that all directors are properly briefed on issues arising at board meetings and the code provision A.2.3 of the CG Code stipulates that the chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner. During the year 2013, the Company has ratified the code provision deviation by re-designating Mr. Ho King Fung, Eric, the non-executive Director who was appointed on 4 April 2013, as the non-executive chairman with effect from 30 July 2013.

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 enquiry 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 2013.

PUBLICATION OF ANNUAL REPORT

The 2013 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, 28 March 2014

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.