THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in EPI (Holdings) Limited (the "**Company**"), you should at once hand this circular, together with the enclosed proxy form, to the purchaser or the transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

VERY SUBSTANTIAL ACQUISITION PARTICIPATION IN THE BIDDING PROCESS FOR THE CHAÑARES CONCESSION AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

八方金融有限公司
OCTAL Capital Limited

A notice convening the special general meeting of the Company (the "**SGM**") to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 10:00 a.m. or any adjournment thereof is set out on pages SGM-1 and SGM-2 of this circular. Whether or not you propose to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

12 March 2020

* *For identification purpose only*

CONTENTS

In this Circular, the following expressions have the following meanings, unless the context otherwise is required.

"Announcements"	announcements of the Company dated 24 May 2019, 18 June 2019, 27 September 2019, 19 November 2019, 24 February 2020, 28 February 2020 and 6 March 2020
"API"	API gravity is a commonly used index of the density of a crude oil or refined products. API stands for the American Petroleum Institute, which is the industry organisation that created this measure
"ARS"	Argentina Peso, the lawful currency of Argentina
"bbl/d"	barrels of oil per day
"Bid"	the bid offer for the Chañares Concession to be submitted by the Group under the Bidding Process on 1 April 2020 (Argentina time) (or such later date as may be determined by the Hydrocarbons Department of Mendoza Province)
"Bidding Process"	the formal bidding process held by the Hydrocarbons Department of Mendoza Province in relation to the Chañares Concession
"Board"	board of the Directors
"Bye-laws"	Bye-laws of the Company (as amended, modified or supplemented from time to time)
"CHE Concession"	the hydrocarbons exploitation concession rights in the Chañares Herrados area located in Cuyana Basin, Mendoza Province which the Group has interests
"Chañares"	Chañares Energía S.A. (formerly known as Chañares Herrados Empresa de Trabajos Petroleros S.A.), the holder of the Chañares Concession (including the CHE Concession)
"Chañares Concession"	the hydrocarbons exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area, which the CHE Concession area forms part, under the Bidding Process

"Circular"	this circular containing (i) further details and progress of the Proposed Transaction and the transactions contemplated thereunder; (ii) the Competent Person's Report and the Valuation Report in respect of the Chañares Concession, both in compliance with the requirements of Chapter 18 of the Listing Rules; (iii) the notice of SGM; and (iv) other information as required under the Listing Rules
"Company"	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 689)
"Competent Person"	has the meaning ascribed to it under the Listing Rules
"Competent Person's Report"	the competent person's report issued by GCA on the Chañares Concession in compliance with the requirements of Chapter 18 of the Listing Rules, which is set out in Appendix IV of this Circular
"Completion"	completion of the Proposed Transaction
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Effective Date"	being the date following the publication of the decree awarding the Chañares Concession to the new concessionaire which will be passed between 12 May 2020 (Argentina time) and 11 June 2020 (Argentina time) according to the bidding documents of the Bidding Process
"Enlarged Group"	the Group including the Petroleum Assets after the Completion
"GCA"	Gaffney, Cline & Associates, the Competent Person and Competent Evaluator (which has the meaning ascribed to it under the Listing Rules) appointed by the Company in respect of the Proposed Transaction
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hydrocarbons Department of Mendoza Province"	the Hydrocarbons Department of Mendoza Province administered by the Ministry of Economy, Infrastructure and Energy, Government of Mendoza Province

"Latest Practicable Date"	6 March 2020, being the latest practicable date for ascertaining certain information referred to in this Circular prior to its printing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mendoza Government"	Government of Mendoza Province
"Mendoza Province"	Mendoza Province of Argentina
"NPV"	net present value
"Petroleum Assets"	(a) exclusive right to exploit hydrocarbons existing in the Chañares Herrados area for the term of the Chañares Concession; (b) right to perform works for search and extraction of hydrocarbons; build and operate treatment and refining plants, communication and transport systems, buildings, deposits, camps, docks and other facilities and operations required to carry out the activities of the concessionaire; (c) ownership of hydrocarbons extracted from the Chañares Herrados area; (d) right to transport, commercialise and industrialise hydrocarbons extracted from the Chañares Herrados area; and (e) right to request a concession for the non-conventional exploitation of hydrocarbons in the Chañares Herrados area
"Proposed Transaction"	proposed acquisition of the Chañares Concession upon the successful winning of the Bid under the Bidding Process, which constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Proposed Transaction and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Date"	1 June 2020, being the reference date of the valuation of the Chañares Concession assuming the Group wins the Bid
"Valuation Report"	the valuation report issued by GCA on the Chañares Concession in compliance with the requirements of Chapter 18 of the Listing Rules, which is set out in Appendix IV of this Circular
"%"	per cent.

For the purpose of this Circular, unless otherwise indicated, the exchange rate of US$1.00 = HK$7.80 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

In the event of any inconsistency, the English text of this Circular, the notice of SGM and the accompanying proxy form shall prevail over the Chinese text.

EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

Executive Directors:
Mr. Liu Zhiyi *(Chairman and Chief Executive Officer)*
Mr. Sue Ka Lok
Mr. Yiu Chun Kong
Mr. Chan Shui Yuen

Non-executive Director:
Mr. Suen Cho Hung, Paul

Independent Non-executive Directors:
Mr. Pun Chi Ping
Ms. Leung Pik Har, Christine
Mr. Kwong Tin Lap

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
Room 3203, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

12 March 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
PARTICIPATION IN THE BIDDING PROCESS FOR THE CHAÑARES CONCESSION
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the Announcements in relation to the recent development of the Group's petroleum exploration and production business in the Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina. After due evaluation of the data and information relating to the Chañares Concession (which the CHE Concession area forms part), the Company intends, through the Company's indirect wholly owned subsidiary, to submit a bid offer for the Chañares Concession under the Bidding Process.

* *For identification purpose only*

The purpose of this Circular is to provide you with, among other things, (i) further details and progress of the Proposed Transaction and the transactions contemplated thereunder; (ii) the Competent Person's Report and the Valuation Report on the Chañares Concession, both in compliance with the requirements of Chapter 18 of the Listing Rules; (iii) the notice of SGM; and (iv) other information as required under the Listing Rules, in order to enable you to make an informed decision on how to vote at the SGM.

THE BID

Set out below are the principal terms of the Bid:

Bid submission date

Bid submission date: 1 April 2020 (Argentina time) (or such later date as may be determined by the Hydrocarbons Department of Mendoza Province)

The target assets

The Chañares Concession, being the exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area described in the relevant Hydrocarbons Laws of Argentina and the bidding documents under the Bidding Process effective as of the Effective Date, mainly including the following:

(i) the Petroleum Assets;

(ii) all the existing wells in operation and the new wells to be drilled in the Chañares Herrados area; and

(iii) the right to use any assets and infrastructure in the Chañares Herrados area owned by the Mendoza Province to be transferred to the new concessionaire together with the Petroleum Assets.

The Chañares Concession has a term of 25 years counted as from the Effective Date with the possibility of successive extensions for terms not exceeding 10 years each from the date of expiry of the original term and of each extension, subject to the approval by the Executive of the Mendoza Province.

Consideration under the Bidding Process

According to the bidding documents of the Bidding Process, the Hydrocarbons Department of Mendoza Province has set minimum requirements on (i) initial upfront payment (the "**Upfront Payment**"), which is US$5 million (approximately HK$39 million); (ii) capital investment commitment (the "**Capital Investment Commitment**"), which is US$20 million (approximately HK$156 million); and (iii) royalty percentage applied on the future revenue on oil sales (the "**Royalty %**"), which is 12%. Each of the bidders under the

Bidding Process is required to pay a deposit of US$40,000 (approximately HK$312,000) (the "**Initial Deposit**") on the date of submission of the Bid. The winner of the bid under the Bidding Process is required to pay to the Hydrocarbons Department of Mendoza Province (i) the Upfront Payment within 30 calendar days after the Effective Date; and (ii) a deposit representing 10% of the amount of the Capital Investment Commitment within 10 business days after the Effective Date, while the Initial Deposit will be returned to the bidders.

The evaluation of the Bidding Process will be based on the ranking factor calculated in the formula as stated below:

Ranking factor =

(a) 1.5 × (intended Upfront Payment / minimum Upfront Payment of US$5 million (approximately HK$39 million)) +

(b) 1.3 × (intended Royalty % / minimum Royalty % of 12%) +

(c) 1.1 × (intended Capital Investment Commitment / minimum Capital Investment Commitment of US$20 million (approximately HK$156 million))

The minimum amount of the Bid of US$25 million (approximately HK$195 million) is the sum of the minimum Upfront Payment of US$5 million (approximately HK$39 million) and the minimum Capital Investment Commitment of US$20 million (approximately HK$156 million). The maximum amount of the Bid of US$45 million (approximately HK$351 million), is the sum of the maximum intended Upfront Payment of approximately US$12.7 million (approximately HK$99.1 million) and the maximum intended Capital Investment Commitment of approximately US$32.3 million (approximately HK$251.9 million). Accordingly, the amount of the Bid will be in the region range from US$25 million (approximately HK$195 million) to US$45 million (approximately HK$351 million).

GCA's valuation opinion for the Chañares Concession (set out in Appendix VI of the Competent Person's Report) states that the value range is from US$6 million (approximately HK$46.8 million) to US$14 million (approximately HK$109.2 million) considering a range of discount rates and potential additional Royalty %. The Company has constructed its proposed range of bids for the Chañares Herrados Concession based on the following factors:

(i) the Company's proposed development plan in respect of the 39 producing wells and the new wells to be drilled in the Chañares Herrados area which sets out the estimated capital expenditure on the drilling of new wells, the workover jobs to improve the efficiency of the producing wells and the maintenance jobs on the non-producing wells to restart oil production (the "**Development Plan**");

(ii) the maximum amount of Capital Investment Commitment of approximately US$32.3 million (approximately HK$251.9 million) determined in accordance with the Development Plan and as set out in more details at pages 16 (IV-19) and 18 (IV-21) of the Competent Person's Report in Appendix IV of this Circular;

(iii) for the purpose of illustrating the derivation of the maximum amount of the Bid of US$45 million (approximately HK$351 million), the Company has selected the NPV at the discount rate of 15% (the "**NPV15**") with 0% additional Royalty % as the basis in determining the maximum amount of the Bid. The NPV15 of the Chañares Concession excluding the Upfront Payment of US$5 million (approximately HK$39 million) (the "**Adjusted NPV15**") of approximately US$16.6 million (approximately HK$129.5 million) is derived from the NPV15 of the Chañares Concession of approximately US$11.6 million (approximately HK$90.5 million) set out in the Competent Person's Report by adding back the minimum Upfront Payment of US$5 million (approximately HK$39 million). The NPV15 of the Chañares Concession reported in the Competent Person's Report has taken into account the minimum Upfront Payment of US$5 million (approximately HK$39 million) and the maximum intended Capital Investment Commitment of approximately US$32.3 million (approximately HK$251.9 million) (undiscounted) and assuming 0% additional Royalty % payment as at the Valuation Date. The Adjusted NPV15 amount is arrived at based on the technical assessment of the existing producing field in the Chañares Concession as set out in the Competent Person's Report in Appendix IV of this Circular prepared by GCA, using discounted cashflow analysis. Such Adjusted NPV15 of approximately US$16.6 million (approximately HK$129.5 million) is higher than the maximum intended Upfront Payment of approximately US$12.7 million (approximately HK$99.1 million).

The principal assumptions adopted for arriving at the NPV of the Chañares Concession of US$11.6 million (approximately HK$90.5 million) comprise the followings:

1. the NPV at discount rate of 15%;

2. the Royalty % of 12% (i.e. no additional Royalty %);

3. the maximum intended Capital Investment Commitment of approximately US$32.3 million (approximately HK$251.9 million) as capital expenditure to develop the "Proved" plus "Probable" recoverable volume of the Chañares Concession;

4. the discount for the export tax is applied until the year 2045 at the current rate of 8%;

5. the oil price discount for quality being US$7.0 (HK$54.6) per barrel from Brent crude oil price; and

6. the minimum Upfront Payment of US$5 million (approximately HK$39 million) is a minimum payment payable to the Hydrocarbons Department of Mendoza Province which GCA deducted from the valuation of the Chañares Concession.

The NPV of the Chanares Concession of US$11.6 million (approximately HK$90.5 million) is stated in the matrix at "Table A.VI 2. Post-Tax Net Present Values as of June 1, 2020 at Various Discount Rates and Additional Royalties, with Discount for Export Tax Applied until 2045" set out at page 82 (IV-85) of the Competent Person's Report in Appendix IV of this Circular, under the heading of "2P" Recoverable Volume Net Present Value (i.e. "Proved" plus "Probable" recoverable volume of the Chañares Concession), and with discount rate of 15% and 0% additional Royalty % (i.e. at the minimum Royalty % of 12%); and

(iv) the maximum amount of the Bid of US$45 million (approximately HK$351 million) represents a discount of approximately 8% to the sum of (i) the maximum intended Capital Investment Commitment of approximately US$32.3 million (approximately HK$251.9 million) and (ii) the estimated amount of the Chañares Concession of approximately US$16.6 million (approximately HK$129.5 million) totalling approximately US$48.9 million (approximately HK$381.4 million) after taking into account the Company's financial resources.

Further information on the detailed basis and methodology of the valuation on the Chañares Concession are set out at pages 80 (IV-83) to 83 (IV-86) of the Competent Person's Report in Appendix IV of this Circular.

The Group intends to submit the Bid with the amount that is ranging from the minimum amount of US$25 million (approximately HK$195 million) to the maximum amount of US$45 million (approximately HK$351 million).

In determining the maximum and minimum amounts of the Bid, the Company took into account, among other things, the following factors:

(a) results of the due diligence and financial analysis conducted by the Company and its professional advisers based on information provided by the Hydrocarbons Department of Mendoza Province;

(b) the recoverable volume and quality of the Chañares Concession as compared with the relevant crude oil reserves of comparable estimated volume and quality in the market;

(c) the risk-adjusted potential future cashflows from the Chañares Concession upon successful winning of the Bid and commencement of operation on the Chañares Concession according to the Development Plan; and

(d) the Directors' belief that the Proposed Transaction represents a unique opportunity for the Company to acquire a valuable petroleum asset.

As stated at page 85 (IV-88) of the Competent Person's Report in Appendix IV of this Circular, under the "1P" case (i.e. to develop the "Proved" recoverable volume of the Chañares Concession only with capital expenditure of US$20.4 million (approximately HK$159.1 million)), as a reference, GCA presented that the NPV of the Chañares Concession ranged from (i) approximately US$6.7 million (approximately HK$52.3 million) with the highest discount rate of 20% and 3% additional Royalty % (i.e. Royalty % of 15%), representing the minimum NPV; to (ii) approximately US$13 million (approximately HK$101.4 million) with the discount rate of 12% and 0% additional Royalty % (i.e. Royalty % of 12%), representing the maximum NPV:

Based on the NPVs and capital expenditure presented by GCA under the "1P" case, the Board derives the adjusted NPVs before any capital outlay under different discount rates and additional Royalty % to determine the financial feasibility of the minimum amount of the Bid which are summarised as follows:

	"1P" Recoverable Volume NPV with capital expenditure of US$20.4 million (approximately HK$159.1 million)			
	(discount rate of 12% and 0% additional Royalty %)		**(discount rate of 20% and 3% additional Royalty %)**	
	(US$ million)	***(HK$ million) (approximately)***	***(US$ million)***	***(HK$ million) (approximately)***
NPV (a)	13.0	101.4	6.7	52.3
Adjusted NPV after adding back the initial minimum Upfront Payment of US$5 million (approximately HK$39 million) (b) *(Note)*	18.0	140.4	11.7	91.3
Capital expenditure (c)	20.4	159.1	20.4	159.1
Adjusted NPV before any capital outlay (b) + (c) = (d)	38.4	299.5	32.1	250.4
Minimum Bid (e)	25.0	195.0	25.0	195.0
Minimum Bid represents a discount to Adjusted NPV (d) – (e)/(d)	34.9%	34.9%	22.1%	22.1%

Note: The minimum Upfront Payment of US$5 million (approximately HK$39 million) is a minimum payment payable to the Hydrocarbons Department of Mendoza Province which GCA deducted from the valuation of the Chañares Concession.

Under the scenarios of the "1P" case presented above, the minimum amount of the Bid of US$25 million (approximately HK$195 million) represents (i) a discount of approximately 22.1% to the minimum adjusted NPV of approximately US$32.1 million (approximately HK$250.4 million) and (ii) a discount of approximately 34.9% to the maximum adjusted NPV of approximately US$38.4 million (approximately HK$299.5 million).

As stated at page 82 (IV-85) of the Competent Person's Report in Appendix IV of this Circular, under the "2P" case (i.e. to develop the "Proved" plus "Probable" recoverable volume of the Chañares Concession with capital expenditure of US$32.3 million (approximately HK$251.9 million)), the NPV of the Chañares Concession ranged from (i) approximately US$5.7 million (approximately HK$44.5 million) with the highest discount rate of 20% and 3% additional Royalty % (i.e. Royalty % of 15%), representing the minimum NPV; to (ii) approximately US$14 million (approximately HK$109.2 million) with the discount rate of 12% and 0% additional Royalty % (i.e. Royalty % of 12%), representing the maximum NPV.

Based on the NPVs and capital expenditure presented by GCA under the "2P" case, the Board further derives the adjusted NPVs before any capital outlay under different discount rates and additional Royalty % to determine the financial feasibility of the maximum amount of the Bid which are summarised as follows:

	"2P" Recoverable Volume NPV with capital expenditure of US$32.3 million (approximately HK$251.9 million)					
	(discount rate of 12% and 0% additional Royalty %)		**(discount rate of 20% and 3% additional Royalty %)**		**(discount rate of 20% and 0% additional Royalty %)**	
	(US$ million)	***(HK$ million) (approximately)***	***(US$ million)***	***(HK$ million) (approximately)***	***(US$ million)***	***(HK$ million) (approximately)***
NPV (a)	14.0	109.2	5.7	44.5	8.4	65.5
Adjusted NPV after adding back the initial minimum Upfront Payment of US$5 million (approximately HK$39 million) (b) *(Note)*	19.0	148.2	10.7	83.5	13.4	104.5
Capital expenditure (c)	32.3	251.9	32.3	251.9	32.3	251.9
Adjusted NPV before any capital outlay (b) + (c) = (d)	51.3	400.1	43.0	335.4	45.7	356.4
Maximum Bid (e)	45.0	351.0	45.0	351.0	45.0	351.0
Maximum Bid represents a discount/(premium) to Adjusted NPV (d) – (e)/(d)	12.3%	12.3%	(4.7%)	(4.7%)	1.5%	1.5%

Note: The minimum Upfront Payment of US$5 million (approximately HK$39 million) is a minimum payment payable to the Hydrocarbons Department of Mendoza Province which GCA deducted from the valuation of the Chañares Concession.

Under the scenarios of the "2P" case presented above, the maximum amount of the Bid of US$45 million (approximately HK$351 million) represents (i) a premium of approximately 4.7% to the minimum adjusted NPV of approximately US$43 million (approximately HK$335.4 million) and (ii) a discount of approximately 12.3% to the maximum adjusted NPV of approximately US$51.3 million (approximately HK$400.1 million).

The Company is of the view that under the scenario that the highest discount rate of 20% is adopted, it is unlikely that the Company would submit the Bid with 3% additional Royalty %. Instead, under such scenario, 0% additional Royalty % would be applied such that the NPV of the Chañares Concession would be approximately US$8.4 million (approximately HK$65.5 million) and the adjusted NPV before any initial outlay of capital would be approximately US$45.7 million (approximately HK$356.4 million). Thus, the maximum amount of the Bid of US$45 million (approximately HK$351 million) represents a discount of approximately 1.5% to the adjusted NPV.

In view of the above, the Directors consider that the maximum and minimum amounts of the Bid are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Further announcement(s) will be published by the Company upon successful winning of the Bid which will set out the actual amount and actual Royalty % of the Bid.

The Company intends to settle the maximum Capital Investment Commitment of approximately US$32.3 million (equivalent to HK$251.9 million) from the cashflow generated from the Chañares Concession as follows:

Year	**Cashflow from operation** *(Note)* **(approximately)**		**Capital Investment Commitment (approximately)**		**Net cashflow before outlay of Upfront Payment (approximately)**	
	US$'000	***HK$ million***	***US$'000***	***HK$ million***	***US$'000***	***HK$ million***
	A	**B**	**C**	**D**	**E = A – C**	**F = B – D**
2020	4,845	37.79	1,603	12.50	3,242	25.29
2021	6,550	51.09	6,467	50.45	83	0.64
2022	9,189	71.67	11,674	91.06	(2,485)	(19.39)
2023	10,123	78.96	11,314	88.25	(1,191)	(9.29)
2024	10,106	78.83	620	4.83	9,486	74.00
2025	8,694	67.81	620	4.83	8,074	62.98
Accumulative total:	49,507	386.15	32,298	251.92	17,209	134.23

Note: Cashflow from operation represents net cashflow before outlay of Upfront Payment and Capital Investment Commitment as derived from page 73 (IV-76) of the Competent Person's Report in Appendix IV of this Circular.

The Company intends to settle the payment for the Initial Deposit and Upfront Payment with its internal resources while the Capital Investment Commitment will be financed by the internal resources and the surplus funds to be generated from the oil production operation in the Chañares Concession assuming the Group wins the Bid and becomes the concessionaire of the Chañares Concession and operates on the concession according to the Development Plan.

Major milestones in relation to the Bid

According to the bidding document under the Bidding Process, set out below is the timeline of the major milestones in relation to the Bid:

Date (Argentina time)	Event
1 April 2020	Submission of the Bid under the Bidding Process
30 April to 12 May 2020	Decision on winner of the Bid
12 May to 11 June 2020	Publication of decree of granting the concession
25 June to 2 July 2020	Delivery of concession to the new concessionaire

INFORMATION ON THE GROUP

The Group is principally engaged in the business of petroleum exploration and production, money lending and investment in securities. At the Latest Practicable Date, the Company's petroleum operations comprise 10 wells in the CHE Concession. These petroleum operations have been operating under joint venture agreements and operation agreements entered into with Chañares, the holder of the CHE Concession. Pursuant to the operation agreement, the Group is entitled to 51% interest on the production of five oil wells and 72% interest on the production of the other five oil wells. Currently, the Group's management team in Argentina is responsible for overseeing the petroleum operation in the CHE Concession which regularly reports the petroleum operation to the Group. During the years ended 31 December 2016, 2017, 2018 and 2019, the crude oil produced from the CHE Concession were 120,091, 108,919, 92,792 and 63,222 barrels of oil respectively and the average price per barrel of the crude oil sold were US$57.0 (approximately HK$444.6), US$52.4 (approximately HK$408.7), US$60.8 (approximately HK$474.2) and US$50.7 (approximately HK$395.5) respectively.

Set out below is a summary of the financial information of the petroleum exploration and production segment of the Group for the three years ended 31 December 2018 and the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended
	2016	**2017**	**2018**	**30 June 2019**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Audited)	**(Audited)**	**(Audited)**	**(Unaudited)**
Sales revenue of the Group's petroleum exploration and production segment	51,320	42,914	43,998	12,581
Segment (loss) profit	(466)	24,319	(462)	(17,991)

Set out below is a summary of the volume of crude oil produced by the Group and average price of crude oil per barrel sold by the Group for the four years ended 31 December 2019 and for the six months ended 30 June 2019:

	For the year ended 31 December			For the six months ended 30 June	For the year ended 31 December
	2016	2017	2018	2019	2019
Volume of crude oil produced by the Group (barrels)	120,091	108,919	92,792	32,062	63,222
Average price of crude oil per barrel sold by the Group	US$57.0 (approximately HK$444.6)	US$52.4 (approximately HK$408.7)	US$60.8 (approximately HK$474.2)	US$52.1 (approximately HK$406.4)	US$50.7 (approximately HK$395.5)

INFORMATION ON THE CHAÑARES CONCESSION

According to the information provided by the Hydrocarbons Department of Mendoza Province and information obtained from the Secretariat of Energy of Argentina, there are 83 wells located in Chañares Herrados area under the Chañares Concession currently of which 39 oil wells are producing, 26 oil wells are non-producing or shut-in and 18 oil wells are abandoned. With reference to the bidding document of the Bidding Process, the oil production of the Chañares Concession for the four years ended 31 December 2019 is presented as follows:

	For the year ended 31 December			
	2016	2017	2018	2019
Volume of crude oil produced from the Chañares Concession (cubic meter)	108,413	84,874	74,139	67,480
Volume of crude oil produced from the Chañares Concession (barrels)	681,896	533,840	466,319	424,436

Note: Assuming 1 cubic meter of oil = 6.2898 barrels of oil

Currently, there are four parties which have drilled wells and are entitled to the oil production from their wells in the Chañares Concession, they are:

(i) Chañares, the concessionaire and operator, an independent third party to the Company;

(ii) two indirect wholly owned Argentina subsidiaries of the Company operated under joint venture agreements and operation agreements entered into with Chañares. The Group has entitlement to the oil production from the 10 wells drilled in the CHE Concession area; and

(iii) Petrolera El Trebol S.A. ("**El Trebol**"), an independent third party to the Company, operated under a joint venture agreement entered into with Chañares. El Trebol has entitlement to the oil production from its wells drilled in the Chañares Herrados area.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Hydrocarbons Department of Mendoza Province, Chañares and El Trebol and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Production status and recoverable volume of the Chañares Concession

The Chañares Herrados area is located in Cuyana Basin, Mendoza Province of Argentina covering a total surface area of approximately 40.6 kilometer squares. Pursuant to the preliminary production estimation prepared by GCA based on the Development Plan, the Chañares Concession has net "Proved" and "Probable" recoverable volume of approximately 4.23 million barrels as of 31 December 2019 as set out at page 7 (IV-10) of the Competent Person's Report in Appendix IV of this Circular. As the petroleum rights of the Chañares Concession presently belong to the Mendoza Province, it is not possible to designate the estimated "recoverable volume" as "reserve(s)" to the entitlement of the Company. As such, the "recoverable volume" terminology used in this Circular represented as "reserve(s)" as if the Company is successful in the Bid to acquire the Chañares Concession. Further information regarding the recoverable volume of Chañares Concession is set out at page 7 (IV-10) of the Competent Person's Report in Appendix IV of this Circular.

The main source rocks for the Chañares Concession are organic-rich shales of the Triassic Cacheuta formation and the main reservoirs are sandstones with tuffaceous matrix of the Triassic Río Blanco formation and sandstones and conglomerates of the Jurassic Barrancas formation. The Rio Blanco formation consists of three intervals named informally from top to base as "Victor Claro", "Victor Oscuro" and "Victor Gris". The Chañares Concession is part of a large structural nose, plunging to south west with faults trending east-west which portioned the structure into several blocks.

The Cuyana Basin generally contains highly undersaturated oil with moderate solution gas-oil. Productive reservoirs in the Chañares Concession of the Cuyana Basin can be separated into a shallow reservoir group and a deep reservoir group. The shallow reservoir group consists of the Jurassic age Barrancas Formation and the Late Triassic age Rio Blanco Formation (Victor Claro, Victor Oscuro, and Victor Gris Members). The Barrancas Formation averages 100 meters gross thickness with interbedded pay intervals consisting of multiple 2-meter to 20-meter thick sections of oil-bearing sands and conglomerates. The depositional environment of the Barrancas Formation is likely fluvial. The Rio Blanco Formation consists of three sub-members: the shallow Victor Claro (Blanco Superior), the Victor Oscuro (Blanco Medio), and the deeper Victor Gris (Blanco Inferior). The lithology of the Rio Blanco Formation is similar to the Barrancas Formation but with an increasing volcanic and pyroclastic component at deeper depths. Produced oil gravity is approximately 31 to 33 degrees API.

According to the information obtained from the Secretariat of Energy of Argentina, during the three years ended 31 December 2019, the crude oil production attributable to the Chañares Concession was approximately 1,463 bbl/d, 1,278 bbl/d and 1,163 bbl/d, respectively. Details of the recoverable volume of the Chañares Concession according to the Development Plan is set out at page 7 (IV-10) of the Competent Person's Report in Appendix IV of this Circular.

The Company has engaged legal counsels in Argentina to conduct due diligence on the Chañares Concession. The Argentina legal advisor of the Company has been asked to opine on certain matters relating to the Chañares Concession. Set out below are some of such key matters:

1. The term of the Chañares Concession is 25 years and is subject to successive extensions for terms not exceeding 10 years each at the request of the holder of the Chañares Concession subject to satisfaction of certain conditions including submission of an investment plan which is consistent with the development of the concession.

2. According to the legal framework applicable to the Bid, the new holder of the Chañares Concession will have the following rights:

   (a) Exclusive right to exploit hydrocarbons existing in the Chañares Concession for the term of the concession.

   (b) Right to perform, within the boundaries of the concession, works for search and extraction of hydrocarbons in accordance with the most reasonable and effective techniques; build and operate treatment and refining plants, communication and transport systems, buildings, deposits, camps, docks and other facilities and operations required to carry out the activities of the concessionaire.

   (c) Ownership of hydrocarbons extracted from the Chañares Concession.

   (d) Right to use any assets and infrastructure on the Chañares Concession owned by the Mendoza Province and received by the new concessionaire together with the Chañares Concession.

   (e) Right to transport, commercialize, and industrialize hydrocarbons extracted from the Chañares Concession and their derivatives.

   (f) Right to obtain a concession for the transport of hydrocarbons.

   (g) Right to request a concession for the non-conventional exploitation of hydrocarbons within the boundaries of its concession.

   (h) Right to obtain easements to install facilities required for the exploitation of the concession.

3. Under Decree 1101, Chañares has been in principle allowed to stay in Chañares Herrados area until a new concessionaire takes over and the Mendoza Province should take in advance any reasonable action aimed to deliver the area under the Chañares Concession on time to the new concessionaire and the new concessionaire will have to ask for such actions to be taken by the Mendoza Province in due time and manner. Any right of the new concessionaire to receive compensation will depend on the factual and legal scenario and circumstances existing at the time if Chañares refuses to leave the concession area.

4. The effective date of grant of the concession to the new concessionaire will be the day following publication of the award decree in the Official Gazette of the Mendoza Province. According to circular #8, the decree awarding the concession to the new concessionaire will be passed between 12 May 2020 and 11 June 2020. According to the terms of Decree 1101, Chañares will continue in the Chañares Concession under the same terms agreed in the agreement approved by the extension decree, until the new concessionaire takes over the Chañares Concession.

5. Any assignment of the concession is subject to prior approval of competent authority of Mendoza Province and payment of all unpaid taxes.

As advised by the Company's Argentina legal advisor, below is a list of the relevant licenses, permits and approvals which will be obtained or granted in relation to the concession over the area (the need of obtaining some of these permits will depend on the specific nature of the operations to be performed in the area)[1]:

FEDERAL LEVEL	
PERMIT/REGISTRY	**LEGAL FRAMEWORK**
Upstream Registry	Federal Hydrocarbons Law No. 17,319 as amended and supplemented. Resolution No. 407/07 issued by the (former) Federal Secretariat of Energy
Hydrocarbon production measuring and telesupervision	Resolution No. 318/10 issued by the (former) Federal Secretariat of Energy
Registry for the delivery of statistical information, primary data and technical documentation to the Authority	Resolution No. 319/93 issued by the (former) Federal Secretariat of Energy
Technical environmental and safety audits in storage areas, underground and non-underground storage tanks, transportation tanks for hydrocarbons and its related products	Resolution No. 404/94 issued by the (former) Federal Secretariat of Energy
National program for loss control in non-underground tanks	Resolution No. 785/05 issued by the (former) Federal Secretariat of Energy
Federal Registry of liquid fuel dispensing points, own consumption, storage, distribution and marketing of fuels and hydrocarbons in bulk and compressed natural gas (if applicable)	Resolution No. 1,102/04 issued by the (former) Federal Secretariat of Energy

1 General registrations, permits and licences required to develop business in Argentina (registration of corporations, tax registration, etc.) are not included in this list.

FEDERAL LEVEL	
PERMIT/REGISTRY	**LEGAL FRAMEWORK**
Permit to operate with certain chemical substances (chemical precursors): (i) annual registration; and (ii) quarterly reports on traceability (if applicable)	Federal Law No. 23,737, 26,045 and Regulatory Decree No. 593/19 (among others)
Permit hire blasting service granted by the National Controlled Materials Agency "*Agencia Nacional de Materiales Controlados" (if applicable)*	Federal Law No. 20,429 (among others)
Hazardous Waste Generation Permit (if applicable)	Federal Law No. 24,051
Federal LPG Industry Registry (if applicable)	Resolution No. 800/04 of the (former) Secretariat of Energy

PROVINCIAL LEVEL — MENDOZA	
PERMIT	**LEGAL FRAMEWORK**
Exploitation concession	Federal Hydrocarbons Law No. 17,319 as amended and supplemented, and Provincial Law No. 7526
Registration of concession in the Registry of areas	Law No. 9137
Provincial Registry of companies holding rights for exploitation and/or exploration activities in connection with hydrocarbon areas located in the Mendoza Province	Provincial Law No. 7,526
Main Environmental Permit	Provincial Law No. 5,961 and complementary regulations
Oil and Hazardous waste generation permit	Provincial Law No. 5,917 and Regulatory Decree No. 2,625/99
Environmental Insurance (if applicable)	Federal Environmental Law No. 25,675
Water Use Permit (if applicable)	Provincial Law No. 1,451 and complementary regulations
Liquid Effluents Generation Permit (if applicable)	Provincial Law No. 1,451, Resolution No. 778/96 issued by the General Department of Irrigation

The Company's Argentina legal advisor has advised that to the best of their knowledge, there are no legal impediments for the Company to obtain or renew the above licenses, permits and approvals.

Set out below is a summary of the key findings of the due diligence report prepared by the Company's Argentina legal advisor.

1. ***Legal proceedings with the relevant government authorities in relation to the termination of exploitation right and bidding of Chañares Concession.***

Based on public searches, the Company has been informed by its Argentina legal advisor that Chañares commenced the following legal proceedings against the decisions of the Mendoza Province to terminate the Chañares Concession and to call off the Bid:

Description	Acting authority	Started	Status
"Amparo" action requesting declaration of unconstitutionality of Decree 1101, with a request of a precautionary measure to suspend the effects of Decree 1101 until a final decision is taken	National Supreme Court	13/6/2019	No decision has been taken by the Court
Administrative appeal for the revocation of Decree 1101, with a request for the suspension of effects of Decree 1101 until a final decision is taken	Governor of Mendoza Province	26/6/2019	Through Decree 1847 dated 16/8/2019[1], the Mendoza Governor rejected the request for the suspension of the effects of Decree 1101 Through Decree 152 dated 7/2/2020[2], the Mendoza Governor issued a final decision rejecting the administrative challenge of CHAESA against Decree 1101
Administrative procedure Court action requesting declaration of lack of validity of Decree 1101, with a request of suspension of the effects of Decree 1101 until a final decision is taken.[3]	Provincial Supreme Court of Mendoza	29/6/2019	The Court requested that certain administrative dossiers related to the concession be submitted by the Mendoza Government to the court. No decision regarding CHAESA's challenge to Decree 1101 has been taken by the Court
Opposition to the existence and progress of the Bid, requesting that it be terminated or suspended	Hydrocarbons Authority of Mendoza	30/10/2019	Rejected by the Mendoza Hydrocarbons Authority on 11/11/2019 (Administrative Decision N° 27/19)

1 Published in the Official Gazette on 26/8/2019.

2 Published in the Official Gazette on 13/2/2020.

3 As explained by Chañares, this action has been started in subsidy of the other actions and to avoid losing the right to make further claims, including the right to initiate an arbitration claim against the Mendoza Province.

2. ***Any non-compliance to the relevant rules and regulations in relation to the existing operation of the Chañares Concession that will have impact on the Bidding Process and/or the new concessionaire, and the possible consequence to the Bid and new concessionaire.***

The most relevant aspect to be considered in the context of the Bidding Process by a new concessionaire regarding non-compliance by Chañares to relevant rules and regulations in relation to the existing operation are related to compliance by Chañares with environmental regulations and existence of environmental liabilities in the area.

The terms of the Bid imposes on the new concessionaire the obligation to remediate pre-existing environmental liabilities. In this regard, by means of Resolution 107 dated 19 November 2019, the Director of Environmental Protection established that the area is considered free of environmental liabilities due to fulfilment of the remediation process according to applicable regulations. This resolution was based in Technical Report N° 1048/2019 dated 29 October 2019 and issued by the Office of Environmental Protection of Mendoza. So it seems that from the environmental liability standpoint, the exposure of the new concessionaire for existing liabilities will be mainly related to operations of Chañares in the period between the date of the technical report and the date of delivery of the area to the new concessionaire.

Aside of environmental matters, the Company's Argentina legal advisor is not aware of any non-compliance by Chañares to the relevant rules and regulations in relation to the existing operation of the area that may have impact on the Bidding Process and/or the new concessionaire.

3. ***The effect on Bidding Process and/or exploitation right granted to new concessionaire on the situation that the legal actions and/non-compliance are still pending unsettled at the time of granting of concession or after the new concessionaire take over the concession.***

The decision of the Mendoza Province to call for the Bid through the issuance of Decree 1101 is presumed to have legitimacy and it is enforceable, so unless there is a decision from any Court or from the Mendoza Province suspending or terminating the Bid or the Bidding Process, it should continue until the delivery of the area to the new concessionaire (provided, of course, that a new concessionaire is appointed). The mere existence and continuance of unsettled legal actions is not an impediment for the Bid to continue until the completion of the Bidding Process.

Although it is too soon to make a reasonable assessment of the different scenarios that may be triggered by the coexistence of the Bid and the Chañares litigation, the Company's Argentina legal advisor considers that:

a. If the Bid and the Bidding Process is suspended by a Court decision granting a precautionary measure, then the Mendoza Government will be unable to move forward with any steps towards continuing such process. The effects will depend on the progress of the Bidding Process at the time of suspension. If the new concessionaire has already taken over the area at that time, it is hard to think that it will be removed through a precautionary measure, unless until a final Court decision is taken.

b. If Chañares obtains a final ruling deciding the revocation of Decree 1101 and the Bid, then Chañares will be entitled to stay in the area with the Chañares Concession in force, and the Bid will be over. In such scenario, if a new concessionaire has been appointed and is still in the area, it will have to leave and will have the right to claim damages to the Mendoza Province. The scenario seems to be of a very low probability, not only because of the reasons invoked by the Mendoza Government in Decree 1101 to terminate the Chañares Concession, but also because even if Decree 1101 is revoked, it is hard to think that a Judge will deprive the new concessionaire from its rights if it is already in the area. In such case, the ruling may give Chañares grounds to start a claim for damages to the Mendoza Province.

c. Once the new concessionaire takes over the area, it is likely that the rights of Chañares will be eventually limited to claim for damages against the Mendoza Province. Perhaps Chañares may include the winner of the Bid in such litigation, by building arguments of collusion and/or bad faith on the pre-existing contractual relationship.

In light of the action of the Mendoza Province to terminate the Chañares Concession held by Chañares based on ground of non-fulfilment of investment commitment, the Company will therefore be mindful of fulfilling its investment commitment to be stated in the Bid. The Company has calculated the maximum investment commitment in a diligent manner and has taken into account the Company's financial resources to ensure that it can fulfil the investment commitment that it has stated in the Bid. The Company will take all possible action to mitigate risks of termination of the Chañares Concession in the future including obtaining sufficient funding to fulfil its investment commitment.

4. *After winning the Bid, the grounds on which the Hydrocarbons Department of Mendoza Province or Government of Argentina may repossess the concession and the relevant legal procedures involved.*

The Mendoza Province is the original owner of hydrocarbons resources located in the Mendoza Province, and is legally entitled to decide the termination of exploitation concessions in cases of default on concessionaire's obligations, which as stated by Decree 1101, is the case of Chañares and the area under the Chañares Concession. Section 85 of the Federal Hydrocarbons Law of Argentina states that should a concession be terminated, the areas must revert to the Province together with all improvement works, facilities, etc.. According to the Bid schedule as set out in Circular #8 issued by the Hydrocarbons Department of Mendoza Province, the formal delivery of the area to the new concessionaire will occur between 25 June 2020 and 2 July 2020, i.e., one or two months after the award Decree is passed. It is foreseeable that such period of time will be used to coordinate the replacement of Chañares by the new concessionaire in the area. Refusal by Chañares to leave the area may trigger administrative (infringement), civil (damages) and criminal consequences, and the intervention of provincial law enforcement and other provincial authorities, including local courts, at the request of the Mendoza Government. Also, depending on the circumstances, the new concessionaire may have the right to claim against Chañares and the Mendoza Government.

In light of the above, the Company will closely monitor the status of repossession by the Hydrocarbons Department of Mendoza Province or Government of Argentina and seek legal advice as to the possible action that it may take to protect its position should there be any indication that delivery of the area to the new concessionaire may be delayed.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION

The Group is principally engaged in the business of petroleum exploration and production, money lending and investment in securities.

As disclosed in the Announcements, the Executive of the Mendoza Province had issued a decree which had the effect of termination of the CHE Concession held by Chañares as it had not fulfilled its investment commitment plan in respect of the Chañares Herrados area. Subsequently, the Chañares Concession (which the CHE Concession area forms part) has been made available for other investors to bid under the Bidding Process and the submission date of the bid is 1 April 2020 (Argentina time).

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 agreements.

After due evaluation of the data and information relating to the Chañares Concession, the Company intends, through the Company's indirect wholly owned subsidiary, to submit the Bid under the Bidding Process.

Upon successful winning of the Bid, the Company intends to deploy additional manpower to the management team in Argentina to manage the daily operation of the petroleum exploration and production business in the Chañares Concession as well as to assess the drilling and exploration works of the oil reserve in the Chañares Concession.

Upon taking over the operation of the Chañares Concession, the Group will have immediate entitlement to the oil production and cashflow generated from the 39 existing producing wells. Under the capital investment plan to be submitted with the Bid submission, the Company intends to invest in (i) workover jobs on existing wells to increase oil production; (ii) maintenance jobs on non-producing wells to restart oil production; (iii) new wells drilling; and (iv) infrastructure and facilities to optimise the field operation and to reduce operational cost.

The Directors (including the independent non-executive Directors) consider that (i) the Proposed Transaction presents a valuable investment opportunity to acquire a valuable petroleum asset which facilitates the development of the Group's petroleum exploration and production business; and (ii) the terms of the Bidding Process are on normal commercial terms and are fair and reasonable and that the Proposed Transaction is in the interest of the Company and Shareholders as a whole.

FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

Earnings

As no revenue and expenses of the Chañares Concession are available, no unaudited pro forma financial information of the Enlarged Group has been prepared.

Assets and Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this Circular, assuming Completion had taken place on 30 June 2019, (i) based on the minimum amount of the Bid of US$25 million (approximately HK$195 million), the total assets of the Group would be increased from approximately HK$568.5 million to approximately HK$724.5 million and the total liabilities of the Group would be increased from approximately HK$25.5 million to approximately HK$181.5 million; and (ii) based on the maximum amount of the Bid of US$45 million (approximately HK$351 million), the total assets of the Group would be increased from approximately HK$568.5 million to approximately HK$865.1 million and the total liabilities of the Group would be increased from approximately HK$25.5 million to approximately HK$322.1 million. The details of the financial effect of the Proposed Transaction on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix III of this Circular. The Company expects that the net assets of the Company will be unchanged upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Proposed Transaction exceeds 100%, the Proposed Transaction constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. Therefore, the Proposed Transaction is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Waiver from strict compliance with Rules 14.58(7) and 14.69(4)(b) of the Listing Rules

Pursuant to Rule 14.58(7) of the Listing Rules, the Company is required to include in the announcement the net profits (both before and after taxation) attributable to the assets which are the subject of the transaction for the two financial years immediately preceding the transaction.

Pursuant to Rule 14.69(4)(b) of the Listing Rules, the Company is required to include in this Circular (i) a profit and loss statement and valuation of the Chañares Concession for the three preceding financial years on the identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records. The financial information on which the profit and loss statement is based must relate to a financial period ended six months or less before the listing document or circular is issued. The financial information on the assets being acquired as contained in the listing document or circular must be prepared using accounting policies which should be materially consistent with those of the listed issuer; and (ii) a pro forma profit and loss statement and net assets statement on the Enlarged group on the same accounting basis. The pro forma financial information must comply with Chapter 4 of the Listing Rules.

Reasons and grounds for waiver sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rules 14.58(7) and 14.69(4)(b) of the Listing Rules on the following grounds:

1. The subject matter of the Proposed Transaction is an exploitation right. Although the Company is in possession of historical level of oil production of the wells under the Chañares Concession, the actual sales level and sales price of the oil are not contained in the information pack provided by the Hydrocarbons Department of Mendoza Province (the "**Information Pack**").

2. The Company has paid visits to the Hydrocarbons Department of Mendoza Province several times to discuss the availability of different parameters, including the quantity of oil sold, oil sales price, cost model and the respective operating expenditure of the existing Chañares Concession but the Hydrocarbons Department of Mendoza Province

explained that such historical data, except for the production volume, will not be made available to the Company and will not be a good indicator for future revenue and profitability as the cost structure itself is highly dependent on the maintenance and drilling plan of the bidders.

3. The Company understands that the Hydrocarbons Department of Mendoza Province does not intend to provide any additional information to the bidders other than those contained in the Information Pack. The Company also does not expect that other operators of the Chañares Concession will be willing to provide such information to the Company as the sales data are commercially sensitive and may jeopardise their bids should they wish to submit one.

4. The historical net profits generated by the wells under the Chañares Concession in the last two years are not a true or accurate reflection of their future profits after the Company assumes operations of these wells. The reason is that the production level of each well is highly dependent on the capital expenditure that the well operator is prepared to invest. A well operator may not wish to achieve the same production level as another well operator of the same well due to various reasons including outlook of the market and demand for oil. As such, some well operators may intentionally curb production level if they consider that the demand is not sufficient.

5. Without information relating to actual sales level and sales price, the income stream associated with the Chañares Concession cannot be identified. Although there is some level of revenue generated as a result of holding the Chañares Concession, such income stream cannot be accurately or correctly determined.

6. As the revenue sales data are not available, the Company will not be able to properly compile and derive such sum as the underlying books and records of such information for the preceding three years are not available.

7. In light of the above, the historical two year net profit (before and after taxation) for the two preceding financial years (as required under Rule 14.58(7)) and the profit and loss statement for the three preceding financial years (as required under Rule 14.69(4)(b)(i) of the Listing Rules) on the exploitation right and the valuation of the Chañares Concession will not be available in both the announcement of the Company dated 24 February 2020 and this Circular. In addition, the pro forma profit and loss statement on the Enlarged Group required under Rule 14.69(4)(b)(ii) of the Listing Rules will also not be available.

8. Having said the above, the pro forma net assets statement of the Enlarged Group at 30 June 2019 taking into account the minimum amount and maximum amount of the Bid (as required under part of Rule 14.69(4)(b)(ii)) is in Appendix III of this Circular.

9. The Company does not consider that there will be undue risks to Shareholders even if the historical net profits for the two preceding financial years of the wells under the Chañares Concession are not provided for the following reasons:

   (i) the Company did not base its assessment of the amount of the Bid in such historical net profits; and

   (ii) the amount of the Bid is made by reference to the valuation as estimated by an independent valuer.

The Company therefore confirms that the lack of the two year historical net profits is not an omission of material facts of an unfavourable nature or a failure to accord them with appropriate significance (in accordance with Rule 2.13 of the Listing Rules) and will not impose undue risk on Shareholders for assessing the Proposed Transaction.

Alternative disclosure

As an alternative, the Company has disclosed in the announcement of the Company dated 24 February 2020 and this Circular the following relevant information regarding the Chañares Concession:

(a) Description and location covered by the Chañares Concession;

(b) Total number of wells under the Chañares Concession and a breakdown of producing, non-producing and abandoned wells;

(c) Oil production volume of the Chañares Concession for the four years ended 31 December 2019;

(d) Number of barrels of oil produced under the Chañares Concession for the four years ended 31 December 2019;

(e) Average crude oil price sold by the Group to YPF S.A. (an Argentina state-owned oil company) for the four years ended 31 December 2019;

(f) The net "Proved" and "Probable" recoverable volume of the wells under the Chañares Concession as estimated by the Competent Person; and

(g) The valuation of the Chañares Concession as estimated by an independent valuer.

Please refer to the Letter from the Board, Appendix II and Appendix IV of this Circular for the above information.

The Directors are of the view that all sufficient relevant information for the Shareholders to make an informed decision of the Proposed Transaction have been included in this Circular, this Circular is not materially incomplete, misleading or deceptive and would not deprive the Shareholders of the necessary information to assess the transactions contemplated under the Proposed Transaction and its impact on the Company.

The Stock Exchange has granted a waiver to the Company to waive compliance with the strict requirements under Rules 14.58(7) and 14.69(4)(b) of the Listing Rules in the announcement of the Company dated 24 February 2020 and this Circular.

SGM

A notice convening the SGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 10:00 a.m. or any adjournment thereof is set out on pages SGM-1 and SGM-2 of this Circular.

In order to be eligible to attend and vote at the SGM, all unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 March 2020.

A proxy form is enclosed herewith for use at the SGM. Whether or not you propose to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by way of poll except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the SGM will put the resolution set out in the notice of the SGM to be voted by way of poll pursuant to the Bye-laws. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has any material interest in the Proposed Transaction and no Shareholder is required to abstain from voting at the SGM in respect of the resolution relating to the Proposed Transaction.

RECOMMENDATION

On the basis of the information set out in this Circular, the Board considers the Proposed Transaction to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution proposed at the SGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular, which contain further information about the Petroleum Assets, the Group and other information that need to be disclosed in accordance with the Listing Rules.

WARNING

The Proposed Transaction and the transactions contemplated thereunder are conditional upon the successful winning of the Bid under the Bidding Process. Accordingly, the Proposed Transaction and the transaction contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
EPI (Holdings) Limited
Sue Ka Lok
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 and the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (*http://www.hkexnews.hk*) and the Company (*http://www.epiholdings.com*) respectively:

- The audited consolidated financial statements of the Group for the year ended 31 December 2016 has been set out in pages 46 to 109 of the annual report 2016 of the Company published on 27 April 2017 on the Stock Exchange's website. Please see below link to the Company's annual report 2016:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn20170427405.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2017 has been set out in pages 56 to 125 of the annual report 2017 of the Company published on 27 April 2018 on the Stock Exchange's website. Please see below link to the Company's annual report 2017:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271506.pdf

- The audited consolidated financial statements of the Group for the year ended 31 December 2018 has been set out in pages 60 to 143 of the annual report 2018 of the Company published on 29 April 2019 on the Stock Exchange's website. Please see below link to the Company's annual report 2018:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429689.pdf

- The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 has been set out in pages 16 to 44 of the interim report 2019 of the Company published on 27 September 2019 on the Stock Exchange's website. Please see below link to the Company's interim report 2019:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0927/ltn20190927215.pdf

2. INDEBTEDNESS STATEMENT

At the Latest Practicable Date, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, hire purchase commitments, liabilities under acceptances or acceptance creditors, or any guarantees, or other material contingent liabilities outstanding.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including internal resources, and after deducting the net proceeds to be paid for the Proposed Transaction, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this Circular.

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS OF THE GROUP

Reproduced below is the management discussion and analysis of the Group's operations for the financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 respectively. The information reproduced below is principally extracted from the section of "Prospects" under "Chairman's Statement" and the sections of "Business Review", "Financial Review" and "Human Resources and Remuneration Policy" under "Management Discussion and Analysis" of the annual report of the Company for each of the three financial years ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019 to provide further information relating to the financial condition and results of operations of the Group during the respective periods stated. Capitalised terms used in this section shall have the same meaning as those defined in the respective annual report or interim report. These extracted materials below were prepared prior to the date of this Circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report or interim report was issued.

For the year ended 31 December 2016

Business Review

For the year ended 31 December 2016, the Group continued to engage in the business of petroleum exploration and production, and has diversified into the money lending and investment in securities businesses during the year.

For the year under review, the Group reported revenue of HK$62,253,000, decreased by 6% from last year (2015: HK$66,571,000) that was mainly due to the drop in average selling price and volume of the crude oil produced by the Group, though such decrease in revenue was partly compensated by the revenue attributed to the money lending and investment in securities businesses which were newly commenced during the year.

Petroleum Exploration and Production

During the year ended 31 December 2016, the Group continued to engage in 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. The Group continued to focus on investment to improve production of and had performed maintenance works for the 10 existing producing oil wells. At 31 December 2016, the Group had finished drilling of 10 oil wells in the Chañares Herrados Concession Area in Mendoza. All the 10 oil wells are in production and the Group is entitled to 51% interest on the production of 5 oil wells and 72% interest on the production of the other 5 oil wells.

For the year under review, the Group's petroleum exploration and production business generated revenue of HK$51,320,000 (2015: HK$66,571,000) and recorded a loss of HK$466,000 (2015: HK$205,146,000). The decline of the operation's revenue was partly due to the drop in production volume of crude oil by about 10% when compared with last year, and also due to the decrease in crude oil sales price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from on average US$66.4 per barrel in 2015 to US$57.0 per barrel in 2016. Mainly as a result of the drop in operation's revenue, the business recorded a loss of HK$1,951,000 (before impairment loss) in contrast to the profitable result of HK$2,740,000 (before impairment loss) in 2015. Nevertheless, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties of the Concessions at 31 December 2016 and other tax recoverables and determined that there was no reversal of impairment loss on the exploration and evaluation assets but there was a reversal of impairment loss of HK$2,282,000 on the oil and gas properties of the Concessions and a provision of impairment loss of other tax recoverables of HK$797,000. As a result, the business recorded a small loss of HK$466,000 after including the net reversal of impairment loss mentioned and is in contrast to the significant loss incurred last year which included impairment losses of HK$207,886,000.

As referred to in the announcement of the Company dated 25 August 2016, the Group was notified by the Concessionaire (as defined in the announcement) that the Hydrocarbons Department of Mendoza Province has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 (the "Extension") previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. The Group has been making enquiries with the Concessionaire to understand the situation and seeking legal advice on the matter to assess the impact on the Group's interest in the operations of the Concessions.

Money Lending

The Group has commenced to engage in money lending business during the year and reported revenue of HK$10,133,000 and encouraging profitable result of HK$9,920,000. The Group had applied part of the new funds raised from the rights issue completed in January 2016 to expand the scale of activities of this operation. At 31 December 2016, the loans portfolio held by the Group amounted to HK$102,000,000.

Investment in Securities

The Group has also commenced to engage in the business of investment in securities during the year. 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 macroeconomic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, reference will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

For the year under review, the Group's securities investment operation recorded revenue of HK$800,000 representing dividend income from its investments in equity securities listed on the Stock Exchange. As a whole, the operation reported a loss of HK$4,099,000 which comprised net unrealised loss of HK$3,313,000 on securities held by the Group at year end and net realised loss on disposal of securities of HK$1,031,000. Such loss on securities investments was due primarily to the volatile Hong Kong stock market during 2016 and there were notable price decreases of certain securities held by/disposed of by the Group.

At 31 December 2016, the Group's investment in securities operation held a securities portfolio comprising listed equity securities and unlisted equity-linked notes totalling HK$27,454,000.

Overall Results

As a whole, the Group reported a loss and total comprehensive expense attributable to owners of the Company for the year of HK$31,079,000 which represented a significant reduction of loss by 89% from last year (2015: HK$276,548,000). The Group's improved results were mainly attributed to (i) the absence of impairment loss of HK$115,222,000 recognised in respect of exploration and evaluation assets in 2015; (ii) the decrease of net amount of impairment loss, depreciation and depletion recognised in respect of oil and gas properties to HK$2,155,000 (2015: HK$107,866,000); (iii) the absence of effective interest expenses on convertible notes of HK$6,761,000 recognised in 2015 as the convertible notes were redeemed in June 2015; (iv) the decrease of exchange loss to HK$3,187,000 (2015: HK$17,187,000) arising from devaluation of ARS; and (v) the profitable results contributed by the Group's money lending operation.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK$501,846,000. As referred to in the Company's announcement dated 8 November 2016, the Company had changed the use of such proceeds and had applied approximately HK$191,837,000 for repayment of bank borrowings; with the remaining balance being designated for development of its newly commenced businesses in money lending and investment in securities and as general working capital.

During the year ended 31 December 2016, the Group financed its operation mainly by shareholders' funds and bank borrowings (before the full repayments). At year end, the Group had current assets of HK$325,119,000 (2015: HK$46,459,000) and liquid assets comprising bank balances and cash as well as short-term securities investments totalling HK$209,658,000 (2015: HK$13,230,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$21,892,000 (2015: HK$108,628,000), was at a very strong ratio of about 14.9 (2015: 0.4). The significant improvement in current ratio was mainly due to the proceeds raised by the Company in the rights issue completed in January 2016. At 31 December 2016, the Group's trade and other receivables and prepayments amounted to HK$11,996,000 (2015: HK$26,864,000), which mainly comprised deposit placed as escrow for the petroleum exploration and production operation and interest receivables from debtors of the Group's money lending business.

At 31 December 2016, the net assets of the Group amounted to HK$345,842,000 and is in contrast to the net liabilities position of HK$124,925,000 in last year. The turnaround of Group's financial position was primarily due to the proceeds raised by the Company from the rights issue completed in January 2016. The Group's gearing ratio, calculated on the basis of total liabilities of HK$21,892,000 (2015: HK$217,828,000) divided by total assets of HK$367,734,000 (2015: HK$92,903,000), was at a very low ratio of about 6% (2015: 234%). The finance costs for the year amounted to HK$6,788,000 (2015: HK$16,826,000), representing mainly interests on bank borrowings which had been fully repaid in November 2016. 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.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$ and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. As for the Group's petroleum operation in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 31 December 2016, the Group had no significant contingent liability (2015: nil).

Pledge of Assets

At 31 December 2015, the followings were pledged to secure the Group's bank loan: (i) the entire issued share capital of EP Energy S.A. ("EP Energy"), an indirect wholly owned subsidiary of the Company; (ii) the entire issued share capital of Have Result Investments Limited, an indirect wholly owned subsidiary of the Company; and (iii) the entire issued share capital of two direct wholly owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

At 31 December 2016, the Group had fully repaid the bank loan. As the release of the security charged was still in process, the above were still recorded as pledged assets of the Group.

Capital Commitment

At 31 December 2016, the Group had no significant capital commitment (2015: nil).

Human Resources and Remuneration Policy

At 31 December 2016, the Group had a total 17 (2015: 33) employees including directors of the Company with 9 (2015: 25) employees in Hong Kong and 8 (2015: 8) employees in Argentina and staff costs (including directors' emoluments) amounted to HK$17,767,000 (2015: HK$21,949,000) for the year. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

Prospects

The Group's petroleum exploration and production operation continued to record loss, though small, of HK$466,000 in 2016 as business conditions of the operation remained challenging where Argentina local oil selling price remained hovering at low levels at an average of about US$57.0 per barrel. This price pattern is expected to continue in 2017 as there are no clear signs that local oil selling price in Argentina will rebound in the near term.

As for the newly commenced money lending business, the Group will continue to develop this business under prudent credit management by allocating sufficient financial resources to it so as to achieve the corporate goal that this business will continue to contribute a stable income stream and favourable returns to the Group in future years.

The investment and stock market in Hong Kong was volatile in 2016 and the Group has taken a more cautious approach in managing its securities investments portfolio, which currently comprises of equity shares listed on the Stock Exchange and equity-linked notes.

The Company had successfully enlarged its capital base by completing a rights issue in January 2016 and raised net proceeds of approximately HK$501,846,000. The Company had applied the proceeds for repayment of bank borrowings as referred to in the Company's announcement dated 8 November 2016, and for development of its businesses in money lending and investment in securities and as general working capital as intended.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects aiming to enhance value to shareholders.

For the year ended 31 December 2017

Business Review

For the year ended 31 December 2017, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

For the year under review, the Group reported a revenue of HK$57,870,000, decreased by 7% compared to the prior year (2016: HK$62,253,000) that was mainly due to the decline in revenue of the petroleum business resulting from the drop in average selling price and volume of crude oil produced, and decrease in interest income generated from the money lending business, though such decreases in revenue were partly compensated by the increase in interest income generated from the investment in securities business.

Petroleum Exploration and Production

During the year ended 31 December 2017, the Group continued to engage in petroleum exploration and production in Chañares Herrados Area ("CHE Area") (the "Concession") in the Cuyana Basin, Mendoza Province of Argentina. Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares") is the concessionaire of the Concession (the "Concessionaire").

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

On 5 June 2012, EP Energy, Have Result Investments Limited ("Have Result"), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the "Operation Agreement"). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retains the right to drill and invest in the Concession during the life of the Concession. The Operation Agreement confirmed that Have Result is entitled to 51% interest on the production of five oil wells and EP Energy is entitled to 72% interest on the production of the other five oil wells.

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

For the year under review, the Group's petroleum exploration and production business generated a revenue of HK$42,914,000 (2016: HK$51,320,000) and recorded an overall profit of HK$24,319,000 (2016: loss of HK$466,000). The decline of the operation's revenue was partly due to the drop in production volume of crude oil by about 9% compared with the prior year, which was mainly due to a longer period of maintenance works undertaken on some of the oil wells this year, and partly due to the decrease in crude oil sales price offered by YPF S.A., an Argentina state-owned oil company and the sole buyer of the operation's output, from an average US$57.0 per barrel in 2016 to US$52.4 per barrel in 2017. The operation thus reported a small operating loss of HK$59,000 (2016: HK$1,951,000). Nevertheless, the Group had performed an impairment review on the exploration and evaluation assets, the oil and gas properties of the Concession and the other tax recoverables at 31 December 2017 and determined that there was no reversal of impairment loss on the exploration and evaluation assets but there was a reversal of impairment loss on the oil and gas properties of the Concession of HK$22,588,000 (2016: HK$2,282,000) and a reversal of impairment loss on other tax recoverables of HK$1,790,000 (2016: provision of impairment loss of HK$797,000). Overall speaking, the effect of the drop in operation's revenue was fully offset by the net reversal of impairment losses mentioned, with the result that the operation experienced a turnaround and recorded a reversal of impairment losses of HK$24,378,000 and an overall profit, after deducting the small operating loss of HK$59,000, of HK$24,319,000 (2016: loss of HK$466,000).

At 31 December 2017, the Group reconsidered the future development of the investment plan on the Concession and concluded that no further well drilling programme will be launched at present primarily in view of the low level of prevailing crude oil selling price.

References are made to the announcement of the Company dated 25 August 2016 and the annual report of the Company for the year ended 31 December 2016 disclosing that the Group was notified by the Concessionaire of the CHE Area and Puesto Pozo Cercado Area ("PPC

Area") (together the "Concessions") that the Hydrocarbons Department of Mendoza Province had been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 (the "Extension") previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. As disclosed in the announcement of the Company dated 15 August 2017, the Group was notified by the Concessionaire that the Executive of the Province of Mendoza published two decrees on 9 August 2017 to the effect that (i) it had accepted the investment commitment plan submitted by the Concessionaire in respect of the Extension for the CHE Area; and (ii) it declared the lapse of the concession in respect of the PPC Area by 30 October 2017. The Concessionaire also advised the Group that based on its discussions with the Mendoza Government, the concession in respect of the CHE Area would be extended until 14 November 2027.

In light of the above, it is the intention of the Group to continue its participation in the operations and sharing of interest on the production of the ten oil wells drilled in the CHE Area. As regards the PPC Area, as no oil wells have been drilled or are in operations by the Group and the Group's exploration and evaluation assets in respect of its right over the hydrocarbon production from the PPC Area was fully impaired in the year ended 31 December 2015, the Board considers that the lapse of the concession in respect of the PPC Area would not have material adverse effect on the business, financial positions or prospects of the Group.

Money Lending

During the year ended 31 December 2017, the Group's money lending business recorded a decrease in revenue and operating profit by reporting HK$7,797,000 (2016: HK$10,133,000) and HK$7,927,000 (2016: HK$9,920,000) respectively. Such decreases were mainly due to the lower average amount of loans advanced to borrowers during the current year. Before granting loans to potential customers, the management uses internal credit assessment process to assess the potential borrower's credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

At 31 December 2017, the loans portfolio held by the Group amounted to HK$67,235,000. There was no default in repayments from borrowers and no impairment loss was recognised against the loan receivables during the current year.

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 31 December 2017, the Group's investment in securities operation held a financial asset at fair value through profit or loss ("FVTPL") portfolio valued HK$95,849,000 (2016: HK$27,454,000), comprising equity securities listed in Hong Kong, and an available-for-sale ("AFS") investment portfolio (constituted by non-current and current portions) valued at HK$144,877,000 (2016: nil), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK$7,159,000 (2016: HK$800,000) and a profit of HK$51,587,000 (2016: loss of HK$4,099,000).

Financial assets at FVTPL

At 31 December 2017, the Group held a financial asset at FVTPL portfolio amounting to HK$95,849,000 measured at market/fair value. During the year under review, the portfolio generated a revenue of HK$2,088,000 (2016: HK$800,000) representing dividends from equity securities of HK$1,832,000 (2016: HK$800,000) and interest income from debt securities of HK$256,000 (2016: nil). The Group recognised a net gain on financial assets at FVTPL of HK$45,101,000, which comprised net unrealised gain and net realised gain of HK$25,921,000 and HK$19,180,000 respectively (2016: net loss on financial assets at FVTPL of HK$4,344,000, which comprised net unrealised loss and net realised loss of HK$3,313,000 and HK$1,031,000 respectively). Such gains earned by the financial asset at FVTPL portfolio was largely due to the general upturn and strong momentum of financial market in Hong Kong during the second half of 2017.

AFS investments

At 31 December 2017, the Group's AFS investment portfolio (constituted by non-current and current portions) of HK$144,877,000 (2016: nil) was measured at market/fair value. During the year under review, the Group's AFS investment portfolio generated total revenue amounting to HK$5,071,000 (2016: nil) representing interest income from debt securities. According to the maturity of the AFS investments, part of the AFS investment portfolio of HK$23,344,000 was classified as current assets.

During the year under review, the Group invested approximately HK$145,396,000 for acquiring debt securities in the aggregate principal amount of US$18,600,000 issued by an aircraft leasing company and seven property companies listed on the Stock Exchange. The Group had commenced its investments in debt securities during the year which offer stable returns.

At the year end, a net fair value loss on the AFS investment portfolio amounting to HK$519,000 (2016: nil) was recognised as other comprehensive expense.

Overall Results

For year ended 31 December 2017, the Group reported a loss attributable to owners of the Company of HK$54,855,000 (2016: HK$31,079,000) that was mainly attributable to the recognition of the share-based payments expense of HK$73,257,000 recorded for the grant of share options to directors and employees in May 2017 and the recognition of loss in the net fair value changes on convertible notes of HK$39,158,000 for the convertible notes issued in April 2017, which were both non-cash in nature, despite the profitable results contributed by the Group's all three business segments, namely, petroleum exploration and production, money lending and investment in securities and the decrease in corporate expenses by 46% to HK$14,299,000 (2016: HK$26,397,000). Basic loss per share was HK1.17 cents and increased by HK0.41 cent compared to the prior year (2016: HK0.76 cent). If the effect of the share-based payments expense, the net fair value changes on convertible notes and the reversal of impairment losses of HK$24,378,000 in relation to the Group's oil and gas properties in Argentina were excluded, the Group would have, for illustrative purpose, reported a profit of HK$33,182,000 for the current year which essentially reflects the operating results of the Group.

Financial Review

Liquidity, Financial Resources and Capital Structure

On 11 April 2017, the Company entered into an agreement with an investor for the subscription of the 3% convertible notes in aggregate principal amount of HK$80,000,000 which could be converted into ordinary shares of the Company at an initial conversion price of HK$0.36 per share (the "CN Subscription"). The completion of the CN Subscription took place on 26 April 2017 and net proceeds of HK$79,852,000 were raised. The Company intended to use approximately 50% of the net proceeds as working capital for the money lending business and the remaining for the investment in securities business of the Group. The Group recorded a net fair value loss on convertible notes amounting to HK$39,158,000 that was mainly driven by the increase in the Company's share price between the date of entering the subscription agreement for the convertible notes i.e. 11 April 2017 and the financial year end date i.e. 31 December 2017. Further details of the issuance of convertible notes were set out in the announcements of the Company dated 11 April 2017 and 26 April 2017.

On 16 June 2017, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 651,000,000 new shares of the Company to not less than six independent places at the placing price of HK$0.308 per share (the "Share Placement"). The completion of the Share Placement took place on 4 July 2017, the net proceeds from the Share Placement, after deducting directly attributable costs of HK$5,117,000 from gross proceeds of HK$200,508,000, were approximately HK$195,391,000. The Company intended to allocate the net proceeds on a 50:50 basis between the Group's money lending and investment in securities businesses but may apply the net proceeds toward funding investment opportunities which the Board considers to be in the interest of the Company. Further details of the Share Placement were set out in the announcements of the Company dated 16 June 2017 and 4 July 2017.

At 31 December 2017, approximately 70% of the funds raised through the CN Subscription and Share Placement had been used as the working capital of the Group's money lending and investment in securities businesses.

On 8 November 2017, two indirectly wholly owned subsidiaries of the Company, Mega Link Hengtian (Xiamen) Equity Investment Co., Ltd. and Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership), entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent parties in respect of, among other matters, the establishment of a limited partnership (the "Limited Partnership") and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership is RMB120,000,000 in which the Group has committed to contribute a total of RMB61,510,000 to subscribe for an aggregate approximately 51.26% interest in the Limited Partnership. The purpose of the Limited Partnership is to invest in a series of projects in the smart city big data industry in the PRC. It is expected that the Limited Partnership will invest in smart city and big data application projects in the next few years and will construct cloud computing data centers.

At 31 December 2017, capital had not yet been injected into the Limited Partnership. Details of the Limited Partnership were set out in the announcement of the Company dated 8 November 2017.

During the year ended 31 December 2017, the Group financed its operation mainly by cash generated from its operations, funds raised through the CN Subscription and the Share Placement, and shareholders' funds. At the year end, the Group had current assets of HK$524,860,000 (2016: HK$325,119,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK$383,198,000 (2016: HK$209,658,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$143,613,000 (2016: HK$21,892,000), was about 3.7 (2016: 14.9). The decrease in current ratio in the current year was mainly attributed to the recognition of convertible notes of HK$76,145,000 (2016: nil) and derivative financial liability of HK$46,617,000 (2016: nil) on the convertible notes, and the application of funds for acquiring the AFS investments which were largely classified as non-current assets. At 31 December 2017, the Group's trade and other receivables and prepayments amounted to HK$49,324,000 (2016: HK$11,996,000), which mainly comprised deposits placed with securities brokers in relation to securities trading activities.

At 31 December 2017, the net assets of the Group increased to HK$559,116,000 (2016: HK$345,842,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK$147,804,000 (2016: HK$21,892,000) divided by total assets of HK$706,920,000 (2016: HK$367,734,000), was about 21% (2016: 6%). The finance costs for the year amounted to HK$4,955,000, which represented the effective interest on convertible notes issued in April 2017 (2016: HK$6,788,000, represented mainly interest on bank borrowings which were fully repaid in November 2016).

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.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$, RMB and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of RMB and will consider a formal foreign currency hedging policy for RMB should the needs arise. As for the Group's petroleum operation in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 31 December 2017, the Group had no significant contingent liability (2016: nil).

Pledge of Assets

At 31 December 2016, the following assets were pledged to secure the Group's bank borrowings which had been fully repaid during the year ended 31 December 2016 but the release of the security pledged was in process: (i) the entire issued share capital of EP Energy; (ii) the entire issued share capital of Have Result; and (iii) the entire issued share capital of two wholly owned subsidiaries of the Company which together hold the entire stock capital of EP Energy.

At 31 December 2017, the release of the security pledged was completed and the Group had no pledged assets.

Capital Commitment

At 31 December 2017, pursuant to the Limited Partnership Agreement, the Group has committed to contribute a total of RMB61,510,000 to subscribe for the interest in the Limited Partnership and no capital had yet been injected into the Limited Partnership.

Human Resources and Remuneration Policy

At 31 December 2017, the Group had a total 27 (2016: 17) employees including directors of the Company with 20 (2016: 9) employees in Hong Kong and 7 (2016: 8) employees in Argentina. Staff costs, including directors' emoluments and share-based payments expense, amounted to HK$83,874,000 for the year (2016: HK$17,767,000). The increase in staff costs was mainly due to the share-based payments expense for share options granted to directors and staff of HK$11,962,000 and HK$61,295,000 respectively. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension scheme for employees in Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

Prospects

The Group's petroleum exploration and production operation continued to record operating loss before reversal of impairment losses, though small, of HK$59,000 during the year as business conditions of the operation remained challenging where Argentina local oil selling price remained hovering at low levels at an average of about US$52.4 per barrel during 2017. Following the upturn of international oil price since late 2017, the gap between international oil price and Argentina local oil selling price has been narrowed recently, this price trend is expected to continue for the remaining duration of 2018 and there could be positive impact on the revenue of the operation.

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

The investment and stock markets in Hong Kong have been rather volatile recently, the management will continue to take a cautious and disciplined approach in managing the Group's securities investments portfolio, which currently comprises of equity securities listed in Hong Kong and debt securities listed in Hong Kong or overseas.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to further improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects aiming to enhance value to shareholders. As referred to in the Company's announcement dated

8 November 2017, the Group has entered into the Limited Partnership Agreement with two independent parties to establish the Limited Partnership for the purpose to invest in a series of projects in the smart city big data industry in the PRC. The Board expects that the investments to be carried out by the Limited Partnership will bring investments returns to and attract a new stream of revenue for the Group.

For the year ended 31 December 2018

Business Review

For the year ended 31 December 2018, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

For the year under review, the Group recorded revenue of HK$71,419,000 which increased by 23% compared to the prior year (2017: HK$57,870,000). The increase was mainly due to the rise in interest income generated from the investment in securities and money lending businesses, and accompanied by the increase in revenue of the petroleum business resulting from the rise in average selling price of crude oil sold, though the incremental effect on revenue was partly offset by the drop in volume of crude oil produced by the Group's petroleum operation.

Petroleum Exploration and Production

During the year ended 31 December 2018, the Group continued to engage in petroleum exploration and production in the Chañares Herrados Area ("CHE Area") (the "Concession") in the Cuyana Basin, Mendoza Province of Argentina. Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares") is the concessionaire of the Concession (the "Concessionaire").

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

On 5 June 2012, EP Energy, Have Result Investments Limited ("Have Result"), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the "Operation Agreement"). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retains the right to drill and invest in the Concession during the life of the Concession. The Operation Agreement confirmed that Have Result is entitled to 51% interest on the production of five oil wells and EP Energy is entitled to 72% interest on the production of the other five oil wells.

During the year under review, the Group continued to focus on the investment to improve the production of and had performed maintenance works for the ten existing oil wells.

For the year under review, the Group's petroleum exploration and production business generated a revenue of HK$43,998,000 (2017: HK$42,914,000) and recorded an operating profit before provision of impairment loss of HK$2,921,000 (2017: operating loss of HK$59,000). The increase in the operation's revenue was due to the rise in average crude oil selling price offered by YPF S.A., an Argentina state-owned oil company and the buyer of the operation's output, from an average of US$52.4 per barrel in 2017 to US$60.8 per barrel in 2018, though the incremental effect on revenue was partly offset by the drop in production volume of crude oil by about 15%. The drop in crude oil production volume during the year was mainly the combined results of the extended maintenance works performed on several oil wells and the natural decline of output of the ten oil wells the Group has interested in, such oil wells have been in production for over seven years. The Group had performed an impairment review on the exploration and evaluation assets and the oil and gas properties of the Concession at 31 December 2018. At 31 December 2018, the Group reconsidered the future development of the investment plan on the Concession and concluded that no further well drilling programme will be launched at present primarily because, according to management's estimates, the prevailing and forecasted crude oil selling price has not yet reached a level that new well drillings will warrant a satisfactory return. As such, the Group determined that there was no reversal of impairment loss on the exploration and evaluation assets. For the impairment assessment of the oil and gas properties, the recoverable amount of the oil and gas properties was determined based on the discounted cash flow projection of the Group's ten oil wells with their production reserves and the estimated future oil prices being the major parameters. According to the selling price of crude oil being offered to the Group during 2018 and the future international oil price forecast released by the U.S. Energy Information Administration, the management in 2018 estimated that the range of crude oil selling price projected for the next five years (i.e. 2019 to 2023) will be in the range from US$47.15 to US$79.41 per barrel, which is lower than that projected in 2017 being in the range from US$55.51 to US$86.40 per barrel. As such, primarily owing to a drop in the forecasted range of crude oil selling price for the next five years, a provision of impairment loss on the oil and gas properties of the Concession of HK$3,383,000 (2017: reversal of impairment loss of HK$22,588,000) was recognised. Overall speaking, the operation recorded a small overall loss of HK$462,000 (2017: profit of HK$24,319,000) comprising operating profit of HK$2,921,000 (2017: operating loss of HK$59,000) and provision of impairment losses of HK$3,383,000 (2017: reversal of impairment losses of HK$24,378,000).

References are made to the announcement of the Company dated 15 August 2017 and the annual report of the Company for the year ended 31 December 2017, the Group was notified by the Concessionaire that the Executive of the Province of Mendoza published two decrees on 9 August 2017 to the effect that (i) it had accepted the investment commitment plan submitted by the Concessionaire in respect of the concession extension for the CHE Area; and (ii) it declared the lapse of the concession in respect of the Puesto Pozo Cercado Area (the

"PPC Area") by 30 October 2017. The Concessionaire also advised the Group that based on its discussions with the Mendoza Government, the concession in respect of the CHE Area would be extended until 14 November 2027.

In light of the above, it is the intention of the Group to continue its participation in the operations and sharing of interest on the production of the ten oil wells drilled in the CHE Area. As regards the PPC Area, as no oil wells had been drilled or were in operations and the Group's exploration and evaluation assets in respect of its right over the hydrocarbon production from the PPC Area was fully impaired in the year ended 31 December 2015, the Board considers that the lapse of the concession in respect of the PPC Area would not have material adverse effect on the business, financial positions or prospects of the Group.

Money Lending

During the year ended 31 December 2018, the Group's money lending business reported an increase in revenue and operating profit by reporting HK$16,814,000 (2017: HK$7,797,000) and HK$10,793,000 (2017: HK$7,927,000) respectively. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the year under review. Before granting loans to potential customers, the management uses internal credit assessment process to assess individual borrower's credit quality and defines the credit limit granted to the borrower. The credit limits granted to the borrowers are reviewed by the management regularly.

During the year under review, there was no default in repayments from borrowers, nevertheless, an expected credit loss of HK$5,613,000 was recognised against loan and interest receivables.

At 31 December 2018, the loans portfolio held by the Group amounted to HK$251,652,000 (after expected credit loss), of which 18.49% of the loan portfolio is guaranteed by credible guarantor(s), 66.50% is secured by various collaterals and the remaining 15.01% is unsecured.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in 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 31 December 2018, the Group's investment in securities operation held a financial asset at fair value through profit or loss ("FVTPL") portfolio valued HK$71,816,000 (2017: HK$95,849,000), 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$130,330,000 (2017: HK$147,406,000, previously classified as available-for-sale ("AFS") investments), comprising debt securities listed in Hong Kong or overseas. As a whole, the operation recorded a revenue of HK$10,607,000 (2017: HK$7,159,000) and a loss of HK$71,562,000 (2017: profit of HK$51,587,000).

Financial assets at FVTPL

At 31 December 2018, the Group held a financial asset at FVTPL portfolio amounting to HK$71,816,000 (2017: HK$95,849,000) measured at market/fair value. During the year under review, the portfolio generated revenue of HK$1,052,000 representing dividends from equity securities (2017: HK$2,088,000, representing dividends from equity securities of HK$1,832,000 and interest income from debt securities of HK$256,000). The Group recognised a net loss on financial assets at FVTPL of HK$80,636,000, which comprised net unrealised loss and net realised loss of HK$55,237,000 and HK$25,399,000 respectively (2017: net gain on financial assets at FVTPL of HK$45,101,000, which comprised net unrealised gain and net realised gain of HK$25,921,000 and HK$19,180,000 respectively). The realised loss recorded during the year represented loss on disposal of equity securities in open market and the unrealised loss represented fall in market value of those equity securities held by the Group at the year end.

Debt instruments at FVTOCI (debt instruments previously classified as AFS Investments)

At 31 December 2018, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$130,330,000 (2017: HK$147,406,000, previously classified as AFS investments) was measured at market/fair value. During the year under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK$9,555,000 (2017: HK$5,071,000) representing interest income from debt securities. According to the maturity of the debt instruments, HK$14,622,000 (2017: HK$25,873,000, previously classified as AFS investments) was classified as current assets.

During the year under review, the Group invested HK$34,808,000 for acquiring debt securities issued by two property companies listed on the Stock Exchange.

At the year end, a net fair value loss on debt instruments at FVTOCI amounting to HK$13,583,000 (2017: HK$519,000, previously recognised as net fair value loss on AFS investments) was recognised as other comprehensive expense. Such fair value loss on debt instruments held by the Group was mainly a result of the general increase in market interest rates during the current year which caused the market value of debt instruments held by the Group to drop.

The yield to maturity on acquisition of debt securities that were held by the Group at the year end ranged from 4.93% to 12.50% per annum.

Overall Results

For year ended 31 December 2018, the Group reported a loss attributable to owners of the Company of HK$115,227,000 (2017: HK$54,855,000) that mainly due to the net fair value loss on derivative component of the convertible notes issued by the Company of HK$24,370,000, which was non-cash in nature, and the net loss on financial assets at FVTPL of HK$80,636,000, though the losses were partly offset by the profitable results contributed by the money lending business and the absence of the share-based payments expense this year whilst an amount of HK$73,257,000 was recognised last year relating to granting of share options. Basic loss per share was HK2.26 cents and increased by HK1.09 cents when compared to the prior year (2017: HK1.17 cents).

Financial Review

Liquidity, Financial Resources and Capital Structure

On 11 April 2017, the Company entered into an agreement with an investor for the subscription of the 3% convertible notes in the aggregate principal amount of HK$80,000,000 which could be converted into ordinary shares of the Company at an initial conversion price of HK$0.36 per share (the "CN Subscription"). The completion of the CN Subscription took place on 26 April 2017 and net proceeds of HK$79,852,000 were raised. The Company intended to use approximately 50% of the net proceeds as working capital for the money lending business and the remaining for the investment in securities business of the Group. During the year, on 4 April 2018, 8 October 2018 and 18 October 2018, convertible notes with aggregate principal amount of HK$26,000,000, HK$10,800,000 and HK$43,200,000 respectively were converted into ordinary shares of the Company and net fair value loss on derivative component of convertible notes totalling HK$24,370,000 was recognised. Such net fair value loss was calculated with reference to the fair values of the derivative component of convertible notes upon their conversion at the respective dates. Further details of the issuance of convertible notes were set out in the announcements of the Company dated 11 April 2017 and 26 April 2017.

At 31 December 2018, the net proceeds raised from the CN Subscription had been utilised as intended as approximately HK$40,000,000 had been applied by the money lending business for granting loans to borrowers and approximately HK$40,000,000 had been applied by the investment in securities business for acquiring corporate bonds.

On 16 June 2017, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, up to 651,000,000 new shares of the Company to not less than six independent placees at the placing price of HK$0.308 per share (the "Share Placement"). The completion of the Share Placement took place on 4 July 2017, the net proceeds from the Share Placement, after deducting directly attributable costs of HK$5,117,000 from gross proceeds of HK$200,508,000, were HK$195,391,000. The Company intended to allocate the net proceeds on a 50:50 basis between the Group's money lending and investment in securities businesses but may apply the net proceeds toward funding investment opportunities which the Board considers to be in the interest of the Company. Further details of the Share Placement were set out in the announcements of the Company dated 16 June 2017 and 4 July 2017.

At 31 December 2018, the net proceeds raised from the Share Placement had been utilised as intended as approximately HK$96,000,000 had been applied by the money lending business for granting loans to borrowers and approximately HK$99,000,000 had been applied by the investments in securities business for acquiring corporate bonds and listed equity securities as to approximately HK$60,000,000 and HK$39,000,000 respectively.

On 8 November 2017, two indirectly wholly owned subsidiaries of the Company, Mega Link Hengtian (Xiamen) Equity Investment Co., Ltd. and Xiamen Mega Link Hengtian Zhichuang Investment Management Partners Corporation (Limited Partnership), entered into a limited partnership agreement (the "Limited Partnership Agreement") with two independent parties in respect of, among other matters, the establishment of a limited partnership (the "Limited Partnership") and the subscription of interest therein. Pursuant to the Limited Partnership Agreement, the total capital commitment to the Limited Partnership is RMB120,000,000 in which the Group has committed to contribute a total of RMB61,510,000 to subscribe for an aggregate approximately 51.26% interest in the Limited Partnership. The purpose of the Limited Partnership is to invest in a series of projects in the smart city big data industry in the PRC. It is expected that the Limited Partnership will invest in smart city and big data application projects in the next few years and will construct cloud computing data centers in the PRC. At 31 December 2018, capital had not yet been injected into the Limited Partnership, the Group is in negotiation of a project with good business potential and capital will be injected into the Limited Partnership if the Group has decided to invest in the project. Details of the Limited Partnership were set out in the announcement of the Company dated 8 November 2017.

During the year ended 31 December 2018, the Group financed its operation mainly by cash generated from its operations, funds raised through the CN Subscription and shareholders' funds. At the year end, the Group had current assets of HK$435,693,000 (2017:

HK$524,860,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK$155,409,000 (2017: HK$383,198,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$24,330,000 (2017: HK$143,613,000), was about 17.9 (2017: 3.7). The increase in current ratio in the current year was mainly due to the absence of convertible notes (2017: HK$76,145,000) and derivative financial liability (2017: HK$46,617,000) resulting from the full conversion of convertibles notes into ordinary shares of the Company during the year. At 31 December 2018, the Group's trade and other receivables and prepayments amounted to HK$12,780,000 (2017: HK$46,232,000). The decrease in trade and other receivables and prepayments was mainly due to the amount placed with securities brokers in relation to investment in securities activities decreased to HK$2,578,000 at the year end (2017: HK$37,411,000).

At 31 December 2018, the net assets of the Group increased to HK$575,053,000 (2017: HK$559,116,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK$24,614,000 (2017: HK$147,804,000) divided by total assets of HK$599,667,000 (2017: HK$706,920,000), was about 4% (2017: 21%). The finance costs for the year amounted to HK$4,992,000 (2017: HK$4,955,000), which represented the effective interest on convertible notes issued in April 2017.

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.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$, RMB and ARS. During the year under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of RMB and will consider a formal foreign currency hedging policy for RMB should the needs arise. As for the Group's petroleum operations in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. Any surplus funds in ARS are converted into US$ and remitted back to Hong Kong. As such, the ARS converted from the US$ denominated sale receipts and expenditures of the Argentinean operation are largely matched and the devaluation of ARS during the year does not have a significant impact on the foreign currency exposure of the operation. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors the foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 31 December 2018, the Group had no significant contingent liability (2017: nil).

Pledge of Assets

At 31 December 2018, the Group had no pledged assets (2017: nil).

Capital Commitment

Pursuant to the Limited Partnership Agreement, the Group is committed to contribute a total of RMB61,510,000 to subscribe for the interest in the Limited Partnership. At 31 December 2018, the Group had not yet injected any capital into the Limited Partnership.

Human Resources and Remuneration Policy

At 31 December 2018, the Group had a total 44 (2017: 27) employees including directors of the Company with 38 (2017: 20) employees in Hong Kong and the PRC and 6 (2017: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK$13,768,000 for the year (2017: HK$83,874,000, including staff costs of HK$10,617,000 and share-based payments expense for share options granted to directors and staff of HK$73,257,000 in aggregate). If the effect of the share-based payments expense in the prior year is excluded, the increase in staff costs of HK$3,151,000 was mainly due to the increase of the Group's headcounts during the year. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in the PRC and Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

Prospects

The Group's petroleum exploration and production operation showed an improved operating performance in 2018 by reporting operating profit (before provision of impairment losses, which was non-cash in nature, on certain properties of the concession) of HK$2,921,000. The improved operating results was mainly attributed to the rise in crude oil selling price to an average of US$60.8 per barrel during the year (2017: average of US$52.4 per barrel), though the price rise effect was partly offset by the drop in the operation's production volume due to the extended maintenance works on several oil wells and the natural decline in output of the Group's oil wells. The international oil price has become rather volatile in the past few months, the fluctuations of international oil price owing to many factors including world demand and supply will to a considerable extent affect the operation's results in 2019.

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

The investment and stock market in Hong Kong have been rather volatile in 2018 owing to factors including the pace of interest rate rise in the United States and in particular the trade disputes and settlement negotiations between China and the United States. The Group had recorded losses for its securities investments for the year under review, the management will be more cautious and take a prudent and disciplined approach in managing the Group's securities investments portfolio in 2019, which comprises of equity securities listed in Hong Kong and corporate bonds listed in Hong Kong or overseas.

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects, particularly in the energy sector, aiming to create new value to shareholders. As referred to in the Company's announcement dated 8 November 2017, the Group had entered into a limited partnership agreement with two independent parties to establish a limited partnership for the purpose of investing in a series of projects in the smart city big data industry in the PRC. The Board expects that the investments to be carried out by the limited partnership will bring attractive investments returns and create a new stream of revenue for the Group.

For the six months ended 30 June 2019

Business Review

For the six months ended 30 June 2019, the Group continued to principally engage in the business of petroleum exploration and production, money lending and investment in securities.

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

Petroleum Exploration and Production

During the six months ended 30 June 2019, the Group continued to engage in petroleum exploration and production in the Chañares Herrados Area ("CHE Area") (the "Concession") in the Cuyana Basin, Mendoza Province of Argentina. Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares") is the concessionaire of the Concession (the "Concessionaire").

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

On 5 June 2012, EP Energy, Have Result Investments Limited ("Have Result"), a wholly owned subsidiary of the Company, and Chañares entered into an operation agreement (the "Operation Agreement"). Pursuant to the Operation Agreement, among others, Chañares agreed to release EP Energy from the investment commitment in the 2010 JV Agreement, whereas EP Energy retains the right to drill and invest in the Concession during the life of the Concession. The Operation Agreement confirmed that Have Result is entitled to 51% interest on the production of five oil wells and EP Energy is entitled to 72% interest on the production of the other five oil wells.

During the current interim period, the Group continued to focus on the investment to improve the production of and had performed maintenance works for the ten existing oil wells in the CHE Area.

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

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

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

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

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

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

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

Money Lending

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

At 30 June 2019, the loans portfolio held by the Group amounted to HK$252,016,000 (after expected credit loss allowance of HK$12,182,000) (31 December 2018: HK$251,652,000 (after expected credit loss allowance of HK$7,052,000)), of which 19.60% of the loan portfolio is guaranteed by credible guarantor(s), 69.89% is secured by various collaterals and the remaining 10.51% is unsecured.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains

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

Financial assets at FVTPL

At 30 June 2019, the Group held a financial asset at FVTPL portfolio amounting to HK$49,172,000 (31 December 2018: HK$71,816,000) measured at market/fair value. During the period under review, the portfolio generated a revenue of HK$306,000 (30 June 2018: HK$128,000) representing dividends from equity securities of HK$138,000 (30 June 2018: HK$128,000) and interest income from debt securities of HK$168,000 (30 June 2018: nil). The Group recognised a net loss on financial assets at FVTPL of HK$19,588,000, which comprised net unrealised loss and net realised loss of HK$19,232,000 and HK$356,000 respectively (30 June 2018: net loss on financial assets at FVTPL of HK$25,523,000, which comprised net unrealised loss and net realised gain of HK$28,501,000 and HK$2,978,000 respectively).

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

Debt instruments at FVTOCI

At 30 June 2019, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$139,972,000 (31 December 2018: HK$130,330,000) was measured at market/fair value. During the period under review, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK$4,464,000 (30 June 2018: HK$4,930,000) representing interest income from debt securities. According to the maturity of the debt securities, part of the debt instruments at FVTOCI of HK$3,172,000 was classified as current assets.

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

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

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

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

Overall Results

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

Financial Review

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2019, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the interim period end, the Group had current assets of HK$388,331,000 (31 December 2018: HK$435,693,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK$128,785,000 (31 December 2018: HK$155,409,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$23,893,000 (31 December 2018: HK$24,330,000), was about 16.3 (31 December 2018: 17.9). At 30 June 2019, the Group's trade and other receivables and prepayments amounted to HK$10,295,000 (31 December 2018: HK$12,780,000). The decrease in trade and other receivables was mainly due to the amount placed with securities brokers in relation to securities investment activities reduced to HK$1,768,000 (31 December 2018: HK$2,578,000) and the trade receivables of the petroleum business reduced to HK$280,000 (31 December 2018: HK$1,060,000) at the period end.

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

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in HK$, US$, RMB and ARS. During the period under review, the Group had not experienced any significant exchange rate exposure to US$ as HK$ and US$ exchange rate is pegged. Besides, the Group continuously monitors foreign exchange exposure of RMB and will consider a formal foreign currency hedging policy for RMB should the needs arise. As for the Group's petroleum operations in Argentina, the oil selling proceeds are quoted at US$ and converted into ARS for settlement at official exchange rate on a monthly basis, and a majority of the investment and operating costs including infrastructure and equipment, drilling costs, completion costs and workover jobs are based on US$ and converted into ARS for payments. Any surplus funds in ARS are converted into US$ and will be remitted back to Hong Kong. As such, the ARS converted from the US$ denominated sale receipts and expenditures of the Argentinean operation are largely matched and the devaluation of ARS during the current period does not have a significant impact on the foreign currency exposure of the operation. The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors the foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

Contingent Liability

At 30 June 2019, the Group had no significant contingent liability (31 December 2018: nil).

Pledge of Assets

At 30 June 2019, the Group had no pledged assets (31 December 2018: nil).

Capital Commitment

Pursuant to the Limited Partnership Agreement, the Group is committed to contribute a total of RMB61,510,000 to subscribe for the interest in the Limited Partnership. At 30 June 2019, the Group had not yet injected any capital into the Limited Partnership.

Human Resources and Remuneration Policy

At 30 June 2019, the Group had a total 44 (30 June 2018: 34) employees including directors of the Company, with 38 (30 June 2018: 27) employees in Hong Kong and the PRC and 6 (30 June 2018: 7) employees in Argentina. Staff costs, including directors' emoluments, amounted to HK$7,336,000 for the current period (30 June 2018: HK$6,052,000). The rise in staff costs of HK$1,284,000 was mainly due to the increase of the Group's headcount. The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong and operates employees' pension schemes for employees in the PRC and Argentina. In addition, the Group provides other employee benefits which include medical insurance, share option scheme and discretionary bonus.

Prospects

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

Concessionaire of the CHE Concession for various possible measures to lift up the oil production of the operation in order to improve its financial performance, despite the threat from the local authorities for terminating the concession of the CHE Area.

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

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

Looking forward, the management will continue to develop the Group's existing businesses and will step up its effort to improve the Group's financial performance. The management will also seize business and investment opportunities with good prospects, particularly in the energy sector, aiming to create new value for shareholders.

As referred to in the Company's announcement dated 8 November 2017, the Group had entered into a limited partnership agreement with two independent parties to establish a limited partnership for the purpose of investing in a series of projects in the smart city big data industry in the PRC. The Board expects that the investments to be carried out by the limited partnership will bring attractive investment returns and create a new stream of revenue for the Group. Further announcement in relation to these investments will be made by the Company to shareholders as and when appropriate.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the financial and trading prospects of the Group, please refer to (i) the subsection headed "Business Review" and "Prospects" under the section headed "For the six months ended 30 June 2019" in "Management Discussion and Analysis of Historical Results of Operations of the Group" in this Appendix, which are principally extracted from the interim report of the Company for the six months ended 30 June 2019 and (ii) the subsection headed "Reasons for and benefits of the Proposed Transaction" in "Letter from the Board" of this Circular.

1. PETROLEUM ASSETS TO BE OPERATED BY THE COMPANY

(1) Further information on the Chañares Concession

The Chañares Concession to be obtained by the Company upon successful winning of the Bid is the exploitation concession rights in the Chañares Herrados area and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area described in the relevant Hydrocarbon Laws of Argentina and the bidding documents under the Bidding Process effective as of the Effective Date which mainly include the Petroleum Assets, all the existing wells in operation and the new wells to be drilled in the Chañares Herrados area and the right to use any assets and infrastructure in the Chañares Herrados area owned by the Mendoza Province to be transferred to the new concessionaire together with the Petroleum Assets.

The Chañares Concession has a term of 25 years counted as from the Effective Date with the possibility of successive extensions for terms not exceeding 10 years each from the date of expiry of the original term and of each extension, subject to the approval by the Executive of the Mendoza Province.

The Chañares Herrados area is located in the Mendoza Province in west-central Argentina which lies within the Cuyana Basin covering a total surface area of approximately 40.6 kilometer squares. The Cuyana Basin is a back-arc extensional basin filled with deposits from alluvial and fluvial-lacustrine environments from late Triassic through Paleogene times which generally contains highly undersaturated oil with moderate solution gas-oil. Productive reservoirs in the Chañares Concession of the Cuyana Basin can be separated into a shallow reservoir group and a deep reservoir group. The shallow reservoir group consists of the Jurassic age Barrancas Formation and the Late Triassic age Rio Blanco Formation (Victor Claro, Victor Oscuro, and Victor Gris Members). The Barrancas Formation averages 100 meters gross thickness with interbedded pay intervals consisting of multiple 2-meter to 20-meter thick sections of oil-bearing sands and conglomerates. The depositional environment of the Barrancas Formation is likely fluvial. The Rio Blanco Formation consists of three sub-members: the shallow Victor Claro (Blanco Superior), the Victor Oscuro (Blanco Medio), and the deeper Victor Gris (Blanco Inferior). The lithology of the Rio Blanco Formation is similar to the Barrancas Formation but with an increasing volcanic and pyroclastic component at deeper depths. Produced oil gravity is approximately 31 to 33 degrees API.

The main source rocks for the Chañares Concession are organic-rich shales of the Triassic Cacheuta formation and the main reservoirs are sandstones with tuffaceous matrix of the Triassic Río Blanco formation and sandstones and conglomerates of the Jurassic Barrancas formation. The Rio Blanco formation consists of three intervals named informally from top to base as "Victor Claro, "Victor Oscuro" and "Victor Gris". The Chañares Concession is part of a large structural nose, plunging to south west with faults trending east-west which portioned the structure into several blocks.

Pursuant to page 9 (IV-12) of the Competent Person's Report in Appendix IV of this Circular, the post-tax NPV at discount rate of 15% of the Chañares Concession (being the base case scenario for the purpose of NPV analysis), which was estimated for the equivalent

"Proved" and the "Proved" plus "Probable" recoverable volume cases, amounts to approximately US$11.3 million (approximately HK$88.1 million) and US$11.6 million (approximately HK$90.5 million), respectively.

Upon successful winning of the Bid, the Company intends to deploy additional manpower to develop a comprehensive management team to manage the field operation through the recruitment of key managerial staff including field operation manager, production superintendent, rig engineering and supervision, production supervisor, maintenance supervisor, development geologist/reservoir engineer and production engineer. On the other hand, to reduce the fixed operating cost, the Company plans to engage local service companies for the provision of daily routine services covering general field maintenance, operation and production operation, rig service and operation, trucking of oil, etc.

The Company will build up long term relationship with YPF S.A., the stated-owned oil company, for the sale of its oil production. In addition, the Company will search for other potential customers in the market for the sale of its oil production to widen its customer base.

(2) Reserves and resources relating to the Chañares Concession

The Chañares Herrados area under the Chañares Concession was discovered in 1961 and consists of 83 wells drilled, of which 39 were producing, 26 were non-producing and 18 were abandoned as of the end of 2019 according to the information provided by the Hydrocarbons Department of Mendoza Province. Pursuant to the preliminary production estimation prepared by GCA based on the Development Plan, the Chañares Concession has net "Proved" plus "Probable" recoverable volume of approximately 4.23 million barrels as of 31 December 2019.

The table below is the breakdown of estimated recoverable volume information relating to the Chañares Concession as at 1 June 2020 as set out in or derived from pages 7 (IV-10), 72 (IV-75) and 73 (IV-76) of the Competent Person's Report in Appendix IV of this Circular:

	Gross (100%) field oil volumes (thousand barrels)[1]	Net revenue interest oil volumes (thousand barrels)[2]	Post-Tax NPV at 15% discount rate	
			(US$ million)[3]	(HK$ million)
"Proved"				
— Developed	3,085	2,715		
— Undeveloped	728	641		
Total "Proved"	**3,813**	**3,356**	**11.3**	**88.1**
"Probable"	989	870		
"Proved plus Probable"	**4,802**	**4,226**	**11.6**	**90.5**

Notes:

1. Gross (100%) field oil volumes are 100% of the volumes estimated to be commercially recoverable from the Chañares Concession under the Development Plan.

2. Net revenue interest volumes are the volumes net of Royalty % of 12% (excluding the additional Royalty % which may be offered by the Company in the Bid) to be recoverable upon successful winning of the Bid by the Company and the execution of the Development Plan.

3. The NPVs are calculated from discounted cash flows incorporating the fiscal terms that could govern the Petroleum Assets without the discount for (i) additional Royalty % and (ii) the additional Upfront Payment which may be offered by the Company under the Bid. The minimum initial payment of US$5 million is included as Upfront Payment and is deducted against the post-tax NPV.

(3) Information relating to the Chañares Concession

With reference to the bidding documents of the Bidding Process, the oil production of the Chañares Concession is presented as follows:

	For the year ended 31 December			
	2016	**2017**	**2018**	**2019**
Volume of crude oil produced from the Chañares Concession (cubic meter)	108,413	84,874	74,139	67,480
Volume of crude oil produced from the Chañares Concession (barrels)	681,896	533,840	466,319	424,436

Note: Assuming 1 cubic meter of oil = 6.2898 barrels of oil.

According to the information obtained from the Secretariat of Energy of Argentina, during the three years ended 31 December 2019, the crude oil production attributable to the Chañares Concession was approximately 1,463 bbl/d, 1,278 bbl/d and 1,163 bbl/d, respectively.

(4) Development Plan on the Chañares Concession

With the ample "Proved" and "Probable" recoverable volume carrying great amounts of value and the Capital Investment Commitment as required under the Bid, the Company intends to continue the operation of the 39 producing wells and has identified 8 wells which are currently out of production and require repair of the rod pumps for initial pulling jobs in order to resume production for the "Proved Developed" oil recoverable volumes. Further, the Company intends to improve the production of 10 wells, 6 of which are currently producing by reperforating productive zones and are considered "Proved" oil recoverable volume, and 4 of which by adding new zones and are considered "Probable" oil recoverable volume. Meanwhile, 3 new wells will be drilled, one each year from 2021 to 2023, which are categorized as "Proved" oil recoverable volume. Such wells are planned to be drilled to 11,800 feet in depth to reach the Victor Gris sandstones, the deepest known reservoir in the Chañares Concession. For "Probable" oil recoverable volume, the Company intends to drill two new wells in 2022 and 2023.

In addition, the Development Plan also contemplates the investment for replacement or modifications of field surface pipelines and the revamping of the treatment plants and environmental projects.

Set out below is a summary of the Development Plan and the related capital expenditure:

Job descriptions under the Development Plan	**Development capital expenditure for "Proved" recoverable volume (approximately)**		**Development capital expenditure for "Probable" recoverable volume (approximately)**	
	US$'000	***HK$ million***	***US$'000***	***HK$ million***
New Wells (3 for "Proved" and 2 for "Probable")	16,041	125.1	10,694	83.4
10 Workover jobs (6 for "Proved" and 4 for "Probable")	1,860	14.5	1,240	9.7
8 initial pulling jobs	603	4.7	—	—
Facilities and pipeline investments	1,500	11.7	—	—
Environmental projects	360	2.8	—	—
Total	**20,364**	**158.8**	**11,934**	**93.1**

At the Latest Practicable Date, except for the Capital Investment Commitment under the Bid, there is no contract or other arrangement entered into by the Company pursuant to which the Company is obligated to make any future capital investment or commitment amount over the Petroleum Assets. The Capital Investment Commitment will be financed by the internal resources of the Group and the surplus funds to be generated from the oil production operation in the Chañares Concession assuming the Group won the Bid and becomes the concessionaire of the Chañares Concession and operates on the concession according to the Development Plan.

The Company considers the above Development Plan to be appropriate and will allow the operation of the Petroleum Assets to be commercially viable and more competitive. Any further material updates or changes to the Development Plan on the Petroleum Assets will be disclosed to the Shareholders in accordance with the Listing Rules.

Set out below is the expected capital expenditure on the Chañares Concession in the coming years on the "Proved" and "Probable" recoverable volumes respectively:

Year	Development capital expenditure for "Proved" recoverable volume (approximately)		Development capital expenditure for "Probable" recoverable volume (approximately)		Development capital expenditure for "Proved" plus "Probable" recoverable volume (approximately)	
	US$'000	*HK$ million*	*US$'000*	*HK$ million*	*US$'000*	*HK$ million*
	A	**B**	**C**	**D**	**E = A + C**	**F = B + D**
2020	1,603	12.50	—	—	1,603	12.50
2021	6,467	50.45	—	—	6,467	50.45
2022	6,327	49.35	5,347	41.71	11,674	91.06
2023	5,967	46.54	5,347	41.71	11,314	88.25
2024	—	—	620	4.83	620	4.83
2025	—	—	620	4.83	620	4.83
	20,364	158.84	11,934	93.08	32,298	251.92

It is expected that the Capital Investment Commitment will be financed from the cashflow generated from the Chañares Concession and the internal resources of the Group.

2. NO MATERIAL ADVERSE CHANGE

No material adverse changes have occurred from the date of the Competent Person's Report being 28 February 2020 up to the Latest Practicable Date.

3. NO LEGAL CLAIMS OR PROCEEDINGS

As disclosed in the announcements of the Company dated 24 May 2019 and 18 June 2019, the Company was notified by Chañares that the Executive of the Mendoza Province has issued a decree (the "**Decree**") in respect of the termination of the CHE Concession as Chañares has not fulfilled its investment commitment, without stating an effective date of termination. The Company has clarified with its legal adviser in Argentina (the "**Local Legal Adviser**") as to the contents of the Decree and has been advised that it is stated in the Decree that the CHE Concession should now be made available for other investors to invest and operate under the Bidding Process, and that before the successful bidder takes over the 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. The interpretation of the Local Legal Adviser for these statements in the Decree is that Chañares is allowed to continue operating the oilfield until a new concessionaire takes over, and that during such period, Chañares 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 Chañares is allowed to extract and sell oil. Based on the understanding of the

Company, Chañares continues to operate in the CHE Concession and has continued to send to the Group the daily production reports which contains daily production and sales quantity, and monthly report which contains production and sales quantity, selling price, sales revenue and operating expenses for calculating the profit sharing between the Group and Chañares under the Operation Agreement entered into between the relevant parties on 5 June 2012. The Group was notified by Chañares that it has taken several legal actions in order to protect its rights in the CHE Concession, including action to reverse the decision under the Decree in respect of the termination of the CHE Concession. At the Latest Practicable Date, the Company has not been informed by Chañares whether a judgement has been handed down.

4. OTHER MATTERS CONCERNING THE PETROLEUM ASSETS

(1) Brief industry overview

Argentina has a long history of oil and gas production dating back to the start of the 20th century, with the first discovery being made in 1907. The country currently produces a little over 500 Mbpd of oil, and just over 4,000 million standard cubic feet per day ("**MMscfd**") of gas. This represents around 75% of domestic oil consumption and 85% of domestic gas consumption. Gas imports include approximately 500 MMscfd from Bolivia, and there is liquefied natural gas regasification capacity of 800 MMscfd when required to cope with seasonal demand.

As is the case with many countries, hydrocarbons are a strategic resource and control over access has therefore been the subject of significant political involvement over the years. The state majority-owned oil company, Yacimientos Petrolíferos Fiscales, is by far the largest exploration and production sector player in the country, although there are more than fifty other oil and gas companies, ranging from super majors to small and medium size local or international players. The appointment of the President Fernandez in December 2019 showed the continuity of the general policy of the previous government with the extension of the latest regulations issued by the former President Macri, the most significant of which are the currency controls and a special tax for commodities export, including oil. The main concern of the current government is the renegotiation of the external sovereign debt with the International Monetary Fund (IMF) and private sector in order to create conditions that will allow a new economic program that reduces inflation and reactivates the national economy.

As a result of its political and financial situation, Argentina is subject to several risk factors. High inflation, a large deficit and debt service obligations, high unemployment, relationships with the unions, and a tax increase on the private sector are all adding to the challenges of managing the economy.

Argentina has a long history of oil and gas production. The combination of the foregoing factors as they exist now or may exist again in the future, that have resulted in cycles of negative and pro-industry taxation and regulatory reform, is one of the main risks associated with investment in the exploration and production sector.

On the upside, the conditions for onshore operations are (mostly) benign and, while costs are perhaps high (relative to these conditions), this offers an opportunity for significant cost improvement if the political and economic factors do not interfere.

(2) Environmental and social issues

As set out in the Competent Person's Report, the Competent Person is unaware of any oil spills or hazardous environmental conditions in the Chañares Concession identified during the field examination of the oil and gas properties in the Chañares Concession conducted by the Competent Person.

(3) Non-compliance incidents with Argentina laws, regulations and permits which may have a material adverse impact

So far as the Directors are aware, there were no non-compliance incidents with the Argentina laws, regulations and permits which may have a material adverse impact on the operations and exploration activities in relation to the Petroleum Assets at the Latest Practicable Date.

(4) Key risks identified in relation to the Chañares Concession and/or the Proposed Transaction

The Directors consider the following risks and other factors to be material for the Shareholders and potential investors of the Company in relation to the Chañares Concession and/or the Proposed Transaction. However, the risks listed below do not purport to comprise all those risks associated with the Chañares Concession or the Proposed Transaction and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or that the Directors currently deem to be immaterial may also have an adverse effect on the Petroleum Assets or the Proposed Transaction.

1. *Risks relating to the oil industry in Argentina*

Fluctuations in crude oil prices

The operating results of the Chañares Concession are sensitive to the volatility in crude oil prices, which is affected by a wider range of factors, including but not limited to the global and domestic political, economic and military circumstances, the price and availability of other energy sources, the costs of exploring for, developing, producing and transporting crude oil, etc., which are beyond control of the Company.

Extended periods of low crude oil prices may have a material adverse impact on the financial performance of the Chañares Concession and the Group. There is no assurance that demand for oil and related products will grow, or that the demand for oil and related products will not experience excess supply.

Operational risks, hazards and unexpected disruptions

The continuous operations of the Chañares Concession are subject to a number of operational risks and hazards, such as fires, natural disasters, industrial accidents, unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions, power or fuel supply interruptions, malfunction and breakdowns of information management systems, depreciation and breakdowns of critical facilities and equipment, usual or unexpected variations in exploration, geological or production conditions, loss of well control, volatility in transportation costs, etc. These risks and hazards may result in personal injury, environmental damage, damage in business reputation and corporate image, destruction of properties or production facilities, interruption of business, delay in product delivery and may be subject to extensive legal liability to the Company and its Directors and/or officers to extensive legal liability. In the event that any of the above issues happens, the Company's results of operations and financial condition could be seriously affected.

Fluctuations in foreign currency exchange rate

The Enlarged Group will generate revenue from the operation of the Chañares Concession in ARS through the sales of the hydrocarbons from the Petroleum Assets and the majority of capital and operating costs in relation to the Chañares Concession are based on US$ and converted into ARS for payments. Any surplus funds in ARS are converted into US$ and will be remitted back to Hong Kong. The effect of currency exchange fluctuations is impossible to predict with any degree of certainty. As a result, the Enlarged Group's financial position and results may be affected by the exchange rate fluctuations among the currencies.

The Group currently does not have a formal foreign currency hedging policy for ARS, however, the management regularly monitors the foreign exchange exposure of ARS and will undertake appropriate hedging measures should significant exposures arise.

2. *Risks relating to the operation of the Chañares Concession*

Uncertainties of reserves estimations and production projections

As stated in the Competent Person's Report, the future recoverable volume assessment and valuation of the Chañares Concession have inherent associated risks due to indirect measurement of the quantities and qualities of the recoverable volumes, such as risks relating to geological uncertainty, operator capability, social and environment liabilities, etc. Estimates of the recoverable volumes may change significantly when new information becomes available or new uncertainties arise.

There is also a risk that the existing wells in operation and the new wells to be drilled in the Chañares Herrados area may not yield oil in quantities sufficient to meet the target rate of return as projected in the Competent Person's Report. The Group's business, prospects, financial condition and results of operations may not be as optimum as stated in the Competent Person's Report.

Additional capital investment

Operating the Chañares Concession requires substantial and continuous capital investment. Even though the Petroleum Assets are expected to generate sufficient cash flows to satisfy all of its operational requirements, it may be required to finance part of its cash needs through alternate means. In addition, although the Directors believe that the Company will be able to meet the Capital Investment Commitment under the Bidding Process and will take into account financing requirements in considering and approving new capital investments, there is no assurance that funding for the Company's future capital investment requirements will necessarily be available on time or on favourable terms. Therefore, the actual capital investment for operation and development of the Chañares Concession may exceed the Group's original budgets because of factors beyond control. Possible future fund raising activities (when required) to fund such capital investments may cause a dilution effect on the shareholding interest of the Shareholders, incur finance cost and/or limit the Company's ability to pay dividends.

Changes or delay to develop as drilling plans scheduled

The future profitability of the Chañares Concession is dependent on its ability to successfully implement its Development Plan as scheduled, which in turn depends on a number of factors including, among others, the objective circumstances of the production sites and the government regulations including regulations relating to prices, taxes, royalties, land use, importing and exporting of crude oil and environmental protection. Although the Development Plan is prudently made and is believed to be feasible, the construction works and equipment upgrades conducted in reality may not be completed as originally planned or scheduled, and may not achieve the economic results or commercial viability as intended. Any adverse changes in economic, political and social conditions as well as governmental policies may result in changes or delay of the development of the Chañares Concession and may adversely affect the overall proceeds of the Company.

Failure to maintain various permits or satisfy administrative requirements

There are certain permits which have been obtained by the Group in relation to the exploration and exploitation activities of the Chañares Concession pursuant to the schedules to the development plan. Theses permits are subject to renewal, modification and revocation from time to time after the Proposed Transaction. If the

Company failed to obtain or renew or to procure to obtain or renew such permits on a timely basis, the Company may be subject to fines or be prohibited from continuing operations of the relevant oil field, which could in turn exert an adverse impact on the Company's results of operations.

Risks relating to ongoing disputes regarding the Chañares Concession and the Bidding Process

As disclosed in the announcements of the Company dated 24 May 2019 and 18 June 2019, the Company was notified by Chañares that the Executive of the Mendoza Province has issued the Decree in respect of the termination of the Chañares Concession as Chañares has not fulfilled its investment commitment, without stating an effective date of termination. The Company understands that Chañares continues to operate in the Chañares Concession and has taken several legal actions in order to protect its rights in the Chañares Concession, including action to reverse the decision under the Decree in respect of the Chañares Concession, at both the national and provincial levels. At the Latest Practicable Date, the Company has not been informed by Chañares whether a judgement has been handed down.

The Company has taken legal advice from the Local Legal Advisor who opined on, among others, the following matters:

(a) If the Bidding Process is turned down as a consequence of a court decision before the award is decided under the Bidding Process and officially published, none of the bidders will be entitled to any kind of claims against the Mendoza Government.

(b) If Chañares obtains a final ruling only bringing down the termination of the Chañares Concession, the Bid may stay valid but in such scenario it is possible that the Mendoza Province will bring down the Bid if a new concessionaire is not yet in the area, as a damage control measure. If a new concessionaire is already in the area at that time, there is a low chance that it will be removed from the area because in principle it will probably start legal action against the Province to keep its right and will be entitled to damages.

(c) The Mendoza Province is the original owner of hydrocarbons resources located in the Province and is legally entitled to decide the termination of exploitation concessions in case of default on concessionaire's obligations.

In light of the above, there is a likelihood that the Bidding Process may be terminated or if it is allowed to proceed and the Company wins the Bid, the Company's entitlement to the Chañares Concession may be challenged or affected. In such cases, the Group's petroleum business operations may be materially and adversely affected.

Risks relating to termination of the Chañares Concession by the Mendoza Province

During the term of the Chañares Concession held by Chañares, the Mendoza Province has, by way of the Decree, terminated the Chañares Concession without an effective termination date and while Chañares are still operating in the area. The Company's Argentina Legal Advisor has opined that the Mendoza Province is the original owner of hydrocarbons resources located in the Province, and is legally entitled to decide the termination of exploitation concessions in cases of default on concessionaire's obligations, which as stated by the Decree 1101, is the case for Chañares. The Mendoza Province issued the Decree terminating the Chañares Concession on the ground that Chañares has not fulfilled its investment commitment. There is therefore no assurance that the Mendoza Province will not terminate the Chañares Concession in the future if the Company wins the Bid, in particular if the Company does not fulfil its investment commitment to be submitted with the Bid. In such cases, the Company's petroleum operations may be materially and adversely affected.

Risks relating to failure by the Hydrocarbons Department of Mendoza Province or Government of Mendoza Province to repossess the concession

According to the Bid schedule as set out in Circular #6 issued by the Hydrocarbons Department of Mendoza Province, the formal delivery of the area to the new concessionaire will occur between 25 June 2020 and 2 July 2020, i.e., one or two months after the award Decree is passed. The Company understands that such period of time will be used to coordinate the replacement of Chañares by the new concessionaire in the area. In light of the legal actions taken by Chañares, it may be possible that Chañares may refuse to leave the area. If the Hydrocarbons Department of Mendoza Province or Government of Mendoza Province fails to repossess the concession and deliver the area to the Company on schedule or at all, the Company will need to take a legal action to protect its position. In such circumstances, the Company's petroleum operations may be materially and adversely affected.

(5) Tax payment in relation to the Petroleum Assets

According to National Law 17,329 of Argentina, royalty payable to the Government of Mendoza Province is at 12% on the revenue of crude oil production, while the provincial tax payable to the Government of Mendoza Province is at 3% on the revenue of crude oil production. The corporate income tax payable to the National Government of Argentina according to National Law 27,541 of Argentina is at 30% for year 2020 and 2021 and thereafter at 25% on taxable income. In addition, a value-added tax is payable to the National Government of Argentina at 21%.

The following is the text of a report from Asian Alliance (HK) CPA Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this Circular.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF EPI (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of EPI (Holdings) Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2019 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-6 to III-9 of the circular issued by the Company dated 12 March 2020 (the "**Circular**") in connection with the proposed acquisition of the hydrocarbons exploitation concession rights in the Chañares Herrados area upon the successful winning of the bid offer to be submitted by the Group under the formal bidding process held by the Hydrocarbons Department of Mendoza Province (the "**Proposed Transaction**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-7 and III-9 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Transaction on the Group's assets and liabilities as at 30 June 2019 as if the Proposed Transaction had taken place at 30 June 2019. As part of this process, information about the Group's assets and liabilities as at 30 June 2019, has been extracted by the Directors from the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 dated 29 August 2019, on which the interim report of the Company for the six months ended 30 June 2019 has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Transaction on unadjusted financial information of the Group as if the Proposed Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Proposed Transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Lam Chik Tong
Practising Certificate Number: P05612

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

12 March 2020

INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative unaudited pro forma statement of assets and liabilities of EPI (Holdings) Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as at 30 June 2019 (the "**Unaudited Pro Forma Financial Information**") regarding the proposed acquisition of the hydrocarbons exploitation concession rights in the Chañares Herrados area (the "**Chañares Concession**") upon the successful winning of the bid offer to be submitted by the Group under the formal bidding process held by the Hydrocarbons Department of Mendoza Province (the "**Proposed Transaction**") (hereinafter collectively referred to as the "**Enlarged Group**"). The Unaudited Pro Forma Financial Information is prepared to illustrate the effects of the Proposed Transaction on the consolidated statement of assets and liabilities of the Group as if the Proposed Transaction have taken place on 30 June 2019. At the Latest Practicable Date, since the directors of the Company (the "**Directors**") consider that the consideration under the bidding process cannot be determined reliably, two scenarios are presented:

- Scenario (1): Assuming that the minimum amount of the Proposed Transaction is US$25,000,000 (equivalent to approximately HK$195,000,000) (the "**Minimum Amount**"), which comprises (i) initial upfront payment of US$5,000,000 (equivalent to approximately HK$39,000,000) (the "**Minimum Upfront Payment**") and (ii) capital investment commitment of US$20,000,000 (equivalent to approximately HK$156,000,000) (the "**Minimum Capital Investment Commitment**"); and

- Scenario (2): Assuming that the maximum amount of the Proposed Transaction is US$45,000,000 (equivalent to approximately HK$351,000,000) (the "**Maximum Amount**"), which comprises (i) initial upfront payment of US$12,700,000 (equivalent to approximately HK$99,060,000) (the "**Maximum Upfront Payment**") and (ii) capital investment commitment of US$32,300,000 (equivalent to approximately HK$251,940,000) (the "**Maximum Capital Investment Commitment**").

For the purpose of the Unaudited Pro Forma Financial Information, the Directors have made reference to factors including an internal assessment on the valuation of the Chañares Concession after considering various scenario analyses of the valuation prepared by Gaffney, Cline & Associate ("**GCA**"), the Competent Person and Competent Evaluator, in Competent Person's Report and Valuation Report in Appendix IV, to calculate the Minimum Capital Investment Commitment and the Maximum Capital Investment Commitment of the Proposed Transaction.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of illustrating the effect of the Proposed Transaction pursuant to the terms of the bid offer for the Chañares Concession to be submitted by the Group under the formal bidding process held by the

Hydrocarbons Department of Mendoza Province in relation to the exploitation concession rights of the Chañares Concession (the "**Bid**"). Details of the Bid are set out in the Letter from the Board contained in this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the Group's published interim report for the six months ended 30 June 2019 dated 29 August 2019 and adjusted on a pro forma basis to reflect the effect of the Proposed Transaction. A narrative description on these pro forma adjustments that are (i) directly attributable to the Proposed Transaction and not relating to future events and decisions; and (ii) factually supportable based on the terms of the Bid.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group. The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual assets and liabilities of the Enlarged Group that would have been attained had the Proposed Transaction been completed on 30 June 2019 nor purport to predict the future assets and liabilities of the Enlarged Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with (i) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 dated 29 August 2019 and (ii) other financial information included elsewhere in this Circular.

For the purpose of presenting the Unaudited Pro Forma Financial Information, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2019 is translated at the exchange rate of US$1 = HK$7.8.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Scenario 1 — The Minimum Amount of the Proposed Transaction

	Unaudited Consolidated Statement of Assets and Liabilities of the Group as at 30 June 2019 *HK$'000* *(Note 1)*	Pro forma adjustments *HK$'000*	Notes	Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group *HK$'000*
NON-CURRENT ASSETS				
Exploration and evaluation assets	—	39,000	*2*	39,000
Property, plant and equipment	30,658	156,000	*3*	186,658
Right-of-use assets	5,668			5,668
Debt instruments at fair value through other comprehensive income	136,800			136,800
Deposits paid for petroleum exploration and production operation	—	15,600	*4*	15,600
Loan and interest receivables	6,821			6,821
Other tax recoverable	187			187
	180,134			390,734
CURRENT ASSETS				
Debt instruments at fair value through other comprehensive income	3,172			3,172
Loan and interest receivables	245,195			245,195
Trade and other receivables and prepayments	10,295			10,295
Other tax recoverable	884			884
Financial assets at fair value through profit or loss	49,172			49,172
Bank balances and cash	79,613	(54,600)	*5*	25,013
	388,331			333,731
CURRENT LIABILITIES				
Trade and other payables	14,599	156,000	*6*	170,599
Income tax payables	5,195			5,195
Lease liabilities	4,099			4,099
	23,893			179,893
NET CURRENT ASSETS	364,438			153,838
TOTAL ASSETS LESS CURRENT LIABILITIES	544,572			544,572
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2			2
Lease liabilities	1,638			1,638
	1,640			1,640
NET ASSETS	542,932			542,932

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. For the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities, the balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Company for the six months ended 30 June 2019 dated 29 August 2019.

2. The exploration and evaluation assets to be acquired pursuant to the Proposed Transaction are measured at the fair value of Minimum Upfront Payment of US$5,000,000 (equivalent to approximately HK$39,000,000).

3. The property, plant and equipment to be acquired pursuant to the Proposed Transaction are measured at the fair value of Minimum Capital Investment Commitment as detailed in the introduction of this pro forma financial information. The fair value of the Minimum Capital Investment Commitment is determined as set out in note 6 below.

4. The deposit paid for petroleum exploration and production operation representing 10% of the Minimum Capital Investment Commitment of US$2,000,000 (equivalent to approximately HK$15,600,000) which will be returned to the Company in accordance to the terms of the Bid.

5. The adjustment to bank balances and cash represents the cash outflow of US$7,000,000 (equivalent to approximately HK$54,600,000), which represents the Minimum Upfront Payment of US$5,000,000 (equivalent to approximately HK$39,000,000) and the deposit paid for petroleum exploration and production operation representing 10% of the Minimum Capital Investment Commitment of US$2,000,000 (equivalent to approximately HK$15,600,000).

6. The adjustment to trade and other payables represents the Minimum Capital Investment Commitment on initial recognition amounted to US$20,000,000 (equivalent to approximately HK$156,000,000).

7. The fair value of the Minimum Amount at the date of completion of the Proposed Transaction may be different from its fair value used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities as presented above. In such circumstances, the actual assets and liabilities of the Enlarged Group resulting from the Proposed Transaction may be different from the assets and liabilities shown in this Appendix.

8. Saved as aforesaid, no other adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2019.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Scenario 2 — The Maximum Amount of the Proposed Transaction

	Unaudited Consolidated Statement of Assets and Liabilities of the Group as at 30 June 2019 *HK$'000* *(Note 1)*	Pro forma adjustments *HK$'000*	Notes	Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group *HK$'000*
NON-CURRENT ASSETS				
Exploration and evaluation assets	—	99,060	*2*	99,060
Property, plant and equipment	30,658	251,940	*3*	282,598
Right-of-use assets	5,668			5,668
Debt instruments at fair value through other comprehensive income	136,800			136,800
Deposit paid for petroleum exploration and production operation	—	25,194	*4*	25,194
Loan and interest receivables	6,821			6,821
Other tax recoverable	187			187
	180,134			556,328
CURRENT ASSETS				
Debt instruments at fair value through other comprehensive income	3,172			3,172
Loan and interest receivables	245,195			245,195
Trade and other receivables and prepayments	10,295			10,295
Other tax recoverable	884			884
Financial assets at fair value through profit or loss	49,172			49,172
Bank balances and cash	79,613	(79,613)	*5*	—
	388,331			308,718
CURRENT LIABILITIES				
Trade and other payables	14,599	296,581	*5, 6*	311,180
Income tax payables	5,195			5,195
Lease liabilities	4,099			4,099
	23,893			320,474
NET CURRENT ASSETS (LIABILITIES)	364,438			(11,756)
TOTAL ASSETS LESS CURRENT LIABILITIES	544,572			544,572
NON-CURRENT LIABILITIES				
Deferred tax liabilities	2			2
Lease liabilities	1,638			1,638
	1,640			1,640
NET ASSETS	542,932			542,932

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. For the purpose of preparation of the unaudited pro forma consolidated statement of assets and liabilities, the balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Company for the six months ended 30 June 2019 dated 29 August 2019.

2. The exploration and evaluation assets to be acquired pursuant to the Proposed Transaction are measured at the fair value of Maximum Upfront Payment of US$12,700,000 (equivalent to approximately HK$99,060,000).

3. The property, plant and equipment to be acquired pursuant to the Proposed Transaction are measured at the fair value of Maximum Capital Investment Commitment as detailed in the introduction of this pro forma financial information. The fair value of the Maximum Capital Investment Commitment is determined as set out in note 6 below.

4. The deposit paid for petroleum exploration and production operation representing 10% of the Maximum Capital Investment Commitment of US$3,230,000 (equivalent to approximately HK$25,194,000) which will be returned to the Company in accordance to the terms of the Bid.

5. The adjustment to bank balances and cash represents the cash outflow of US$15,930,000 (equivalent to approximately HK$124,254,000), which represents the Maximum Upfront Payment of US$12,700,000 (equivalent to approximately HK$99,060,000) and the deposit paid for petroleum exploration and production operation representing 10% of the Maximum Capital Investment Commitment of US$3,230,000 (equivalent to approximately HK$25,194,000) above.

   For the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, the pro forma adjustments result in a shortfall of cash for satisfying the cash payment of US$15,930,000 (equivalent to approximately HK$124,254,000) mentioned above amounting to HK$44,641,000 at 30 June 2019 and is shown as an increase in trade and other payables as the Group does not have bank borrowing facilities.

6. The adjustment to trade and other payables represents the Maximum Capital Investment Commitment on initial recognition amounted to US$32,300,000 (equivalent to approximately HK$251,940,000).

7. The fair value of the Maximum Amount at the date of completion of the Proposed Transaction may be different from its fair value used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities as presented above. In such circumstances, the actual assets and liabilities of the Enlarged Group resulting from the Proposed Transaction may be different from the assets and liabilities shown in this Appendix.

8. Saved as aforesaid, no other adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2019.

Gaffney,
Cline &
Associates

Competent Person's Report on Chañares Herrados Concession in Argentina

Using Data as of December 31, 2019

With Projections from June 1, 2020

Prepared for

EPI (Holdings) Limited

February 28, 2020

www.gaffney-cline.com

Gaffney,
Cline &
Associates

Table of Contents

List of Figures

List of Tables

Gaffney,
Cline &
Associates

Appendices

Gaffney,
Cline &
Associates

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February 28, 2020

The Directors
EPI (Holdings) Limited
Room 3203, 32nd Floor, China Resources Building
26 Harbour Road,
Wanchai,
Hong Kong

Dear Sirs,

Introduction

At the request of EPI (Holdings) Limited (EPI or the "Client"), Gaffney, Cline & Associates (GCA) has prepared a Competent Person's Report (CPR) for the Chañares Herrados Concession, located in Argentina, as at an Effective Date of June 1, 2020.

The entire interest in the Chañares Herrados Concession is currently held by the Province of Mendoza of Argentina. It is being operated by the former concessionaire "Chañares Herrados SA", a subsidiary of the Argentine company Medanito Holdings.

On September 6, 2019, the government of Mendoza Province initiated a bidding process to grant an exploitation concession for 25 years from June 1, 2020 to May 31, 2045. Later, in February 27 2020, the government of Mendoza announced that offers must be submitted by April 1, 2020, following which the province will select the new concessionaire and announce the winner between April 30 and May 12, 2020. The government of Mendoza estimates that the Decree to formally grant the new concession will be issued between May 12 and June 11, 2020, with the transfer of the Concession to the new operator between June 25 and July 2, 2020. GCA understands that EPI intends to make an offer to acquire a 100% working interest in the new concession contract. Because the effective date is not yet defined, GCA has assumed date of June 1, 2020 for this assessment.

Based on the above criteria, GCA has prepared this CPR at EPI's request using data available as of December 31, 2019, but with forecasts of future expenditures and oil recovery from June 1, 2020 in order to estimate a range of net present values for the concession, should EPI be the successful bidder, from that date. **GCA reserves the right to update this CPR if information becomes available from the date of this report until June 1, 2020 that would result in a material change in stated results.**

This CPR has been prepared to be presented to the Stock Exchange of Hong Kong Limited (HKEx) where EPI is listed because this transaction will constitute a Very Substantial Transaction. The CPR must only be used for that purpose.

Because the petroleum rights of the concession presently belong to the Mendoza Province, it is not possible to designate the estimated recoverable volumes as reserves or resources to the entitlement of EPI. Instead, GCA has used the definitions and guidelines set out in the Petroleum Resources Management System (PRMS)[1] to establish relevant confidence criteria. The recoverable volumes reported in this CPR are based on the development plan provided to GCA by EPI and on the understanding that EPI intends to carry out such development if it is successful in its bid to acquire a 100% working interest in Chañares Herrados Concession. The reserves terminology used in this CPR is merely for convenience and should not be taken to imply that EPI presently has any "reserves" associated with the Chañares Herrados Concession. For this reason, the reserves terms are included in quotes.

In order to estimate the starting position as of June 1, 2020 for the Chañares Herrados Concession, GCA used production data until December 31, 2019 and projected the decline of that production for the first five months of 2020. In making that assessment, GCA has assumed, as advised by EPI, that there will be no development activity in the Concession by the current operator who is acting as a caretaker of current production until a new concessionaire is selected.

The assessment has been conducted on the basis of a data set of technical information made available to GCA by EPI through January 31, 2020, including details of interpretations and technical reports, historical production and engineering data, cost and commercial data.

This report relates specifically and solely to the subject matter as defined in the scope of work, as set out herein, and is conditional upon the specified assumptions. It must be considered in its entirety.

A glossary of abbreviations used in this report is contained in Appendix II.

[1] The PRMS was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists and Engineers in June 2018, Version 1.01 (an abbreviated form is included as Appendix I).

Basis of Opinion

This document reflects GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client and/or obtained from other sources (e.g., public domain), the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by, or at the direction of, the Client and/or obtained from other sources (e.g., public domain), and has accepted the accuracy and completeness of this data. GCA has no reason to believe that any material facts have been withheld, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report, GCA has used definitions contained within the Petroleum Resources Management System (PRMS), see Appendix I, to be compliant with the terms of Chapter 18 and Appendix 25 of the Rules governing the listing of Securities on the Stock Exchange of Hong Kong Limited (see Appendix III).

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resources estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resources estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil volumes are reported in millions (10^6) of barrels at stock tank conditions (MMBbl). Standard conditions are defined as 14.7 psia and 60°F.

Definition of Reserves and Resources

Although it is not possible to assign Reserves under this assessment (EPI presently has no interest in the Chañares Herrados Concession), GCA has used the PRMS definitions to derive relevant confidence levels for future production. We therefore include the following comments about reserves, which generally apply to the volumes reported in this CPR.

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce, or a revenue interest in, the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of recoverable volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis.

This report has been prepared based on GCA's understanding of the effects of petroleum legislation and other regulations that are expected to apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties).

GCA has undertaken a site visit to the Chañares Herrados field. GCA's visit was undertaken to examine the facilities and operations, and to assess their condition and state of operability. GCA does not warrant they are in compliance with any applicable regulations in terms of standards, rating, health, safety, and environment.

Qualifications

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with EPI. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

Staff members who prepared this report are professionally qualified with appropriate educational qualifications and levels of experience and expertise to perform the work.

Summary

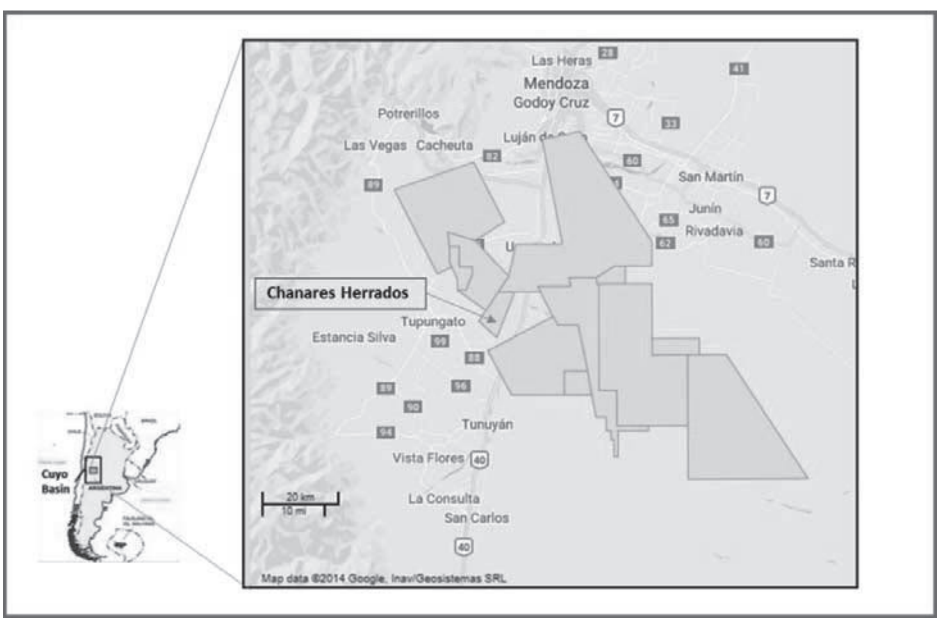
Overview

GCA has prepared this CPR using data provided by EPI, which were obtained from the Province of Mendoza. As noted below, there were limitations on the data that were made available.

The Chañares Herrados Concession is located in the Cuyana Basin of Argentina (Figure 1). The oil field was discovered in 1961 and according to the data package made available by the Mendoza Province and the monthly production report named "Capitulo IV December, 2019", available in the web page of the National Secretary of Energy of Argentina [2], the block has a total of 83 wells drilled. Among those, 39 wells were producing at December 31, 2019; 26 were non-producing wells and 18 were abandoned wells. The Concession covers 10,028 acres.

For this technical assessment, GCA used the production history of oil and water of the 60 productive wells, of which only 39 classified as producing as of December 31, 2019. No information was provided about historical gas production and GCA has not included any forecast of future gas production or sales in this CPR. The current gas production is not for commercial purpose. The cumulative production at December 31, 2019 was 20.9 million barrels of oil and 28.8 million barrels of water. The daily flow rates were 1,220 bopd and 3,336 bwpd.

Figure 1: Location of Chañares Herrados



Source: sig.se.gob.ar (web page Ministry of Energy, Argentina)

[2] https://www.se.gob.ar/energia/hidrocarburos/produccion-de-petroleo-y-gas

GCA conducted this assessment on the understanding that EPI intends to participate in the bidding process opened by Mendoza Province to grant a new concession for the further development of the Chañares Herrados field. The bidding documents available to GCA state that the concession will be awarded to the bidder that offers:

1. An initial payment which is not less than US$ 5 million, to be paid within 30 calendar days after the Effective Date.
2. A basic royalty of 12% plus an additional royalty to be offered by the bidder, payable in cash or kind to the province, as a percentage of production.
3. A minimum commitment, which is not less than US$ 20 million.

GCA has addressed these criteria in the economic analysis, as follows:

1. The minimum initial payment of US$ 5 million is included as an up-front payment. It is not depreciated and therefore has no impact on future taxes. Any additional initial payment that EPI intends to offer would be a straight deduction from the net present values and valuation ranges quoted in this CPR.
2. The base case analysis does not include any additional royalty payments. GCA has included economic sensitivities to additional royalties of 1%, 2% and 3%. The additional royalties are treated as being paid in kind, i.e., as deductions to volumes.
3. The investment plan provided by EPI to GCA exceeds US$20 million.

The bidding document also defines an extraordinary royalty payable whenever the oil price exceeds US$65/Bbl, which GCA has included in its analysis.

Because as of the date of this report the values for any additional initial payment or royalty payments to be offered by EPI remain confidential, GCA's base case analysis uses the minimum bonus of US$5 million and no additional royalties.

Recoverable Volumes - Summary for the Base Case

The recoverable oil volumes attributable to the Chañares Herrados Concession based on EPI's declared development plan are shown in Table 1. They assume that EPI is awarded a 100% working interest in the concession as of June 1, 2020 and the terms above and the fiscal terms set out in Section 4 apply. They also assume that there is no significant change in the projected production from the existing wells between December 31, 2019 and June 1, 2020.

The confidence criteria used for these volumes are the same as the guidelines of the PRMS for reserves and are therefore termed "Proved Developed", "Proved Undeveloped", and "Probable".

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Table 1: Recoverable Volumes Summary
Chañares Herrados Concession, as of June 1, 2020

Equivalent Confidence Categories	Gross (100%) Concession Oil Volumes (million Bbl)	Net Revenue Interest Oil Volumes (million Bbl)
"Proved"		
Developed	3.09	2.72
Undeveloped	0.72	0.64
Total "Proved"	**3.81**	**3.36**
"Probable"	0.99	0.87
"Proved plus Probable"	**4.80**	**4.23**

Notes

1. Gross (100%) concession volumes are 100% of the volumes estimated to be commercially recoverable from the concession under the intended development plan.
2. Net Revenue Interest volumes are the volumes net of 12% royalty to be recoverable in the event that EPI is awarded a 100% interest in the concession exploitation rights as of June 1, 2020 and the intended plan is executed.
3. Net Revenue Interest volumes were not reduced for additional royalties that EPI may offer in the bid. The volume reductions for any additional royalty that might be offered are shown in the sensitivity analysis in Tables 6 and 8.
4. The volumes reported are estimated to be produced from June 1, 2020 through the expected end of the new concession to be granted, taken as May 31, 2045, or the economic limit, whichever comes first.

Net Present Value (NPV) of Volumes

Pre-tax and post-tax NPVs using a range of discount rates were estimated for the equivalent "Proved" and the "Proved plus Probable" Recoverable Volume cases, discounted to June 1, 2020 on a mid-period basis.

The assessment was based upon GCA's understanding of the fiscal and contractual terms that will govern the new concession contract as described herein. The base case NPVs quoted refer to a 100% working interest and 88% net revenue interest in the concession.

The proposed concession is a tax/royalty fiscal regime. Revenues are subject to a 12% royalty and a 3% sales tax ("IIBB"). Corporate income tax is 30% in 2020 and 2021 according to Argentine national Law 27541 and 25% afterwards, according to the Argentine national Law 27430.

The NPV analysis is for the Chañares Herrados Concession only and does not include any corporate considerations or withholding taxes.

GCA's Brent crude oil price scenario for 1Q 2020 has been used as the reference oil price. These prices were adjusted by a discount of US$7.00/Bbl for the quality of the Chañares Herrados crude oil based on information provided by EPI (Table 2) and a discount of 8% for the application of the export tax until year 2045. Prices in June 2020, and the outlook for future prices, may be different.

Table 2: Oil Price Scenario as of December 31, 2019

Year	GCA's Oil Price Scenario	Price Discounted for Quality and Export Tax
	Brent (US$/Bbl)	For Chañares Herrados (US$/Bbl)
2H 2020	63.38	51.87
2021	64.50	52.90
2022	67.25	55.43
2023	70.00	57.96
2024	71.40	59.25
Thereafter	+2.0% p.a.	+2.2% p.a.

Notes:

1. The rate applied for export tax from 2020 to 2045 is 8% of the reference Brent price. The discount for quality considered is US$7.00/Bbl.

2. The Price for Chañares Herrados increase by 2.2% from 2025 onwards by applying fixed discount of US$7 for quality and discount of 8% for export tax, both over the Brent reference price.

The resulting pre-tax and post-tax NPVs values at different discount rates are shown in Table 3.

Table 3: NPVs at Various Discount Rates as of June 1, 2020

(a) Pre Tax

Discount Rate %	Chañares Herrados NPV US$ million	
	"1P" Rec.Vol	"2P" Rec.Vol
10%	23.49	26.81
12%	21.80	24.32
15%	19.56	21.13
20%	16.50	16.92

(b) Post Tax

Discount Rate %	Chañares Herrados NPV US$ million	
	"1P" Rec.Vol	"2P" Rec.Vol
10%	14.27	15.95
12%	12.99	14.03
15%	11.31	11.58
20%	9.02	8.41

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms that could govern the asset as described herein without the discount for additional royalties described here and applying export tax until 2045.
2. All cash flows are discounted on a mid-period basis to June 1, 2020.
3. The reference NPVs reported here do not represent an opinion as to the market value of a property nor any interest therein.
4. The minimum initial payment of US$5 million is included as an upfront payment. Any additional initial payment that EPI intends to offer would be a straight deduction from the NPV.

Discussion

1 Oil and Gas Sector in Argentina

Argentina has a long history of oil and gas production dating back to the start of the 20th century, with the first discovery being made in 1907. The country currently produces a little over 500 Mbpd of oil, and just over 4,000 MMscfd of gas. This represents around 75% of domestic oil consumption and 85% of domestic gas consumption. Gas imports include approximately 500 MMscfd from Bolivia, and there is LNG regasification capacity of 800 MMscfd when required to cope with seasonal demand.

As is the case with many countries, hydrocarbons are a strategic resource and control over access has therefore been the subject of significant political involvement over the years. The state majority-owned oil company, Yacimientos Petrolíferos Fiscales ("YPF"), is by far the largest E&P sector player in the country, although there are more than fifty other oil and gas companies, ranging from super majors to small and medium size local or international players.

The appointment of the President Fernandez in December 2019 showed the continuity of the general policy of the previous government with the extension of the latest regulations issued by the former President Macri, the most significant of which are the currency controls and a special tax for commodities export, including oil. The main concern of the current government is the renegotiation of the external sovereign debt with the International Monetary Fund (IMF) and private sector in order to create conditions that will allow a new economic program that reduces inflation and reactivates the national economy.

1.1 Risk Factors in Argentina's Oil and Gas Sector

As a result of its political and financial situation, Argentina is subject to several risk factors. High inflation, a large deficit and debt service obligations, high unemployment, relationships with the unions, and a tax increase on the private sector are all adding to the challenges of managing the economy.

Argentina has a long history of oil and gas production. The combination of the foregoing factors as they exist now or may exist again in the future, that have resulted in cycles of negative and pro-industry taxation and regulatory reform, is one of the main risks associated with investment in the E&P sector.

On the upside, the conditions for onshore operations are (mostly) benign and, while costs are perhaps high (relative to these conditions), this offers an opportunity for significant cost improvement if the political and economic factors do not interfere.

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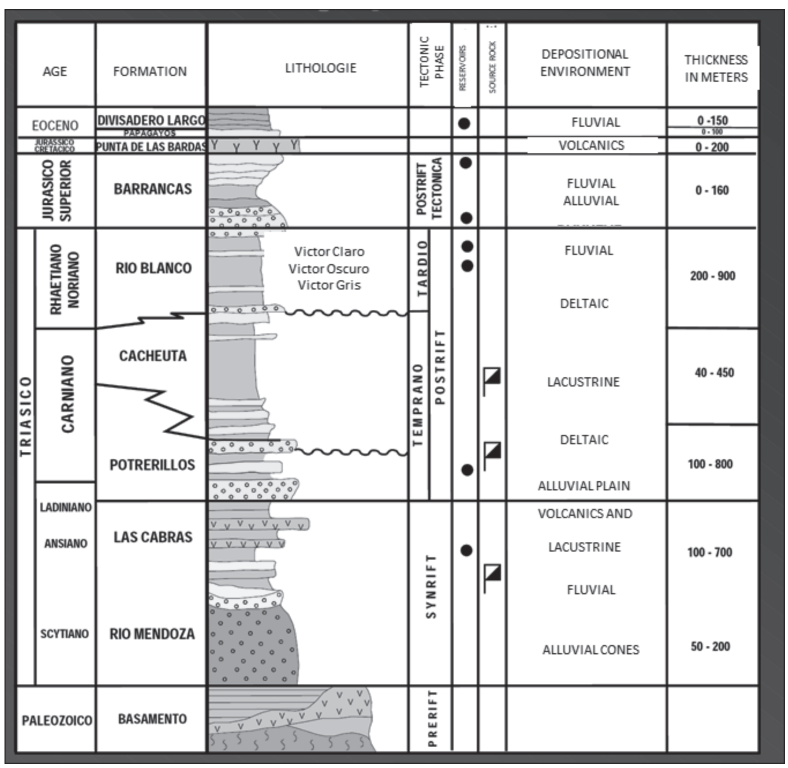
2 Geological Setting

The Chañares Herrados Concession is located in the Mendoza Province in west-central Argentina. It lies within the Cuyana basin. The Cuyana basin is a back-arc extensional basin filled with deposits from alluvial and fluvial-lacustrine environments from Late Triassic through Paleogene times.

The main source rocks for the Chañares Herrados Concession are organic-rich shales of the Triassic Cacheuta formation and the main reservoirs are sandstones with tuffaceous matrix of the Triassic Río Blanco formation and sandstones and conglomerates of the Jurassic Barrancas formation.

The Rio Blanco formation consists of three intervals named informally from top to base as "Victor Claro, "Victor Oscuro" and "Victor Gris". A representative stratigraphic column for the Cuyana basin is shown in Figure 2.

Figure 2: Cuyana Basin Stratigraphic Column



Source: GCA, modified from IAPG, V. Exp.Cong. 2002 (Reservoir Rocks in Argentina Basins Manual)

The Chañares Herrados Concession is part of a large structural nose, plunging to the southwest with faults trending east-west which divide the structure into several blocks. Figure 3 is the structural map on the top of Barrancas formation.

During this evaluation, GCA was not able to review the geological model of the Concession or estimates of the volume of oil initially in place because there was not enough data in the information provided to GCA to perform such assessment.

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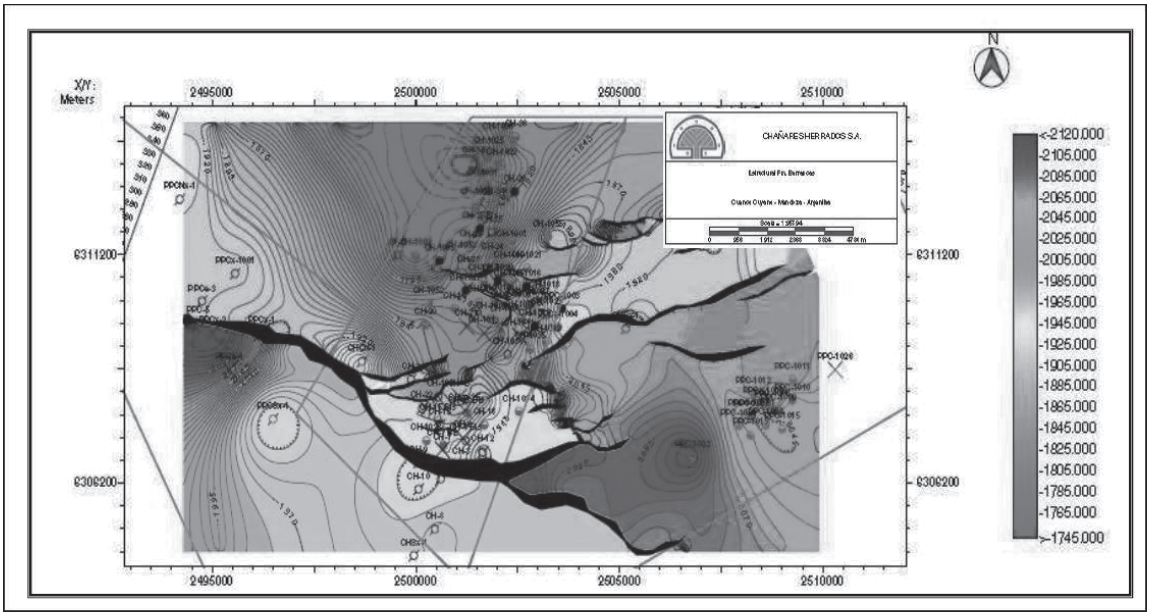
Figure 3: Structural Map of Barrancas Formation in Chañares Herrados Concession



Source: EPI

The oil production history and the forecast of the wells active at December 31, 2019 that were analysed by GCA are shown in Figure 4.

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Figure 4: Plot of Historical Production and Forecast of Future Volume "PDP"

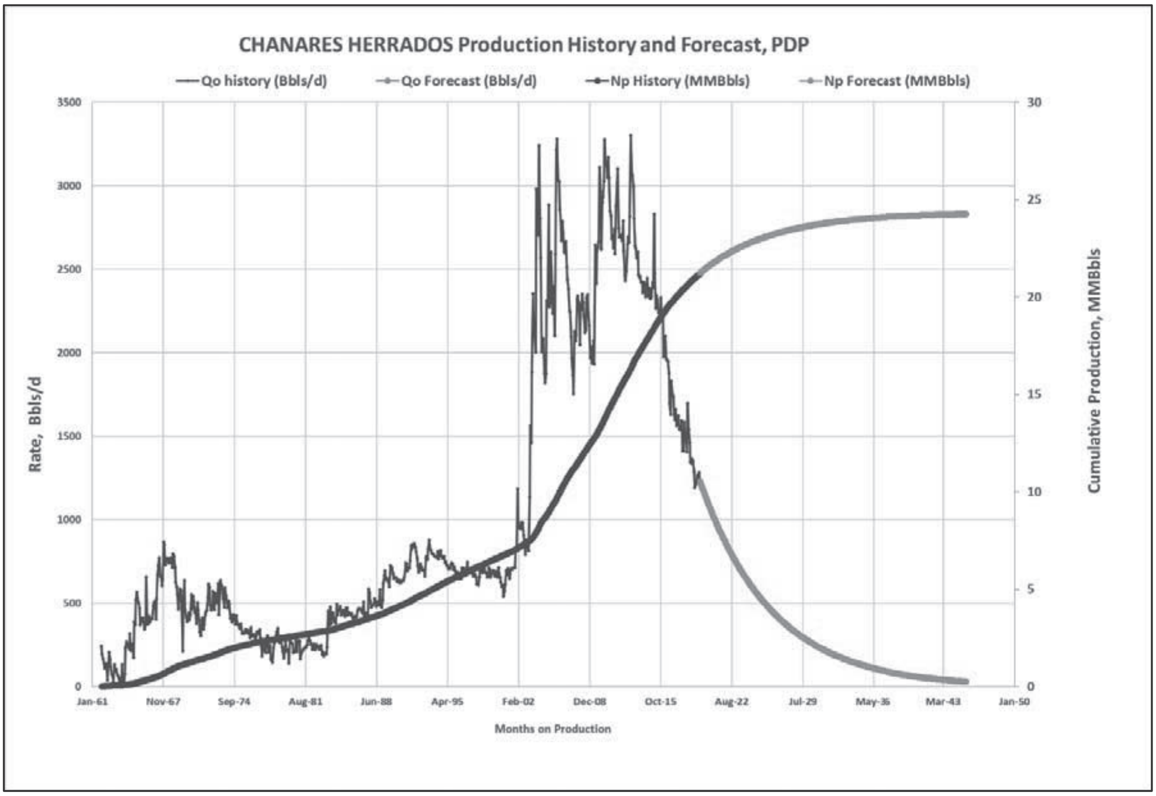

Figure 5 is the plot of the future volumes by category to be recovered according to the development plan intended by EPI. The relative locations of new wells proposed in such intended plan are shown in Figure 6.

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Figure 5: Plot of Total Future Recoverable Volume "PDP", "PD", "1P" and "2P"

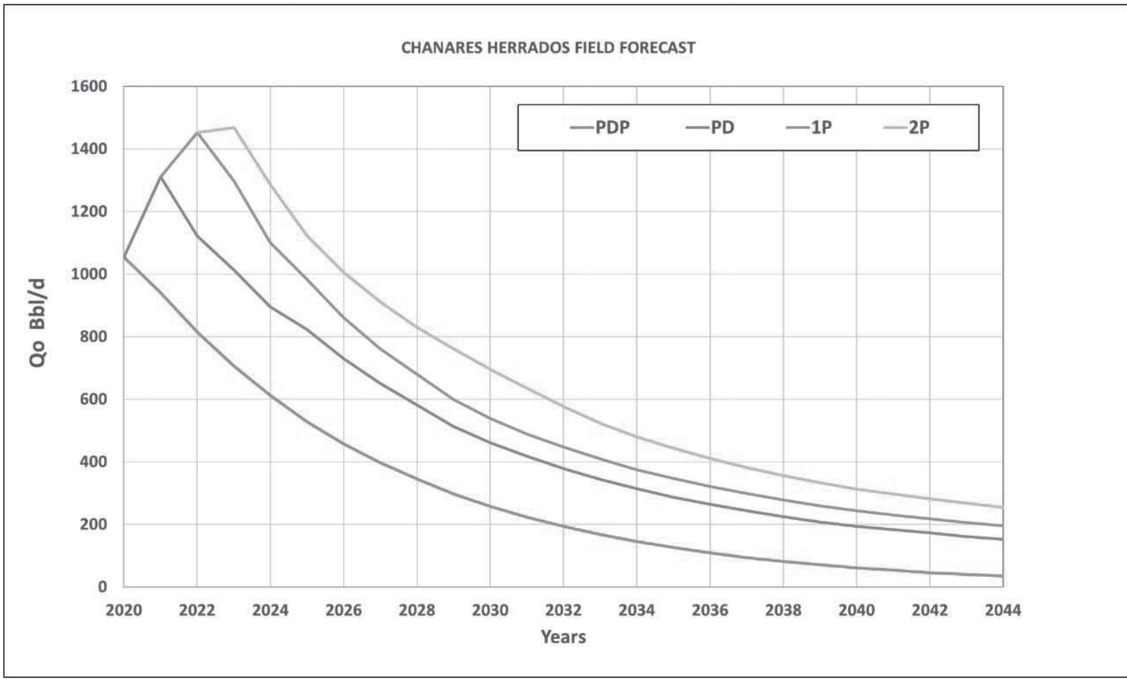

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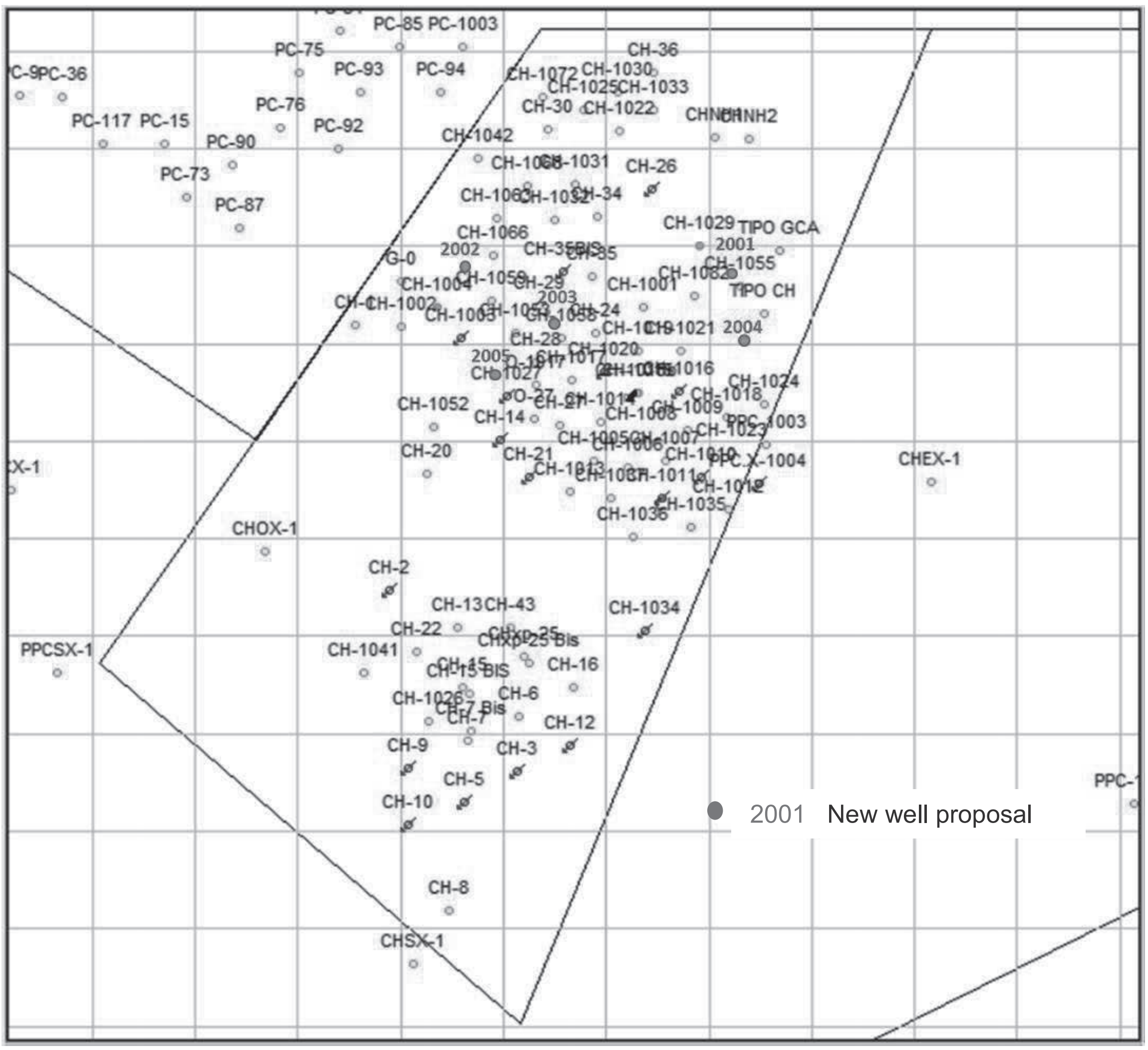
Figure 6: Relative Well Location Plot for Proposed New Wells



Source: GCA

3 Methodology

On December 11, 2019, GCA attended a meeting with EPI in which representatives of EPI presented to GCA the intended development plan for the evaluation of the Concession (EPI Development Plan) and the technical data package included in the bidding process opened by the Mendoza Province.

On December 30, 2019 GCA participated in a field trip to Chañares Herrados Concession in order to review the operational condition of the Concession. The report of the visit is attached in Appendix V.

Additionally, GCA received from EPI information on the production history of 60 Chañares Herrados wells, the monthly production statement for December 2019, a Chañares Herrados Reserves Technical Presentation from 2014 and data about current operating costs. GCA did not receive the historical production profiles of 23 wells.

GCA made its own production forecast estimates using decline analysis methodology and performed an independent review of the proposed drilling locations based on the behavior of surrounding wells in order to derive a production forecast type well for each new location and classified the estimated future volumes according to PRMS confidence guidelines.

4 Development Plan – Recoverable Volumes

GCA defined future recoverable volumes to be those hydrocarbon volumes that could potentially be produced according to a defined development plan in the event that EPI is awarded a 100% interest in the concession by the Mendoza Province as of June 1, 2020. The confidence level to categorize these volumes followed the guidelines used to categorize "reserves" in the PRMS as "Proved" and "Probable".

The intended plan advised by EPI includes the continuity of operations ("Proved Developed Producing"). GCA estimated the future production from the wells currently on production using decline curve analysis of the oil and water production history of 60 wells for which production data were available. In addition, eight initial pulling jobs[3] in 2020 in wells currently shut-in as the "Proved Developed" recoverable volumes. Six workover jobs[4] to increase production from wells currently producing and three new wells to be drilled, one per year from 2021 to 2023, categorized as "Proved". The wells' depths are planned to 11,800 ft to reach the Victor Gris sandstones, the deepest known reservoir. The drilling cost for new wells estimated by EPI was of US$5,347,000, based on previous well costs in the Chañares Herrados Concession.

EPI plans to drill two additional new wells in 2022 and 2023 and carry out four workovers in 2024 and 2025 that have been assigned to the "Probable" category.

[3] EPI identified eight wells, currently not on production, waiting for the replacement of rod pump strings using a small "pulling" rig.

[4] EPI identified ten wells to improve production by reperforating productive zones (considered "Proved"), or adding new zones (considered "Probable"). The average cost for each workover is US$0.31 million.

In addition, the plan contemplates facilities and pipeline investments[5]. EPI's intended development plan does not at this stage include considerations about secondary or enhanced recovery, so GCA did not estimate any additional volumes potentially recoverable for those activities.

Table 1 (above) shows the future recoverable oil volumes attributable to the intended development plan for the Chañares Herrados Concession. Volumes are presented as both gross (100%) and net of 12% royalty considering a 100% working interest.

5 Economic Assessment

GCA has conducted an economic evaluation of the estimated recoverable volumes based on forecasts of production and costs, and the fiscal terms that are expected to apply to the concession. Only those volumes that can be economically produced are included in the analysis and to that end an economic limit test (ELT) has been applied to each category of Recoverable Volumes case to assess "Proved" and "Proved plus Probable" volumes. The economic limit is defined as the production rate beyond which the net operating cash flows would be negative; this is the point in time that defines the end of the project's economic life.

GCA has estimated NPVs at 10%, 12%, 15% and 20% discount rates for each volume category from the projected cash flows, discounted on a mid-period basis to June 1, 2020, the intended starting date of the new concession according to the Mendoza Province bidding documents.

For the economic limit test, GCA considered the base concession and fiscal terms that will apply to the new concession of Chañares Herrados Concession according to the bid documents of the Mendoza Province:

1. Royalty payable to the province of 12% according to National Law 17,329. No additional royalties are included.
2. As a sensitivity, an additional royalty as a percentage of the hydrocarbons produced named Extraordinary Production Cannon, ranging from 1% to 3%.
3. Sales tax (IIBB, Provincial tax) of 3%.
4. Corporate Profits tax (IIGG) of 30% for 2020 and 2021 and thereafter 25% according to National Laws 27,541 and 27,430.
5. An Extraordinary Income Fee payment, payable in cash, when oil prices are higher than US$65/Bbl.

The economic limit test was performed with the production of the wells producing at December 31, 2019 ("Proved Developed Producing", "PDP") and the incremental production due the intended investment plan that EPI proposes to execute in the event that EPI is awarded the new concession from Mendoza Province.

No allowance has been made for any undepreciated balances or tax losses carried forward, or for any carry or other financing arrangement that EPI may enter into as part of the bidding commitments beyond the intended investment plan.

[5] EPI reported to GCA that the investment for replacement or modification of field surface pipelines is US$1 million and the revamping of the treatment plant will cost US$0.5 million. EPI also included US$0.36 million for environmental projects.

5.1 Oil and Gas Prices

For the present assessment, GCA's Brent crude price scenario for 1Q 2020, shown in Table 2, has been used as the reference oil price. The effective sales prices were estimated considering discounts for quality and export tax.

The total discount for last year according to the historical sales prices for 2019 reported by EPI, was US$13.07/Bbl. Because the rate for export tax was 12%, GCA found that the discount for quality should be in the range of US$6–7/Bbl.

For the future outlook for the oil price, GCA considered a total discount including the current rate for export tax of 8% and US$7.00/Bbl for quality (Table 2). These discounts were applied until year 2045.

5.2 Costs

EPI supplied GCA with capital expenditure (Capex) data for drilling, completion and equipment of new wells and for each workover job and pulling job (Table 4).

Table 4: Summary of Capex for Intended Plan Proposed by EPI

Job Description	Capex for "Proved" (US$ M)	Capex for "Probable" (US$ M)
New Wells (3 for "Proved" + 2 for "Probable")	16,041	10,694
10 Workover Jobs (6 for "Proved" + 4 for "Probable")	1,860	1,240
8 Initial Pulling Jobs	603	-
Facilities	1,500	-
Others	360	-
TOTAL	**20,364**	**11,934**

EPI reported the 2019 operating costs (Opex) for the Concession, split into fixed and variable costs, from which GCA estimated Opex drivers to forecast the future Opex (Table 5).

Table 5: Opex Drivers for Future Recoverable Volumes

OPEX Index	Value
Fixed operating cost	US$3,288 M/year
Variable by well	US$75,110/well/year
Variable by production	US$11.66/Bbl

The abandonment cost by well reported by EPI is US$ 81,000.

GCA did not conduct an independent review of these estimations made by EPI but, based on experience with similar concessions in Mendoza province, we consider these costs to be reasonable. Both capital and operating costs have been escalated at 2% p.a. from 2021 onwards.

5.3 Net Present Value of Recoverable Volumes

The pre-tax and post-tax cash flows, with net present values discounted at 15% are presented in Appendix IV.

Because the bidding document of Mendoza Province defines an additional royalty that will be part of the offer to be submitted by the bidder for bidding process, GCA estimated the variation of the NPV (15%) with additional royalties of 1%, 2% and 3%, which are shown in Table 6.

Table 6: Summary of NPVs at 15% Discount Rate with Additional Royalties as at June 1, 2020

(a) Pre-Tax

% Additional Royalty	Pre-Tax Net Present Value at 15% (US$ million)			
	"PDP" Rec.Vol	"PD" Rec.Vol	"1P" Rec.Vol	"2P" Rec.Vol
0%	7.23	21.34	19.57	21.13
1%	6.61	20.21	18.32	19.66
2%	5.99	19.19	16.99	18.21
3%	5.37	18.18	15.77	16.68

(b) Post-Tax

% Additional Royalty	Post-Tax Net Present Value at 15% (US$ million)			
	"PDP" Rec.Vol	"PD" Rec.Vol	"1P" Rec.Vol	"2P" Rec.Vol
0%	3.60	13.67	11.31	11.58
1%	3.14	12.86	10.37	10.48
2%	2.70	12.11	9.52	9.39
3%	2.24	11.37	8.62	8.39

Notes:

1. The first column "PDP Rec.Vol" shows the NPV for the continuity of the current production. The column "PD" shows the NPV for the addition of the production of eight wells that require repair of the rod pumps. The third column, "1P" considers the investment for three new wells plus six workovers of the intended development plan. The column "2P" considers the investment of two new wells and four workovers of the intended plan.
2. The reference NPVs reported consider that EPI is the winner of the bidding process with a 100% working interest in the concession.
3. The NPVs reported here do not represent an opinion as to the market value of the property nor any interest therein.
4. The minimum initial payment of US$5 million is included as an upfront payment. Any additional initial payment that EPI intends to offer would be a straight deduction from the NPV

5.4 Sensitivity to Discount Rate

The sensitivity of the Base Case (no payment of additional royalties) to variation in discount rates of the reference pre-tax and post-tax NPVs attributed to the "1P" and "2P" volumes cases is presented in Table 7.

Table 7: Sensitivity of NPV to Discount Rate
as at June 1, 2020

(a) Pre-Tax

% Discount Rate	Net Present Value (US$ million)			
	"PDP" Rec.Vol	"PD" Rec.Vol	"1P" Rec.Vol	"2P" Rec.Vol
10%	7.95	24.53	23.49	26.81
12%	7.65	23.05	21.80	24.14
15%	7.23	21.34	19.57	21.13
20%	6.59	18.75	16.50	16.92

(b) Post-Tax

% Discount Rate	Net Present Value (US$ million)			
	"PDP" Rec.Vol	"PD" Rec.Vol	"1P" Rec.Vol	"2P" Rec.Vol
10%	4.02	15.97	14.27	15.95
12%	3.85	14.99	12.99	14.03
15%	3.60	13.67	11.31	11.58
20%	3.20	11.79	9.02	8.41

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the assets.
2. All cash flows are discounted on a mid-period basis to June 1, 2020.
3. The NPVs reported here do not represent an opinion as to the market value of the property nor any interest therein.
4. The minimum initial payment of US$5 million is included as an upfront payment. Any additional initial payment that EPI intends to offer would be a straight deduction from the NPV.

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5.5 Sensitivity to Discount Rate and Additional Royalty

A second sensitivity analysis of the NPV of future net cash flow from "1P" and "2P" recoverable volumes was made considering different discount rates (10%, 12%, 15% and 20%) and different additional royalties. The reference pre-tax and post-tax NPVs attributed to these cases is presented in Table 8.

Table 8: NPV Sensitivity to Additional Royalties and Discount Rate as at June 1, 2020

(a) Pre-Tax

% Additional Royalty	"1P" Recoverable Volume Net Present Value (US$ million)				"2P" Recoverable Volume Net Present Value (US$ million)			
	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)
0%	23.49	21.80	19.57	16.50	26.81	24.14	21.13	16.92
1%	22.00	20.42	18.31	15.43	25.04	22.67	19.67	15.69
2%	20.45	18.96	16.99	14.28	23.27	21.06	18.21	14.46
3%	19.02	17.62	15.77	13.23	21.41	19.35	16.68	13.18

(b) Post-Tax

% Additional Royalty	"1P" Recoverable Volume Net Present Value (US$ million)				"2P" Recoverable Volume Net Present Value (US$ million)			
	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)
0%	14.27	12.99	11.31	9.02	15.95	14.03	11.58	8.41
1%	13.15	11.95	10.37	8.22	14.60	12.79	10.48	7.49
2%	12.16	11.02	9.52	7.49	13.26	11.56	9.39	6.58
3%	11.09	10.03	8.62	6.71	12.05	10.34	8.40	5.75

Notes:

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the assets.
2. All cash flows are discounted on a mid-period basis to June 1, 2020.
3. The NPVs reported here do not represent an opinion as to the market value of the property nor any interest therein.
4. The minimum initial payment of US$5 million is included as an upfront payment. Any additional initial payment that EPI intends to offer would be a straight deduction from the NPV.

5.6 NPV Sensitivity to Oil Prices

The sensitivity to variation in oil prices of the reference pre-tax and post-tax NPVs attributed to the "1P" and "2P" recoverable volumes, at a discount rate of 15%, have been evaluated. Results of these sensitivities are presented in Table 9.

Table 9: NPV Sensitivity to oil prices as at June 1, 2020

(a) Pre Tax

Chanares Herrados Concession	Net Present Value (15%) (US$ million)						
	Base Case	Oil Prices					
		-20%	-10%	-5%	5%	10%	20%
"1P" Rec.Volume	19.57	-2.88	8.24	13.72	25.09	30.94	41.53
"2P" Rec.Volume	21.13	-5.24	7.98	14.38	43.26	34.15	46.20

(b) Post Tax

Chanares Herrados Concession	Net Present Value (15%) (US$ million)						
	Base Case	Oil Prices					
		-20%	-10%	-5%	5%	10%	20%
"1P" Rec.Volume	11.31	-5.56	2.84	7.10	15.41	19.55	27.46
"2P" Rec.Volume	11.58	-8.03	1.75	6.70	16.32	20.75	29.56

Notes

1. The NPVs are calculated from discounted cash flows incorporating the fiscal terms governing the asset and assuming no additional royalty payment.
2. All cash flows are discounted on a mid-period basis to June 1, 2020.
3. The NPVs reported here do not represent an opinion as to the market value of the property nor any interest therein.
4. The minimum initial payment of US$5 million is included as an upfront payment. Any additional initial payment that EPI intends to offer would be a straight deduction from the NPV.

5.7 Project Risk Assessment

GCA has prepared a list of risks issues that could affect the cash flow of the project to be implemented in the Chañares Herrados Concession in accordance with the guidelines of HKEx Note 7.

These assessments in Table 10 are subjective and are provided to assist investors with a summary of the risks that could affect the project. The likelihood of a risk, within 7-year time frame can be considered as likely as will probably occur, possible as may occur and unlikely as unlikely to occur.

Table 10: Project Risk Assessment as of December 31, 2019

Hazard/Risk Issue	Likelihood	Rating	Risk
Geological			
Depleted reservoirs	Possible	Major	Medium
Reduction in reservoir properties at edges of field	Possible	Moderate	Medium
Significant faulting	Unlikely	Minor	Low
New reservoirs discoveries	Unlikely	Minor	Low
Unexpected aquifer activity	Unlikely	Moderate	Low
Potential upsides	Possible	Moderate	High
Production			
Lower rates than expected in new wells or workovers	Likely	Medium	High
Higher field decline	Unlikely	Major	Medium
Water influx	Likely	Minor	Medium
Capital and Operating costs			
CAPEX increase	Possible	Major	Medium
OPEX increase	Possible	Major	Medium
Project Implementation			
Not win bid	Possible	Major	High
Government delays	Possible	Major	Medium
Critical path delays	Possible	Major	High
Export tax continuity	Possible	Major	High
Oil prices	Likely	Major	High
Exchange Rate- Financial Management	Likely	Major	High

GCA identified six issue of High Risk that are summarized below:

1. EPI does not win the bid
2. Lower rates than expected in new wells or workovers jobs
3. Critical path delays
4. Export tax continuity
5. Lower oil prices
6. Low potential upsides
7. Exchange Rate

EPI Does Not Win the Bid

This is the main risk associated with the project.

The assessment of Chañares Herrados Concession is based in the assumption that EPI will made an offer by April 1, 2020 in the bidding process opened by Mendoza Province. If the Government of Mendoza does not award the concession or does not award it to EPI, the project will not proceed in any form. If EPI is awarded less than a 100% working interest, the net entitlement volumes and hence value to EPI will be proportionately reduced.

Lower Rates in New Wells and Workovers

GCA's assessment is based on the analysis of the historical performance of 60 wells in Chanares Herrados. In the analysis presented in this CPR, we estimated the future production to be obtained from wells to be drilled and workovers to be performed under EPI's development plan by comparing the historical production of oil and water from nearby wells. GCA does not have access to a full interpretation of the geological model, so it was not possible to evaluate the reservoir properties that might exist at the locations of the new wells and for this reason the perception of this risk is high.

Critical Path Delays

GCA's assessment of the Chañares Herrados Concession project is based on certain timing assumptions. These assumptions include the commencement date of the new concession, which was taken to be June 1, 2020. The development activities were projected to start shortly thereafter. If there are any delays, either the award of the concession or in the implementation of the development plan, the cash flow and hence the net present value may be negatively affected.

Export Tax Continuity

The National Government of Argentina introduced in 2019 a tax in oil exports that affect the price in the local market because local refineries fix the prices by setting a parity with the export price. In 2019, the export tax was set at 12% and from January 2020 has been 8%. Because the application of the tax and its value are decisions of the Argentine government, both could change at any time. The assessment made by GCA considers a Base Case with the application of this tax until 2045.

Lower Oil Prices

The assessment of Chañares Herrados has been made based on GCA's view of Brent crude oil prices as of December 31, 2019. It is possible, indeed likely, that the actual price and price outlook in June 2020 will be different. This could have a material impact on the valuation, either positive or negative. GCA included a sensitivity analysis on the cash flows of the project for both lower and higher prices.

Low Potential Upsides

GCA has not assessed the prospect for any "Possible" Reserves in the concession, nor any other potential resources that may exist. In addition, EPI has not indicated that it presently has plans for enhanced oil recovery projects, which might, if suitable, provide some additional recovery.

Exchange Rate – Financial Management

During the last 12 months, the Argentine currency (peso) has devalued by some 65% due to the large external debt that the country has with the IMF and other financial Institutions. At this point there are restrictions on converting pesos into US dollars. Also, the government has indicated that the ability to expatriate dividends will be associated with new investments, but it not immediately clear how this would be applied to Chañares Herrados. The oil price in Argentina is linked to the US dollar, so there is little currency risk with the oil price.GCA's evaluation (prices and costs) has been conducted in US dollars with US dollar inflation rate, so any risk associated with peso devaluation in the analysis has been minimized. Operating costs, which are largely denominated in pesos, would be reduced in US dollar terms if there are further currency devaluations in Argentina. This would have a positive impact on the project.

Nevertheless, the risk associated to the devaluation of the peso could have a high impact on the funds in pesos that EPI will maintain in the Argentinean bank accounts. This will require a detailed financial work in order to avoid the exposure of the company money to future devaluations.

Additionally, the government has recognized the need to attract new investment into the oil and gas industry in Argentina, and for this reason, they are working on an amendment to the hydrocarbon law to further that aim, both in conventional and unconventional developments.

Qualifications

GCA is an independent international energy advisory group of more than 55 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with EPI. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report. Staff members who prepared this report are professionally qualified with appropriate educational qualifications and levels of experience and expertise to perform the work.

The team was led by Mr. Eduardo Sanchez, Project Manager, Geologist, who has 35 years' industry experience. He holds an M.A. in Geological Sciences from the University of Buenos Aires, Argentina. He is a member of the American Association of Petroleum Geologists (membership 544472).

This report has been reviewed by Mr. Rawdon Seager, Technical Director, who has over 45 years of diversified international experience in the upstream sector of the oil and gas exploration and production industry. He is qualified as a Reserves Auditor through having more than 40 years' experience in petroleum engineering, with at least 30 years being in responsible charge of the estimation and evaluation of Reserves Information. He holds a Bachelor of Science degree in Physics from Bristol University, England, and a Master of Science degree in Petroleum Engineering from Imperial College, London. Mr. Seager is a member in good standing of the Society of Petroleum Engineers (SPE) and is past Chairman of the SPE Oil and Gas Reserves Committee. He is a past Board member of the Society of Petroleum Evaluation Engineers and is currently the Chairman of the Reserves Definitions Committee. He is also a member in good standing of the American Association of Petroleum Geologists, and is a Chartered Petroleum Engineer in the UK. He is registered as a European Engineer with FEANI.

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The CPR and Valuation Opinion has been reviewed by Mr Florent Rousset, Managing Director, who has over 20 years of experience in the international energy industry. He holds a Master in Management from Rouen Business School, France and the INSEAD Schlumberger Executive Program. Mr. Rousset is a member of International Association of Energy Economics (IAEE), the Society of Petroleum Engineers (SPE) and the Association of International Petroleum Negotiators. GCA confirms that, as of the date of this CPR, to the best of its knowledge and belief, there has been no material change in circumstances to those stated in this CPR since the effective date of December 31, 2019.

Notice

This document has been prepared for inclusion in a circular once the form and context of its inclusion has been approved by GCA. It may not be distributed or made available, in whole or in part, for any other purpose. In line with standard contract conditions for work of this kind, EPI has indemnified GCA, its affiliated entities and persons involved in the preparation of this report against any claims that might be made by EPI or a third party resulting from use of or reliance on this report, except to the extent caused by GCA's fraud or gross negligence.

Yours sincerely,

Gaffney, Cline & Associates

Eduardo Sánchez, *Project Manager*

Rawdon Seager, *Technical Director*

Florent Rousset, *CPR Reviewer*

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Associates

Appendix I
Abbreviated Form of PRMS

**Society of Petroleum Engineers, World Petroleum Council,
American Association of Petroleum Geologists, Society of Petroleum Evaluation Engineers,
Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysts,
and European Association of Geoscientists & Engineers**

Petroleum Resources Management System

Definitions and Guidelines ([1])

(Revised June 2018)

Table 1—Recoverable Resources Classes and Sub-Classes

Class/Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status. To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented. To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

[1] These Definitions and Guidelines are extracted from the full Petroleum Resources Management System (revised June 2018) document.

Class/Sub-Class	Definition	Guidelines
On Production	The development project is currently producing or capable of producing and selling petroleum to market.	The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves. The project decision gate is the decision to initiate or continue economic production from the project.
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget. The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame}) There must be no known contingencies that could preclude the development from proceeding (see Reserves class). The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.	Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.

Class/Sub-Class	Definition	Guidelines
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status. The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.
Development on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical contingency can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status. The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.
Development Unclarified	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development. This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.

Class/Sub-Class	Definition	Guidelines
Prospective Resources	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Table 2—Reserves Status Definitions and Guidelines

Status	Definition	Guidelines
Developed Reserves	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
Developed Producing Reserves	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
Developed Non-Producing Reserves	Shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.
Undeveloped Reserves	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Table 3—Reserves Category Definitions and Guidelines

Category	Definition	Guidelines
Proved Reserves	Those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations.	If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate. The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved. Reserves in undeveloped locations may be classified as Proved provided that: A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive. B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.
Probable Reserves	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate. Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria. Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Category	Definition	Guidelines
Possible Reserves	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate. Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project. Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.
Probable and Possible Reserves	See above for separate criteria for Probable Reserves and Possible Reserves.	The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects. In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area. Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources. In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Figure 1.1—RESOURCES CLASSIFICATION FRAMEWORK

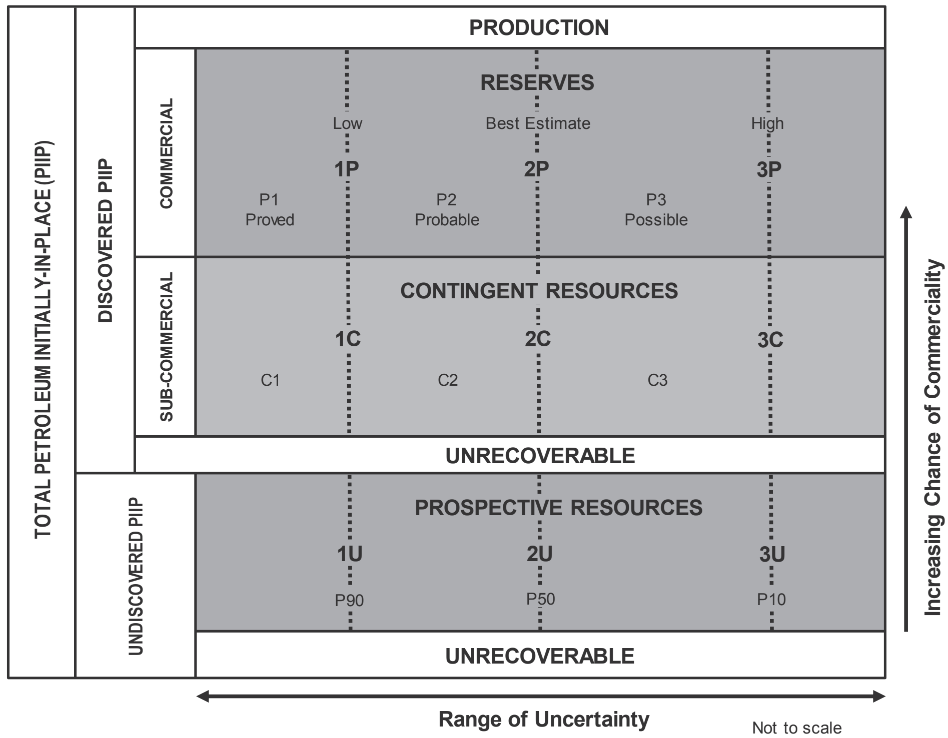
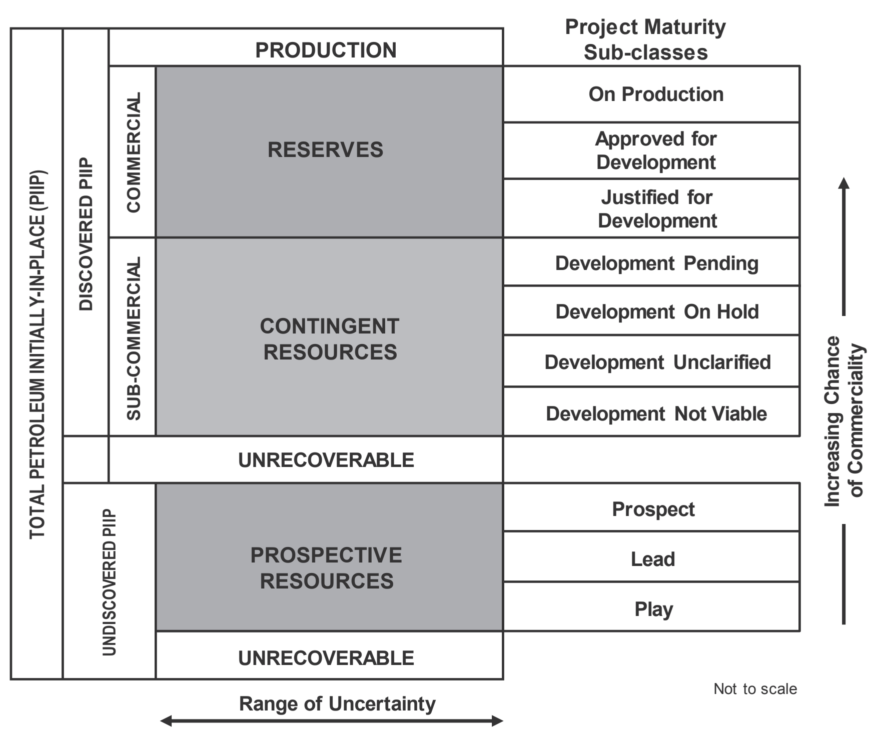


Figure 2.1—SUB-CLASSES BASED ON PROJECT MATURITY



35

Appendix II
Glossary of Abbreviations

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GLOSSARY

B	Billion (10^9)
Bbl	Barrels
/Bbl	Per barrel
Boe	Barrels of oil equivalent
bopd	Barrels of oil per day
bpd	Barrels per day
Bscf	Billion standard cubic feet
BTU	British thermal units
Bwpd	Barrels of water per day
CAPEX	Capital expenditure
ELT	Economic Limit Test
ft	Foot or feet
GCA	Gaffney, Cline & Associates
m	Metres
M	Thousand
MBbl	Thousand barrels
Mbpd	Thousands of barrels per day
MM	Million
MMBbl	Million barrels
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
Mscf	Thousand standard cubic feet
NPV	Net Present Value
NPV10	Net Present Value at 10% annual discount rate
OPEX	Operating Expenditure
PRMS	Petroleum Resources Management System (published by SPE)
psia	Pounds per square inch (absolute)
scf	Standard cubic feet
scfd	Standard cubic feet per day
SPE	Society of Petroleum Engineers
TD	Total depth
US$	United States Dollar
US$M	Thousands of United States Dollar
WI	Working Interest
1P Rev.Vol	Recoverable Volume 1P
2P Rec Vol	Recoverable Volume 2P
1P	Proved "Reserves"
2P	Proved plus Probable "Reserves"
3P	Proved plus Probable plus Possible "Reserves"

Appendix III
Chapter 18 and Appendix 25 of Rules Governing Listing of Securities on Stock Exchange of Hong Kong Limited

Chapter 18

EQUITY SECURITIES

MINERAL COMPANIES

Scope

This Chapter sets out additional listing conditions, disclosure requirements and continuing obligations for Mineral Companies. The additional disclosure requirements and continuing obligations will apply to a listed issuer which becomes a Mineral Company by undertaking a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets. Certain continuing obligations will apply to listed issuers that publish details of Resources and/or Reserves.

The main headings are:

18.01	Definitions and interpretation
18.02-18.04	Conditions for listing of new applicant Mineral Companies
18.05-18.08	Contents of listing documents for new applicants
18.09-18.13	Relevant Notifiable Transactions involving the acquisition or disposal of Mineral or Petroleum Assets
18.14-18.17	Continuing obligations
18.18-18.27	Statements on Resources and/or Reserves
18.28-18.34	Reporting Standard

DEFINITIONS AND INTERPRETATION

18.01 For the purposes of this Chapter unless otherwise stated or the context otherwise requires:—

(1) terms signifying the singular include the plural and vice versa;

(2) the term mineral includes solid fuels; and

(3) the following terms have the meanings set out below:—

"CIMVAL"	Standards and Guidelines for Valuation of Mineral Properties endorsed by the Canadian Institute of Mining, Metallurgy and Petroleum, February 2003 (final version) as amended from time to time.

"Competent Evaluator"	a Competent Person undertaking valuations that satisfies rule 18.23.
"Competent Person"	a person that satisfies rules 18.21 and 18.22.
"Competent Person's Report"	the public report prepared by a Competent Person on Resources and/or Reserves, in compliance with this Chapter (rules 18.18 to 18.33) and the applicable Reporting Standard as modified by this Chapter.
"Contingent Resources"	those quantities of Petroleum estimated, at a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
"Feasibility Study"	a comprehensive design and costing study of the selected option for the development of a mineral project in which appropriate assessments have been made of realistically assumed geological, mining, metallurgical, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other relevant factors, which are considered in enough detail to demonstrate at the time of reporting that extraction is reasonably justified and the factors reasonably serve as the basis for a final decision by a financial institution to finance the development of the project.
"Indicated Resource"	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.
"Inferred Resource"	that part of a mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity.

"IOSCO Multilateral MOU"	the International Organisation of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information dated May 2002 as amended from time to time.
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time.
"Major Activity"	an activity of an issuer and/or its subsidiaries which represents 25% or more of the total assets, revenue or operating expenses of the issuer and its subsidiaries. Reference should be made to the issuer's latest audited consolidated financial statements.
"Measured Resource"	that part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.
"Mineral or Petroleum Assets"	mineral assets and/or Petroleum assets or the equivalent as defined in either CIMVAL, the SAMVAL Code, or the VALMIN Code.
"Mineral Company"	a new applicant whose Major Activity (whether directly or through its subsidiaries) is the exploration for and/or extraction of Natural Resources, or a listed issuer that completes a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets.
"Natural Resources"	mineral and/or Petroleum.
"NPVs"	net present values.

"NI 43-101"	also referred to as National Instrument 43-101, the (Canadian) Standards of Disclosure for Mineral Projects, including Companion Policy 43-101 as amended from time to time.
"Petroleum"	a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid or solid phase, as further defined in PRMS.
"Possible Reserves"	those quantities of Petroleum which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves.
"Pre-feasibility Study"	a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, for underground mining, or the pit configuration, for an open pit, has been established and an effective method of mineral processing has been determined. It includes a financial analysis based on realistically assumed or reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are enough for a Competent Person, acting reasonably, to determine if all or part of the mineral Resource may be classified as a mineral Reserve.
"PRMS"	the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007 as amended from time to time.
"Probable Reserves"	(1) with regard to minerals, the economically mineable part of an Indicated, and in some circumstances, a Measured Resource.

(2) with regard to Petroleum, those quantities of Petroleum which analysis of geoscience and engineering data show are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

"Prospective Resources" those quantities of Petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

"Proved Reserves"

(1) with regard to minerals, the economically mineable part of a Measured Resource.

(2) with regard to Petroleum, those quantities of Petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

"Recognised Professional Organisation" a self-regulatory organisation of professional individuals in the mining or Petroleum industry which admits individuals on the basis of their academic qualifications and experience, requires compliance with professional standards of competence and ethics established by the organisation and has disciplinary powers including the power to suspend or expel a member.

"Relevant Notifiable Transaction" a transaction that falls into one of the classifications set out in rules 14.06(3) to (6), namely a major transaction, very substantial disposal, very substantial acquisition and reverse takeover.

"Reporting Standard" a recognised standard acceptable to the Exchange, including:

(1) the JORC Code, NI 43-101, and the SAMREC Code, with regard to mineral Resources and Reserves;

(2) PRMS with regard to Petroleum Resources and Reserves; and

(3) CIMVAL, the SAMVAL Code, and the VALMIN Code, with regard to valuations.

"Reserve" (1) with regard to minerals, the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Pre-feasibilty Study must have been carried out. Mineral Reserves are sub-divided in order of increasing confidence into Probable Reserves and Proved Reserves.

Note: Although the term mineral Reserve is used throughout this Chapter it is recognised that the term ore reserve is used in the JORC Code.

(2) with regard to Petroleum, those quantities of Petroleum anticipated to be commercially recoverable by the application of development projects to known accumulations from a given date forward under defined conditions.

"Resource"	(1) with regard to minerals, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code.
	(2) with regard to Petroleum, Contingent Resources and/or Prospective Resources.
"SAMREC Code"	the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2007 edition) as amended from time to time.
"SAMVAL Code"	the South African Code for the Reporting of Mineral Asset Valuation (2008 edition) as amended from time to time.
"Scoping Study"	a preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral Resources. Scoping Studies should include forecast production schedules and cost estimates based on data under which the Resources are identified.

"VALMIN Code"	the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (2005 edition), as prepared by the VALMIN Committee, a joint committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association as amended from time to time.
"Valuation Report"	the public valuation report prepared by a Competent Evaluator on Mineral or Petroleum Assets in compliance with this Chapter (rule 18.34) and the applicable Reporting Standard, as modified by this Chapter. It may form part of a Competent Person's Report.

CONDITIONS FOR LISTING OF NEW APPLICANT MINERAL COMPANIES

18.02 In addition to satisfying the requirements of Chapter 8, a Mineral Company which has applied for listing must also satisfy the requirements of this Chapter.

18.03 A Mineral Company must:—

(1) establish to the Exchange's satisfaction that it has the right to participate actively in the exploration for and/or extraction of Natural Resources, either:—

(a) through control over a majority (by value) of the assets in which it has invested together with adequate rights over the exploration for and/or extraction of Natural Resources; or

Note: 'control over a majority' means an interest greater than 50%.

(b) through adequate rights (arising under arrangements acceptable to the Exchange), which give it sufficient influence in decisions over the exploration for and/or extraction of the Natural Resources;

(2) establish to the Exchange's satisfaction that it has at least a portfolio of:—

(a) Indicated Resources; or

(b) Contingent Resources,

identifiable under a Reporting Standard and substantiated in a Competent Person's Report. This portfolio must be meaningful and of sufficient substance to justify a listing;

(3) if it has commenced production, provide an estimate of cash operating costs including the costs associated with:—

(a) workforce employment;

(b) consumables;

(c) fuel, electricity, water and other services;

(d) on and off-site administration;

(e) environmental protection and monitoring;

(f) transportation of workforce;

(g) product marketing and transport;

(h) non-income taxes, royalties and other governmental charges; and

(i) contingency allowances;

Note: A Mineral Company must:

- *set out the components of cash operating costs separately by category;*
- *explain the reason for any departure from the list of items to be included under cash operating costs; and*
- *discuss any material cost items that should be highlighted to investors.*

(4) demonstrate to the Exchange's satisfaction that it has available working capital for 125% of the group's present requirements, that is for at least the next 12 months, which must include:—

(a) general, administrative and operating costs;

(b) property holding costs; and

(c) the cost of any proposed exploration and/or development; and

Note: Capital expenditures do not need to be included in working capital requirements. Where they are financed out of borrowings, relevant interest and loan repayments must be included.

(5) ensure that its working capital statement in the listing document under Listing Rule 8.21A states it has available sufficient working capital for 125% of the group's present requirements, that is for at least 12 months from the date of its listing document.

18.04 If a Mineral Company is unable to satisfy either the profit test in rule 8.05(1), the market capitalisation/revenue/cash flow test in rule 8.05(2), or the market capitalisation/revenue test in rule 8.05(3), it may still apply to be listed if it can establish to the Exchange's satisfaction that its directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that the Mineral Company is pursuing. Individuals relied on must have a minimum of five years relevant industry experience. Details of the relevant experience must be disclosed in the listing document of the new applicant.

Note: A Mineral Company relying on this rule must demonstrate that its primary activity is the exploration for and/or extraction of Natural Resources.

CONTENTS OF LISTING DOCUMENTS FOR NEW APPLICANTS

18.05 In addition to the information set out in Appendix 1A, a Mineral Company must include in its listing document:—

(1) a Competent Person's Report;

(2) a statement that no material changes have occurred since the effective date of the Competent Person's Report. Where there are material changes, these must be prominently disclosed;

(3) the nature and extent of its prospecting, exploration, exploitation, land use and mining rights and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents. Details of material rights to be obtained must also be disclosed;

(4) a statement of any legal claims or proceedings that may have an influence on its rights to explore or mine;

(5) disclosure of specific risks and general risks. Companies should have regard to Guidance Note 7 on suggested risk analysis; and

(6) if relevant and material to the Mineral Company's business operations, information on the following:—

(a) project risks arising from environmental, social, and health and safety issues;

(b) any non-governmental organisation impact on sustainability of mineral and/or exploration projects;

(c) compliance with host country laws, regulations and permits, and payments made to host country governments in respect of tax, royalties and other significant payments on a country by country basis;

(d) sufficient funding plans for remediation, rehabilitation and, closure and removal of facilities in a sustainable manner;

(e) environmental liabilities of its projects or properties;

(f) its historical experience of dealing with host country laws and practices, including management of differences between national and local practice;

(g) its historical experience of dealing with concerns of local governments and communities on the sites of its mines, exploration properties, and relevant management arrangements; and

(h) any claims that may exist over the land on which exploration or mining activity is being carried out, including any ancestral or native claims.

Additional disclosure requirements that apply to certain new applicant Mineral Companies

18.06 If a Mineral Company has begun production, it must disclose an estimate of the operating cash cost per appropriate unit for the minerals and/or Petroleum produced.

18.07 If a Mineral Company has not yet begun production, it must disclose its plans to proceed to production with indicative dates and costs. These plans must be supported by at least a Scoping Study, substantiated by the opinion of a Competent Person. If exploration rights or rights to extract Resources and/or Reserves have not yet been obtained, relevant risks to obtaining these rights must be prominently disclosed.

18.08 If a Mineral Company is involved in the exploration for or extraction of Resources, it must prominently disclose to investors that its Resources may not ultimately be extracted at a profit.

RELEVANT NOTIFIABLE TRANSACTIONS INVOLVING THE ACQUISITION OR DISPOSAL OF MINERAL OR PETROLEUM ASSETS

18.09 A Mineral Company proposing to acquire or dispose of assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must:—

(1) comply with Chapter 14 and Chapter 14A, if relevant;

(2) produce a Competent Person's Report, which must form part of the relevant circular, on the Resources and/or Reserves being acquired or disposed of as part of the Relevant Notifiable Transaction;

Note: The Exchange may dispense with the requirement for a Competent Person's Report on disposals where shareholders have sufficient information on the assets being disposed of.

(3) in the case of a major (or above) acquisition, produce a Valuation Report, which must form part of the relevant circular, on the Mineral or Petroleum Assets being acquired as part of the Relevant Notifiable Transaction; and

(4) comply with the requirements of rules 18.05(2) to 18.05(6) in respect of the assets being acquired.

Note: Material liabilities that remain with the issuer on a disposal must also be discussed.

Requirements that apply to listed issuers

18.10 A listed issuer proposing to acquire assets which are solely or mainly Mineral or Petroleum Assets as part of a Relevant Notifiable Transaction must comply with rule 18.09.

18.11 On completion of a Relevant Notifiable Transaction involving the acquisition of Mineral or Petroleum Assets, unless the Exchange decides otherwise, a listed issuer will be treated as a Mineral Company.

Requirements that apply to Mineral Companies and listed issuers

18.12 The Exchange may dispense with the requirement to produce a new Competent Person's Report or a Valuation Report under rules 18.05(1), 18.09(2) or 18.09(3), if the issuer has available a previously published Competent Person's Report or Valuation Report (or equivalent) which complies with rules 18.18 to 18.34 (where applicable), provided the report is no more than six months old. The issuer must provide this document and a no material change statement in the listing document or circular for the Relevant Notifiable Transaction.

18.13 An issuer must obtain the prior written consent of a Competent Person(s) or Competent Evaluator for their material to be included in the form and context in which it appears in a listing document or circular for the Relevant Notifiable Transaction, whether or not such person or firm is retained by the listing applicant or the issuer.

CONTINUING OBLIGATIONS

Disclosure in reports

18.14 A Mineral Company must include in its interim (half-yearly) and annual reports details of its exploration, development and mining production activities and a summary of expenditure incurred on these activities during the period under review. If there has been no exploration, development or production activity, that fact must be stated.

Publication of Resources and Reserves

18.15 A listed issuer that publicly discloses details of Resources and/or Reserves must give an update of those Resources and/or Reserves once a year in its annual report, in accordance with the reporting standard under which they were previously disclosed or a Reporting Standard.

18.16 A Mineral Company must include an update of its Resources and/or Reserves in its annual report in accordance with the Reporting Standard under which they were previously disclosed.

18.17 Annual updates of Resources and/or Reserves must comply with rule 18.18.

Note: Annual updates are not required to be supported by a Competent Person's Report and may take the form of a no material change statement.

STATEMENTS ON RESOURCES AND/OR RESERVES

Presentation of data

18.18 Any data presented on Resources and/or Reserves by a Mineral Company in a listing document, Competent Person's Report, Valuation Report or annual report, must be presented in tables in a manner readily understandable to a non-technical person. All assumptions must be clearly disclosed and statements should include an estimate of volume, tonnage and grades.

Basis of evidence

18.19 All statements referring to Resources and/or Reserves:—

(1) in any new applicant listing document or circular relating to a Relevant Notifiable Transaction, must be substantiated in a Competent Person's Report which must form part of the document; and

(2) in all other cases, must at least be substantiated by the issuer's internal experts.

Petroleum Competent Persons' Reports

18.20 A Competent Person's Report for Mineral Companies involved in the exploration for and/or extraction of Petroleum Resources and Reserves must include the information set out in Appendix 25.

Competent Person

18.21 A Competent Person must:—

(1) have a minimum of five years experience relevant to the style of mineralization and type of deposit under consideration or to the type of Petroleum exploration, reserve estimate (as appropriate), and to the activity which the Mineral Company is undertaking;

(2) be professionally qualified, and be a member in good standing of a relevant Recognised Professional Organisation, in a jurisdiction where, in the Exchange's opinion, the statutory securities regulator has satisfactory arrangements (either by way of the IOSCO Multilateral MOU or other bi-lateral agreement acceptable to the Exchange) with the Commission for mutual assistance and exchange of information for enforcing and securing compliance with the laws and regulations of that jurisdiction and Hong Kong; and

(3) take overall responsibility for the Competent Person's Report.

18.22 A Competent Person must be independent of the issuer, its directors, senior management and advisers. Specifically the Competent Person retained must:—

(1) have no economic or beneficial interest (present or contingent) in any of the assets being reported on;

(2) not be remunerated with a fee dependent on the findings of the Competent Person's Report;

(3) in the case of an individual, not be an officer, employee or proposed officer of the issuer or any group, holding or associated company of the issuer; and

(4) in the case of a firm, not be a group, holding or associated company of the issuer. Any of the firm's partners or officers must not be officers or proposed officers of any group, holding or associated company of the issuer.

Additional requirements of Competent Evaluators

18.23 In addition to the requirements set out in rules 18.21(2) and 18.22, a Competent Evaluator must:—

(1) have at least ten years relevant and recent general mining or Petroleum experience (as appropriate);

(2) have at least five years relevant and recent experience in the assessment and/or valuation of Mineral or Petroleum Assets or securities (as appropriate); and

(3) hold all necessary licences.

Note: A Competent Person's Report or Valuation Report may be performed by the same Competent Person provided he or she is also a Competent Evaluator.

Scope of Competent Persons' Reports and Valuation Reports

18.24 A Competent Person's Report or Valuation Report must comply with a Reporting Standard as modified by this Chapter, and must:—

(1) be addressed to the Mineral Company or listed issuer;

(2) have an effective date (being the date when the contents of the Competent Person's Report or Valuation Report are valid) less than six months before the date of publishing the listing document or circular relating to a Relevant Notifiable Transaction required under the Listing Rules; and

(3) set out what Reporting Standard has been used in preparing the Competent Person's Report or Valuation Report, and explain any departure from the relevant Reporting Standard.

Disclaimers and Indemnities

18.25 A Competent Person's Report or Valuation Report may contain disclaimers of sections or topics outside their scope of expertise in which the Competent Person or Competent Evaluator relied upon other experts' opinions, but must not contain any disclaimers of the report in its entirety.

18.26 The Competent Person or Competent Evaluator must prominently disclose in the Competent Person's Report or Valuation Report the nature and details of all indemnities provided by the issuer. Indemnities for reliance placed on information provided by issuers and third party experts (for information outside the Competent Person's or Competent Evaluator's expertise) are generally acceptable. Indemnities for fraud and gross negligence are generally unacceptable.

Obligations of sponsor

18.27 Any sponsor appointed to or by a new applicant Mineral Company under Chapter 3A must ensure that any Competent Person or Competent Evaluator meets the requirements of this Chapter.

REPORTING STANDARD

Mineral reporting standard

18.28 In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting mineral Resources and Reserves must also satisfy rules 18.29 and 18.30.

18.29 A Mineral Company must disclose information on mineral Resources, Reserves and/or exploration results either:—

(1) under:

(a) the JORC Code;

(b) NI 43-101; or

(c) the SAMREC Code,

as modified by this Chapter; or

(2) under other codes acceptable to the Exchange as communicated to the market from time to time, provided the Exchange is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.

Note: The Exchange may allow presentation of Reserves under other reporting standards provided reconciliation to a Reporting Standard is provided. A Reporting Standard applied to specific assets must be used consistently.

18.30 A Mineral Company must ensure that:—

(1) any estimates of mineral Reserves disclosed are supported, at a minimum, by a Pre-feasibility Study;

(2) estimates of mineral Reserves and mineral Resources are disclosed separately;

(3) Indicated Resources and Measured Resources are only included in economic analyses if the basis on which they are considered to be economically extractable is explained and they are appropriately discounted for the probabilities of their conversion to mineral Reserves. All assumptions must be clearly disclosed. Valuations for Inferred Resources are not permitted;

(4) for commodity prices used in Pre-feasibility Studies, Feasibility Studies and valuations of Indicated Resources, Measured Resources and Reserves:—

(a) the methods to determine those commodity prices, all material assumptions and the basis on which those prices represent reasonable views of future prices are explained clearly; and

(b) if a contract for future prices of mineral Reserves exists, the contract price is used; and

(5) for forecast valuations of Reserves and profit forecasts, sensitivity analyses to higher and lower prices are supplied. All assumptions must be clearly disclosed.

Petroleum reporting standard

18.31 In addition to satisfying the requirements of Chapter 13 (as modified by this Chapter), a Mineral Company exploring for and/or extracting Petroleum Resources and Reserves must also satisfy rules 18.32 and 18.33.

18.32 A Mineral Company must disclose information on Petroleum Resources and Reserves either:—

(1) under PRMS as modified by this Chapter; or

(2) under other codes acceptable to the Exchange if it is satisfied that they give a comparable standard of disclosure and sufficient assessment of the underlying assets.

Note: A Reporting Standard applied to specific assets must be used consistently.

18.33 A Mineral Company must ensure that:—

(1) where estimates of Reserves are disclosed, the method and reason for choice of estimation are disclosed (i.e. deterministic or probabilistic methods, as defined in PRMS). Where the probabilistic method is used, the underlying confidence levels applied must be stated;

(2) if the NPVs attributable to Proved Reserves and Proved plus Probable Reserves are disclosed, they are presented on a post-tax basis at varying discount rates (including a reflection of the weighted average cost of capital or minimum acceptable rate of return that applies to the entity at the time of evaluation) or a fixed discount rate of 10%;

(3) Proved Reserves and Proved plus Probable Reserves are analysed separately and principal assumptions (including prices, costs, exchange rates and effective date) and the basis of the methodology are clearly stated;

(4) if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. The bases for the forecast case must be disclosed. The constant price is defined as the unweighted arithmetic average of the closing price on the first day of each month within the 12 months before the end of the reporting period, unless prices are defined by contractual arrangements. The basis on which the forecast price is considered reasonable must be disclosed and Mineral Companies must comply with rule 18.30(5);

Note: In the forecast case under PRMS, the economic evaluation underlying the investment decision is based on the entity's reasonable forecast of future conditions, including costs and prices, which will exist during the life of the project.

(5) if estimated volumes of Contingent Resources or Prospective Resources are disclosed, relevant risk factors are clearly stated;

Note: Under PRMS, wherever the volume of a Contingent Resource is stated, risk is expressed as the chance that the accumulation will be commercially developed and graduate to the reserves class. Wherever the volume of a Prospective Resource is stated, risk is expressed as the chance that a potential accumulation will result in a significant discovery of Petroleum.

(6) economic values are not attached to Possible Reserves, Contingent Resources or Prospective Resources; and

(7) where an estimate of future net revenue is disclosed, whether calculated without discount or using a discount rate, it is prominently disclosed that the estimated values disclosed do not represent fair market value.

Mineral or Petroleum Asset Valuation Reports

18.34 A Mineral Company must ensure that:—

(1) any valuation of its Mineral or Petroleum Assets is prepared under the VALMIN Code, SAMVAL Code, CIMVAL or such other code approved by the Exchange from time to time;

(2) the Competent Evaluator states clearly the basis of valuation, relevant assumptions and the reason why a particular method of valuation is considered most appropriate, having regard to the nature of the valuation and the development status of the Mineral or Petroleum Asset;

(3) if more than one valuation method is used and different valuations result, the Competent Evaluator comments on how the valuations compare and on the reason for selecting the value adopted; and

(4) in preparing any valuation a Competent Evaluator meets the requirements set out in rule 18.23.

Appendix 25

Content of a Competent Person's Report for Petroleum Reserves and Resources

(See rule 18.20)

The Competent Person's Report for Petroleum Reserves and Resources must include the following:—

1. (1) Table of contents

   (2) Executive summary

   (3) Introduction:—

   (a) the Competent Person's terms of reference;

   (b) a statement by the Competent Person confirming his details including his full name, address, professional qualifications, expertise, years of experience, professional society affiliations, and membership details of a relevant Recognised Professional Organisation;

   (c) a statement by the Competent Person that he is independent of the Mineral Company, its directors, senior management, and advisers, in compliance with Main Board Listing Rule 18.22.

   (d) a description of the nature and source of any information used in the preparation of the Competent Person's Report including any limitations on the availability of information;

   (e) details of any information used in the preparation of the Competent Person's Report that was provided by the Mineral Company;

   (f) a statement that the Resources and Reserves have been substantiated by evidence (from a site visit, if appropriate) that:—

   (i) is supported by analyses; and

   (ii) takes account of information supplied to the Competent Person;

(g) if a site visit has been undertaken, when the site visit was undertaken and by whom;

(h) if a site visit has not been undertaken, a satisfactory reason as to why not;

Note: It is for the Competent Person to determine whether or not a site visit is necessary.

(i) the effective date of the estimates;

(j) the effective date of the Competent Person's Report;

(k) the Reporting Standard used in the Competent Person's Report, and an explanation of any departure from the relevant Reporting Standard;

(l) abbreviated definitions of the categories of Reserves and Resources used in the Competent Person's Report.

(4) Summary of Assets:—

(a) a description or table of assets held by the Mineral Company including:—

(i) the percentage ownership by the Mineral Company; and

(ii) the gross and net acreage of the assets;

(b) a summary of gross and net:—

(i) Proved Reserves; and

(ii) Proved Reserves plus Probable Reserves,

(net of any revenue interest and/or entitlement interests, as appropriate) as of [date];

(c) gross (100% of field) production profiles for:—

(i) Proved Reserves; and

(ii) Proved Reserves plus Probable Reserves (optional),

(listed separately)

(d) a summary of any upside in respect of Possible Reserves, Contingent Resources, and Prospective Resources (optional);

(e) a summary of net present values ("**NPVs**") attributable to:—

(i) Proved Reserves; and

(ii) Proved Reserves plus Probable Reserves;

including any caveats. This disclosure is optional.

Note: Volumetric or monetary results of differing classes of Reserves and Resources with other classes must not be combined. Prospective Resources must not be summed (either to each other or to other classes).

(5) Discussion:—

(a) general description of the region's petroleum history;

(b) details of the regional and basin generalized geology and evident petroleum system;

(6) Field(s), licence(s) and asset(s):—

(a) For each field, licence and asset (or a number of fields, licences, and assets), reporting shall be divided into four explicitly different sections:—

(i) Reserves;

(ii) Contingent Resources;

(iii) Prospective Resources; and

(iv) other assets material to the Mineral Company;

Note: Examples of other assets material to a Mineral Company are: a pipeline which is not part of the producing assets facilities, an evacuation pipeline, or a petrochemical plant.

(b) For each of 6(a)(i), (ii) and (iii) the following information must be provided, as applicable:—

(i) the nature and extent of any rights to explore and extract hydrocarbons and a description of the properties to which those rights attach, including the duration and other principal terms and conditions of the concessions and any necessary licences and consents and the responsibility for any rehabilitation and/or abandonment costs;

(ii) a description of geological characteristics including a stratigraphic column;

(iii) the characteristics of the reservoir (including thickness, porosity, permeability, pressure, and any recovery mechanism), or that judged to be expected in the case of Prospective Resources;

(iv) details of any exploration drilling including the depth of zone tested, rock formation encountered, and any liquids and/or gases encountered and/or recovered;

(v) the date production commenced;

(vi) details of any developments;

(vii) details of any commercial risks for any Contingent Resources;

(viii) details of any geological risk assessment for any Prospective Resources;

(ix) the methods employed for exploration and/or extraction;

(x) plans and maps for each field demonstrating any geological characteristics, platforms, pipelines, wells, bore holes, sample pits, trenches and similar characteristics;

(xi) discussion on the field development plan;

(xii) comments on plant and machinery including suitability and expected life capability in terms of rates, conditions, and costs of maintaining;

(xiii) production schedules and the basis for any estimations;

(xiv) comments on any production forecasts made by the Mineral Company; and

(xv) a statement of:—

(A) Proved Reserves;

(B) Proved Reserves plus Probable Reserves;

(C) Possible Reserves; (optional)

including the method of estimation and the expected recovery factor;

Note: Information on Possible Reserves must be stated separately and not combined with information on any other Reserves. A clear statement must be provided that any Possible Reserves are entirely excluded from any asset valuation or statement of Reserves.

(7) Business:—

(a) the general nature of the business of the Mineral Company, distinguishing between different activities which are material to the business having regard to the profits or losses, assets employed and any factors affecting the importance of the activity;

(b) a statement about the Mineral Company's long term prospects;

(c) an assessment of the technical staff employed by the Mineral Company;

(d) any other factors that might affect value perceptions;

Note: Examples of other factors that might affect value perceptions are transportation difficulties and marketing.

(8) Economic evaluation:—

If a Mineral Company provides an economic evaluation based on Discounted Cash Flow analyses, the following additional requirements should be complied with:—

(a) separate NPVs must be calculated for:—

(i) Proved Reserves; and

(ii) Proved Reserves plus Probable Reserves; (optional)

(b) the oil prices or gas prices used in forecast cases and constant cases must be clearly stated, including any discounts or premiums of quality, transportation, or logistics, if applicable;

(c) a summary of the fiscal terms under which the licence(s) or permit(s) are held must be stated;

(d) varying discount rates (including the weighted average cost of capital or the minimum acceptable rate of return that applies to the Mineral Company when the evaluation is made) or a fixed discount rate of 10% must be applied;

(e) if the NPVs attributable to Reserves are disclosed, they are presented using a forecast price as a base case or using a constant price as a base case. Under the base case:—

(i) any assumptions made by the Competent Person must be stated including:—

(A) the cost inflation rate;

(B) if applicable, the exchange rate;

(C) the effective date; and

(D) any salient fiscal terms and assumptions;

(f) a table of NPV results for the Mineral Company's net economic interests must be included, which must not combine volumes or monetary conclusions for different categories;

(g) sensitivity analyses for oil and gas prices, must be included, if appropriate, clearly stating the parameters chosen;

(h) separate economic evaluation of plant and machinery must be included if not used in the extraction of Reserves;

Note: Pipelines are an example of plant and machinery not used in the extraction of Reserves.

(9) Social and Environmental:—

Discussion on any social and/or environmental issues, which are relevant to the exploration or exploitation of the hydrocarbons must be included, if material.

Note: Examples of social and environmental issues include difficulties of access, difficulties in laying pipelines, and special environmental concerns such as fishing grounds.

(10) Basis of opinion:—

(a) a statement that the Competent Person's Report has been prepared within the context of the Competent Person's understanding of the effects of petroleum legislation, taxation, and other regulations, that currently apply to assets;

(b) a statement that the Competent Person is in a position to attest to the rights of the Mineral Company to explore, mine, or explore and mine, the relevant Resources and Reserves;

(c) a statement that the Competent Person's Report is, and must remain, an independent opinion despite certain information used in the preparation of the Competent Person's Report having been given to it by the Mineral Company;

(11) Illustrations – of sufficient clarity to graphically present the material within the text. Maps must include a geographical reference system and scale bar for clarity. Technical drawings must include a legend to explain features within the diagram.

Appendix IV
Net Cash Flows at 15% Discount Rate of Recoverable Volumes. Base Case with 12% royalty. No Additional Royalty. Applying Export Tax until 2045

BASE CASE

Gaffney,
Cline &
Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Pre-Tax
as of June 1, 2020
Chañares Herrados Concession

PDP Recoverable Volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Abandonment Cost	BIT Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***								
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	263	32	231		51.87		12,004	409	7,792	5,000			(1,198)	(1,150)
2021	343	41	302		52.90		15,975	545	10,632				4,799	3,960
2022	297	36	261		55.43		14,495	494	10,275				3,726	2,673
2023	257	31	226		57.96		13,124	447	9,977				2,699	1,684
2024	223	27	197		59.25		11,649	397	9,741				1,511	820
2025	193	23	170		60.56		10,281	351	9,450				481	227
2026												2,400	(2,400)	(985)
2027														
2028														
2029														
2030														
2031														
2032														
2033														
2034														
2035														
2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
2045														
TOTAL	**1577**	**189**	**1388**	**-**			**77,528**	**2,643**	**57,867**	**5,000**	**-**	**2,400**	**9,618**	**7,230**

* Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume

**Net after W.I. and Royalty.

***Extraordinary Income Fee when oil price is higher than US$65/Bbl

**** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045

Gaffney,
Cline &
Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Pre-Tax

as of June 1, 2020

Chañares Herrados Concession

(PDP+PDNP)= PD Recoverables Volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Abandonment Cost	BIT Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***								
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603		267	257
2021	453	54	399		52.90		21,100	719	11,967		1,120		7,294	6,019
2022	404	49	356		55.43		19,730	673	11,603		980		6,475	4,646
2023	358	43	315		57.96		18,276	623	11,252		620		5,781	3,607
2024	325	39	286		59.25		16,940	578	11,047				5,315	2,884
2025	297	36	262		60.56		15,845	540	10,821				4,484	2,115
2026	263	32	232		61.90		14,349	489	10,584				3,276	1,344
2027	234	28	206		63.27		13,034	444	10,395				2,195	783
2028	206	25	182		64.67		11,747	400	10,217				1,129	350
2029	185	22	162	3.07	66.08	203	10,529	366	10,110				53	14
2030	-											2,880	(2,880)	(676)
2031														
2032														
2033														
2034														
2035														
2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
2045														
TOTAL	**3085**	**370**	**2715**	**3.07**		**203**	**157,904**	**5,390**	**106,922**	**5,000**	**4,323**	**2,880**	**33,389**	**21,344**

* Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume

**Net after W.I. and Royalty.

***Extraordinary Income Fee when oil price is higher than US$65/Bbl

**** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045

EPI (Holdings) Limited Net Revenue Interest Cashflows Pre-Tax
as of June 1, 2020
Chañares Herrados Concession

Total Proved (1P) Recoverables volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Abandonment Cost	BIT Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***								
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603		267	257
2021	473	57	417		52.90		22,034	751	12,288		6,467		2,527	2,085
2022	526	63	463		55.43		25,637	874	13,261		6,327		5,176	3,714
2023	462	55	407		57.96		23,589	804	12,811		5,967		4,007	2,500
2024	400	48	352		59.25		20,837	710	12,258				7,869	4,269
2025	356	43	313		60.56		18,952	646	11,840				6,465	3,050
2026	311	37	274		61.90		16,960	578	11,485				4,898	2,009
2027	275	33	242		63.27		15,302	522	11,215				3,565	1,272
2028	242	29	213		64.67		13,769	469	10,981				2,318	719
2029	216	26	190	3.59	66.08	237	12,318	428	10,831				1,059	286
2030	194	23	171	3.65	67.53	247	11,304	394	10,735				176	41
2031												3,120	(3,120)	(636)
2032														
2033														
2034														
2035														
2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
2045														
TOTAL	**3813**	**458**	**3356**	**7.24**			**197,056**	**6,734**	**126,631**	**5,000**	**20,364**	**3,120**	**35,207**	**19,566**

* Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume

**Net after W.I. and Royalty.

***Extraordinary Income Fee when oil price is higher than US$65/Bbl

**** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045

EPI (Holdings) Limited Net Revenue Interest Cashflows Pre-Tax

as of June 1, 2020

Chañares Herrados Concession

Total Proved plus Probable (2P) Recoverable volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Abandonment Cost	BIT Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***								
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603		267	257
2021	473	57	417		52.90		22,034	751	12,288		6,467		2,527	2,085
2022	526	63	463		55.43		25,637	874	13,340		11,674		(251)	(180)
2023	525	63	462		57.96		26,769	913	13,760		11,314		782	488
2024	516	62	454		59.25		26,898	917	13,920		620		11,441	6,207
2025	460	55	405		60.56		24,505	835	13,377		620		9,672	4,563
2026	392	47	345		61.90		21,333	727	12,732				7,873	3,230
2027	341	41	300		63.27		18,966	647	12,290				6,029	2,151
2028	298	36	262		64.67		16,955	578	11,941				4,436	1,376
2029	264	32	233	4.40	66.08	290	15,085	524	11,703				2,858	771
2030	237	28	209	4.46	67.53	301	13,805	481	11,545				1,779	417
2031	215	26	190	4.53	69.01	312	12,769	446	11,356				967	197
2032	197	24	174	4.59	70.52	324	11,920	417	11,116				387	69
2033												3,280	(3,280)	(506)
2034														
2035														
2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
2045														
TOTAL	**4802**	**576**	**4226**	**17.98**		**1,228**	**253,029**	**8,668**	**158,297**	**5,000**	**32,298**	**3,280**	**45,486**	**21,125**

*** Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume**

****Net after W.I. and Royalty.**

*****Extraordinary Income Fee when oil price is higher than US$65/Bbl**

****** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045**

Gaffney, Cline & Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Post-Tax
as of June 1, 2020
Chañares Herrados Concession

PDP Recoverable Volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Income Tax	Abandonment Cost	Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***								
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	263	32	231		51.87		12,004	409	7,792	5,000	1,141		(2,338)	(2,245)
2021	343	41	302		52.90		15,975	545	10,632		1,440		3,360	2,772
2022	297	36	261		55.43		14,495	494	10,275		931		2,794	2,005
2023	257	31	226		57.96		13,124	447	9,977		675		2,024	1,263
2024	223	27	197		59.25		11,649	397	9,741		378		1,133	615
2025	193	23	170		60.56		10,281	351	9,450		120		361	170
2026												2,400	(2,400)	(985)
2027														
2028														
2029														
2030														
2031														
2032														
2033														
2034														
2035														
2036														
2037														
2038														
2039														
2040														
2041														
2042														
2043														
2044														
2045														
TOTAL	**1577**	**189**	**1388**			-	**77,528**	**2,643**	**57,867**	**5,000**	**4,685**	**2,400**	**4,934**	**3,596**

* Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume

**Net after W.I. and Royalty.

***Extraordinary Income Fee when oil price is higher than US$65/Bbl

**** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045

Gaffney, Cline & Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Post-Tax
as of June 1, 2020
Chañares Herrados Concession

(PDP+PDNP)= PD Recoverables Volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Income Tax	Abandonment Cost	Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***									
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603	2,005		(1,738)	(1,669)
2021	453	54	399		52.90		21,100	719	11,967		1,120	2,398		4,896	4,040
2022	404	49	356		55.43		19,730	673	11,603		980	1,726		4,749	3,407
2023	358	43	315		57.96		18,276	623	11,252		620	1,449		4,332	2,703
2024	325	39	286		59.25		16,940	578	11,047			1,191		4,124	2,238
2025	297	36	262		60.56		15,845	540	10,821			995		3,489	1,646
2026	263	32	232		61.90		14,349	489	10,584			708		2,569	1,054
2027	234	28	206		63.27		13,034	444	10,395			450		1,745	623
2028	206	25	182		64.67		11,747	400	10,217			195		934	290
2029	185	22	162	3.07	66.09	203	10,530	366	10,110					54	14
2030													2,880	(2,880)	(676)
2031															
2032															
2033															
2034															
2035															
2036															
2037															
2038															
2039															
2040															
2041															
2042															
2043															
2044															
2045															
TOTAL	**3085**	**370**	**2715**	**3.07**		**203**	**157,905**	**5,390**	**106,922**	**5,000**	**4,323**	**11,116**	**2,880**	**22,274**	**13,671**

*** Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume**

****Net after W.I. and Royalty.**

*****Extraordinary Income Fee when oil price is higher than US$65/Bbl**

****** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045**

Gaffney, Cline & Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Post-Tax
as of June 1, 2020
Chañares Herrados Concession

Total Proved (1P) Recoverables volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Income Tax	Abandonment Cost	Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***									
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603	2,016		(1,749)	(1,679)
2021	473	57	417		52.90		22,034	751	12,288		6,467	2,373		154	127
2022	526	63	463		55.43		25,637	874	13,261		6,327	2,296		2,880	2,066
2023	462	55	407		57.96		23,589	804	12,811		5,967	1,702		2,305	1,438
2024	400	48	352		59.25		20,837	710	12,258			1,283		6,585	3,573
2025	356	43	313		60.56		18,952	646	11,840			1,008		5,457	2,575
2026	311	37	274		61.90		16,960	578	11,485			692		4,206	1,725
2027	275	33	242		63.27		15,302	522	11,215			421		3,144	1,122
2028	242	29	213		64.67		13,769	469	10,981			166		2,152	668
2029	216	26	190	3.59	66.09	237	12,319	428	10,831					1,060	286
2030	194	23	171	3.66	67.54	247	11,305	394	10,735					176	41
2031													3,120	(3,120)	(636)
2032															
2033															
2034															
2035															
2036															
2037															
2038															
2039															
2040															
2041															
2042															
2043															
2044															
2045															
TOTAL	**3813**	**458**	**3356**	**7.25**		**484**	**197,057**	**6,734**	**126,631**	**5,000**	**20,364**	**11,956**	**3,120**	**23,252**	**11,307**

* Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume

**Net after W.I. and Royalty.

***Extraordinary Income Fee when oil price is higher than US$65/Bbl

**** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045

Gaffney, Cline & Associates

EPI (Holdings) Limited Net Revenue Interest Cashflows Post-Tax
as of June 1, 2020
Chañares Herrados Concession

Total Proved plus Probable (2P) Recoverable volumes

Year	Gross Field Volumes*	Royalty Volumes*	Sales Profiles**				Gross Income	Provincial Tax	Operating Expenses	Up Front Payment	Capital Investment	Income Tax	Abandonment Cost	Net Cashflow	15% Discounted Net Cashflow
	Oil	Oil	Oil	Ext.Inc.Fee***	Oil Price****	Ext.Inc.Fee***									
	MBbl	MBbl	MBbl	MBbl	US$/Bbl	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M	US$ M
2020	358	43	315		51.87		16,353	558	8,926	5,000	1,603	2,025		(1,758)	(1,688)
2021	473	57	417		52.90		22,034	751	12,288		6,467	2,444		83	68
2022	526	63	463		55.43		25,637	874	13,340		11,674	2,234		(2,485)	(1,783)
2023	525	63	462		57.96		26,769	913	13,760		11,314	1,973		(1,191)	(743)
2024	516	62	454		59.25		26,898	917	13,920		620	1,954		9,486	5,147
2025	460	55	405		60.56		24,505	835	13,377		620	1,598		8,074	3,809
2026	392	47	345		61.90		21,333	727	12,732			1,138		6,736	2,763
2027	341	41	300		63.27		18,966	647	12,290			785		5,244	1,871
2028	298	36	262		64.67		16,955	578	11,941			477		3,959	1,228
2029	264	32	233	4.40	66.09	291	15,086	524	11,703			154		2,705	730
2030	237	28	209	4.46	67.54	302	13,806	481	11,545					1,780	417
2031	215	26	190	4.53	69.02	313	12,770	446	11,356					968	197
2032	197	24	174	4.60	70.53	324	11,921	417	11,116					388	69
2033													3,280	(3,280)	(506)
2034															
2035															
2036															
2037															
2038															
2039															
2040															
2041															
2042															
2043															
2044															
2045															
TOTAL	**4802**	**576**	**4226**	**17.99**		**1,229**	**253,032**	**8,668**	**158,297**	**5,000**	**32,298**	**14,782**	**3,280**	**30,708**	**11,580**

*** Gross Volumes at 100% W.I. before Royalty. Royalty are 12% of Gross volume**

****Net after W.I. and Royalty.**

*****Extraordinary Income Fee when oil price is higher than US$65/Bbl**

****** Oil Price adjusted by a quality discount of US$7/Bbl until 2045 and 8% export tax until 2045**

Gaffney,
Cline &
Associates

Appendix V
Concession Trip December 30, 2019 Report

Gaffney,
Cline &
Associates

Concession Trip Report

GCA and EPI personnel visited the Chañares Herrados Concession on December 30, 2019 to observe the current facilities and infrastructure status and its operational conditions. This visit included some well locations, the crude oil treatment plant and the offices and warehouses buildings. The resulting conclusions of the trip are presented below.

1. The main and secondary roads are in good condition and they appear suitable for both light and heavy vehicles.
2. The condition of locations and pumping equipment, of producing wells CH-1062, CH-1082, CH-1059, CH-1053, CH-7-bis, and the water injector CH-35-bis are good and well maintained with adequate road access.
3. Elevated tanks with lower pit protected by protective membrane are present in all locations.
4. No oil spills or hazardous environmental conditions were observed.
5. Wells currently shut-in without production facilities have locations in good condition.
6. Most of the active wells produce to elevated tanks located at each well's location, from where the crude oil is transported by trucks to the treatment plants.
7. The oldest treatment plant is named "CHASA" and had an original treatment capacity of 4,200 Bbl. /d of liquids (oil plus water).
8. The oil treatment plant named "El Trebol" has the most modern facilities with a capacity of 12,500 Bbl./d of liquids.
9. In treatment plants, the water is separated from the oil leaving up to 1% water content.
10. It was observed that there are three oil treatment plants that, in the past, were operated by different partners in the field. GCA considers that a single operator would be able to integrate these facilities.
11. The buildings for offices, warehouse and laboratory were only observed from the outside, but appeared to be in good condition.

Photographs from the visit are provided below:

Gaffney,
Cline &
Associates

Image 1. Concession Entry point

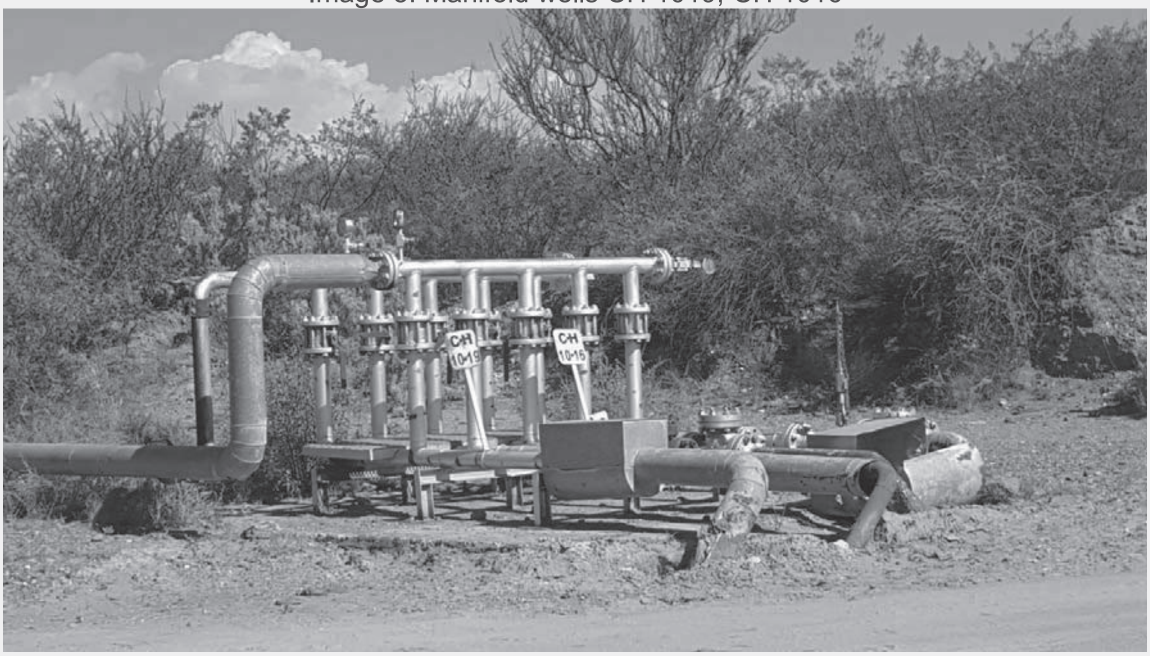
Image 2: Field offices

Image 3:Treatment Plant. API pool

Image 4 Treatment Plant

Gaffney, Cline & Associates

Image 5: Manifold wells CH 1019, CH 1016



Gaffney,
Cline &
Associates

Appendix VI
Valuation Report

Valuation of Chañares Herrados

GCA has been asked by EPI to provide a valuation opinion of the Chañares Herrados Concession. This valuation has been based on the technical assessment of the existing producing field as set out in GCA's report entitled "Competent Person's Report on Chanares Herrados Concession in Argentina" and dated February 28, 2020 of which this appendix forms an integral part. That assessment, and the associated caveats with regard to limitations on data availability and the unknown bid parameters that EPI may offer, must be read in conjunction with this valuation opinion.

Given the numerous uncertainties related with this exercise, the value opinion has been provided as a range.

Valuation Techniques

In order to assess the value of petroleum assets it is standard practice in the oil and gas industry to use one or more of the following three valuation techniques: (a) discounted cash flow ("DCF") analysis; (b) market analysis; and (c) cost analysis. GCA typically applies at least two valuation techniques for any given asset in order to compare and cross-check the results. Each of these valuation techniques is addressed below.

Discounted Cash Flow ("DCF") Analysis

A DCF analysis assesses the value of assets based on the net present value ("NPV") of an estimate of future net income to be derived from those assets. The analysis requires forecasting the future costs for which the interest holder will be liable, and future revenues to which the interest holder will be entitled. Each future year's cash flow is reduced by a discount rate to account for the time-value of money and certain categories of risk. The sum of these discounted annual cash flows over the life of the asset or project is called the NPV, which is always expressed as of a stated date (in this case June 1, 2020).

In the absence of a direct indicator of value (such as a recent sales transaction for the asset, or a very close analogue), a DCF analysis is the most widely used and preferred method for valuing oil and gas interests. The DCF analysis is commonly used for valuing oil and gas interests because it stems directly from the fundamental financial principle that the value of an asset is equal to the expected future cash flows it can produce, discounted to present value at a rate that reflects the time-value of money and systematic uncertainties associated with the investment.

Market Analysis

A market analysis attempts to determine the value of an asset based on transactional data for comparable assets. Such transactions include: (a) actual transactions involving oil or gas assets; (b) actual transactions for comparable assets; and (c) trading results for companies holding comparable assets.

The relevance of the transactions, and whether or not they are truly comparable to the asset being valued, depends on the date of the transaction, and the characteristics of the asset being sold (e.g., location, geology, development status, etc.).

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Cost Analysis

A cost analysis values an asset on the basis of expenditures that have already been made or the cost of replacement. This approach is not appropriate for a revenue-producing oil and gas asset and has not been applied.

Summary of the Valuation Opinion for Chañares Herrados

GCA has provided a detailed NPV analysis, including sensitivities, in the body of the report. Those results are compared with metrics derived from an assessment of comparable market transactions.

Comparable Transactions

The most recent transactions in Argentina are acquisitions of blocks between companies, most of them related to unconventional oil or shale gas properties. Because the Chañares Herrados field has only conventional reservoirs, GCA has not considered transactions dealing with unconventional reservoirs and has only include conventional oil fields. GCA also filtered out transactions of gas fields or transactions at the corporate level.

The most recent transactions of assets blocks with mature producing conventional oil fields were in 2019 and January 2020. The information of these transactions is provided in Table 1.

Table A.VI 1. Recent Oil and Gas Transactions in Argentina

	Acquirer	Target Company	Transaction Assets	Transaction Value US$ million	US$/Boe 1P	US$/Boe 2P
1/1/2020	Interoil	Roch	Properties in Santa Cruz	1.0	2.0	-
10/17/2019	Crown Point	Phoenix	16% of Tierra del Fuego block	13.5	4.2	2.9
4/29/2019	Interoil	Selva Maria Oil	Properties in San Jorge Basin	13	n.a	1.6

Note: The public source database used to obtain transaction information only reported reserves in terms of barrels of oil equivalent (Boe), based on conversion of gas to oil equivalent assuming 6,000 scf/Boe. Therefore, the reserves used in the calculation would have included any gas reserves in the fields; however, since there is no gas reported for Chañares Herrados the comps are believed to be reasonable.

Using the net (after-royalty) volumes reported in Table 1 of the main CPR with "1P" of 3.36 million Bbl and "2P" of 4.23 million Bbl, we derive a value range from the comparable transactions of about US$7 million to US$14 million.

DCF Analysis

The valuation of the Chanares Herrados concession considering the DCF analysis of the future 2P recoverable volume is summarized in the table below.

Table A.VI 2. Post-Tax Net Present Values as of June 1, 2020 at Various Discount Rates and Additional Royalties, with Discount for Export Tax Applied until 2045

% Additional Royalty	"2P" Recoverable Volume Net Present Value (US$ million)			
	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)
0%	16.0	14.0	11.6	8.4
1%	14.6	12.8	10.5	7.5
2%	13.3	11.6	9.4	6.6
3%	12.0	10.3	8.4	5.7

Table A VI 2 represents the **post-tax** NPVs at different discount rates for the future recoverable volumes generated with an economic model that considers the initial offer in the bidding with the following assumptions

1. The discount for the export tax is applied until 2045 at the current rate of 8%. The export tax has been applied until the end of life on the asset considering that, due to the economic situation of Argentina, it is possible that the application of the export tax will continue for a long time.

2. The additional royalty option has been included at rates ranging from 1% to 3%. This is one of the bid parameters and GCA has no knowledge about whether EPI plans to offer additional royalty or not or, if so, at what percentage. Any additional royalty offered that is greater than 3% would reduce the NPVs of the asset accordingly.

3. Only the initial minimum upfront payment of US$5 million is included in the cash flow in June 2020. Any additional initial payment that EPI may offer would be a direct deduction from the quoted NPV values.

4. The development of the Chanares Herrados field requires estimated capital investments of US$20.4 million for the "1P" volume and US$32.3 million for the "2P" volume, executed in the six first years. Both exceed the minimum investment required of US$20 million.

5. The oil price discount for quality is US$7.00/Bbl from Brent.

The discount rate is a key parameter in generating a valuation opinion, as it transforms a stream of expected cash flow into a single figure at the reference date. Theoretically, the discount rate should represent the non-diversifiable risk associated with a cash flow. As there is no direct measure of the discount rate, the weighted average cost of capital ("WACC") of the company holding the oil and gas assets is often used as a proxy.

Here in the case of the Chañares Herrados concession, the WACC has not been provided to GCA. Therefore, GCA has used its experience and considered two components of the discount rate, a base rate appropriate for transactions involving producing oil fields and a country risk premium. For the base rate, in GCA's view, a discount rate of 8% to 12% reasonably represents the time value of money and the risks associated with producing fields, such as interrupted production or delayed investments.

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Associates

Secondly, a country risk premium of 4% to 8% is added to the base rate. This is a subjective measure to include the possible exposure to Argentina's country risk during the development of the project.

Valuation Opinion

Taking all of the above into account, GCA considers that the valuation of the Chañares Herrados concession should be based on a range of discount rates between 12% and 20%, combining the base rate and the country risk premium.

This range of discount rates yields a valuation range of US$6 million to US$14 million, considering a hypothetical 0% to 3% range for the additional royalty bid and the minimum initial upfront payment of US$5 million.

It is important to note that any royalty bid above the modeled range and any additional upfront payments bid would lower this valuation range.

Florent Rousset, CPR and Valuation Reviewer
Managing Director of GCA

Gaffney, Cline & Associates

Appendix VII
Net Present Value at
Different Discount Rates of 1P Recoverable Volume

Net Present Value at Different Rates of the 1P Recoverable Volume

As a reference, GCA has presented the "1P" case. If EPI pursues the bidding process based on the "1P" case, the range of NPVs at different discount rates is shown in Table A.VII 1

Table A.VII 1. Post-Tax Net Present Values as of June 1, 2020 at Various Discount Rates and Additional Royalties, with Discount for Export Tax Applied until 2045

% Additional Royalty	"1P" Recoverable Volume Net Present Value (US$ million)			
	NPV(10%)	NPV(12%)	NPV(15%)	NPV(20%)
0%	14.3	13.0	11.3	9.0
1%	13.2	12.0	10.4	8.2
2%	12.2	11.0	9.5	7.5
3%	11.1	10.0	8.6	6.7

This information has been included as a request of EPI, but has not been used in the GCA Valuation Opinion.

Note that the NPVs in the table above consider a hypothetical 0% to 3% range for the additional royalty bid and include the minimum initial upfront payment of US$5 million.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Directors' interests and short positions in Shares, underlying Shares and debentures

At the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares:

Name of Directors	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Total interests	Approximate percentage of the Company's issued share capital *(Note (i))*
Mr. Liu Zhiyi ("Mr. Liu")	Interests of controlled corporation	999,505,000 *(Note (ii))*	—	—	—
	Beneficial owner	—	43,500,000 *(Note (iv))*	1,043,005,000	19.903%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interests of controlled corporation	862,085,620 *(Note (iii))*	—	862,085,620	16.451%
Mr. Sue Ka Lok	Beneficial owner	—	22,800,000 *(Note (iv))*	22,800,000	0.435%
Mr. Yiu Chun Kong	Beneficial owner	—	600,000 *(Note (iv))*	600,000	0.011%
Mr. Chan Shui Yuen	Beneficial owner	—	900,000 *(Note (iv))*	900,000	0.017%
Mr. Pun Chi Ping	Beneficial owner	—	300,000 *(Note (iv))*	300,000	0.006%
Ms. Leung Pik Har, Christine	Beneficial owner	—	300,000 *(Note (iv))*	300,000	0.006%

Notes:

(i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 Shares in issue at the Latest Practicable Date.

(ii) These interests were held by BJHK Company Limited ("BJHK"), which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 Shares under the SFO.

(iii) These interests were held by Billion Expo International Limited ("Billion Expo"), which was a wholly owned subsidiary of Premier United Group Limited ("Premier United") which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 Shares under the SFO.

(iv) This represented the interest of the underlying Shares issuable under the share options granted by the Company on 4 May 2017 pursuant to the share option scheme adopted by the shareholders of the Company on 22 June 2016. The consideration paid by the director on acceptance of the share options granted was HK$1.00. The exercise price of the share options granted is HK$0.53 per share and the exercisable period is from 4 May 2017 to 3 May 2020 (both dates inclusive).

Save as disclosed above, at the Latest Practicable Date, none of the Directors nor the chief executive of the Company nor their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares and debentures of the Company or any its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At the Latest Practicable Date, so far as being known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long positions in the Shares and underlying Shares:

Name of Shareholders	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Total interests	Approximate percentage of the Company's issued share capital *(Note (i))*
BJHK	Beneficial owner	999,505,000 *(Note (ii))*	—	999,505,000 *(Note (ii))*	19.073%
Premier United	Interests of controlled corporation	862,085,620 *(Notes (iii) & (iv))*	—	862,085,620	16.451%
Billion Expo	Beneficial owner	862,085,620 *(Notes (iii) & (iv))*	—	862,085,620	16.451%
China Shipbuilding Capital Limited	Beneficial owner	700,170,000	—	700,170,000	13.361%

Notes:

(i) The approximate percentage of the Company's issued share capital was calculated on the basis of 5,240,344,044 Shares in issue at the Latest Practicable Date.

(ii) These interests were held by BJHK, which was wholly owned by Mr. Liu. Mr. Liu was the sole director of BJHK. Accordingly, Mr. Liu was deemed to be interested in 999,505,000 Shares under the SFO.

(iii) These interests were held by Billion Expo, which was a wholly owned subsidiary of Premier United which in turn was wholly owned by Mr. Suen. Mr. Suen was the sole director of Billion Expo and Premier United. Accordingly, Mr. Suen was deemed to be interested in 862,085,620 Shares under the SFO.

(iv) The interests of Premier United and Billion Expo in 862,085,620 Shares referred to in Note (iii) above related to the same parcel of Shares.

Save as disclosed above, at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than the Directors and the chief executive of the Company) who had or were deemed or taken interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. DIRECTORS' SERVICES CONTRACTS

At the Latest Practicable Date, none of the Directors had entered, or proposed to enter into any existing or proposed service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

At the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) At the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up) had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested in and which was significant in relation to the business of the Group.

7. LITIGATION

At the Latest Practicable Date, none of the Company and its subsidiaries were engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

8. EXPERTS AND CONSENTS

The qualification of the experts who have given opinions and advice in this Circular is as follows:

Name	Qualification
Asian Alliance (HK) CPA Limited	Certified Public Accountants
Gaffney, Cline & Associates	Competent Person and Competent Evaluator

The above experts have given and have not withdrawn their written consent to the issue of this Circular with the inclusion herein of their letters, reports, advice and/or references to their names, in the form and context in which they appear.

At the Latest Practicable Date, the above experts did not have any direct or indirect interest, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

At the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which had been since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this Circular:

(a) the placing agreement dated 26 November 2019 entered into between the Company and Royston Securities Limited as the placing agent, pursuant to which the Company conditionally agreed to place, through Royston Securities Limited, on a best effort basis, the bonds with an aggregate principal amount of up to HK$250,000,000.00.

10. GENERAL

(a) The company secretary of the Company is Mr. Chan Shui Yuen, a CFA charterholder, a fellow of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the CPA Australia;

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(c) The principal place of business of the Company is situated at Room 3203, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong;

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, located at Level 54, Hopewell Centre, 183 Queens Road East, Hong Kong; and

(e) In the event of inconsistency, the English text of this Circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:00 a.m. to 6:00 p.m., Monday to Friday, except the public holiday, at the office of the Company at Room 3203, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong:

(a) the Bye-laws of the Company;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this Circular;

(c) the annual reports of the Company for each of the three years ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

(d) the report from Asian Alliance (HK) CPA Limited relating to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this Circular;

(e) the Competent Person's Report, the text of which is set out in Appendix IV to this Circular;

(f) the Valuation Report, the text of which is set out in Appendix IV to this Circular;

(g) the material contracts referred to in the sub-section headed "Material Contracts" in Appendix V to this Circular;

(h) the written consent referred to in the sub-section headed "Experts and Consents" in Appendix V to this Circular; and

(i) this Circular.

EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of EPI (Holdings) Limited (the "**Company**") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 30 March 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

(a) the submission by the Company or its subsidiaries of a bid offer (the "**Bid**") in the formal bidding process to be held by the Hydrocarbons Department of Mendoza Province on 1 April 2020 (Argentina time) (or such later date as may be determined) in relation to the proposed acquisition of the hydrocarbons exploitation concession rights in the Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina (the "**Chañares Herrados area**") and the entitlement to all of the right, title and interest in and to the properties and interests of the Chañares Herrados area (the "**Proposed Transaction**") and upon success of the Bid, the Proposed Transaction, be and are hereby approved, provided that the amount of the Bid must be in the region of minimum amount of US$25,000,000 and maximum amount of US$45,000,000;

(b) the directors of the Company be and are hereby authorised to do all such acts and things including, without limitation, to execute all such documents and to approve any amendments, alterations or modifications to any documents as he/she or they may consider desirable, necessary or expedient in connection with the submission of the Bid and, if the Bid is successful, implementation and completion of the Proposed Transaction; and

(c) any action taken by the directors of the Company prior to the Meeting in relation to the Bid and any other transactions contemplated thereunder be and are hereby approved, confirmed and ratified."

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

Hong Kong, 12 March 2020

* *For identification purpose only*

Principal Place of Business in Hong Kong:	*Registered Office:*
Room 3203, 32nd Floor	Clarendon House
China Resources Building	2 Church Street
26 Harbour Road	Hamilton HM11
Wanchai	Bermuda
Hong Kong	

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he/she/it or they represent(s) as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, together with such evidence as the Board of Directors of the Company may require under the Bye-laws of the Company, shall be delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof or upon the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share(s) of the Company, any one of such persons may vote, either personally or by proxy, in respect of such share(s) of the Company as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.

6. In order to be eligible to attend and vote at the Meeting, all unregistered holders of the shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 March 2020.

7. The Chinese version of this notice is for reference only. If there is any inconsistency between the English and the Chinese versions, the English version shall prevail.

8. At the date of this notice, the Board of Directors of the Company comprises four Executive Directors, namely Mr. Liu Zhiyi (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Mr. Yiu Chun Kong and Mr. Chan Shui Yuen; one Non-executive Director, namely Mr. Suen Cho Hung, Paul; and three Independent Non-executive Directors, namely Mr. Pun Chi Ping, Ms. Leung Pik Har, Christine and Mr. Kwong Tin Lap.