EPI (Holdings) Limited
長盈集團(控股)有限公司*

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors (the "**Board**") of EPI (Holdings) Limited (the "**Company**") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2022 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPRESHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**7,232**	17,782
Sales of petroleum		**–**	1,826
Sales of electricity		**2,629**	–
Interest income		**4,603**	15,884
Dividend income		**–**	72
Purchases, processing and related expenses		**(802)**	(1,262)
Other income and losses, net	*5*	**326**	1,430
Net (loss) gain on financial assets at fair value through profit or loss	*6*	**(795)**	11,893
Provision of expected credit loss on loan and interest receivables		**(1,964)**	(800)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		**(13,976)**	(576)
Wages, salaries and other benefits	*9*	**(3,629)**	(5,124)
Depreciation	*9*	**(1,882)**	(713)
Gain on redemption of debt instruments at fair value through other comprehensive income		**84**	–
Other expenses		**(8,779)**	(1,887)
Finance costs	*7*	**(67)**	(42)

* *For identification purpose only*

	Notes	Six months ended 30 June **2022** ***HK$'000*** **(Unaudited)**	2021 *HK$'000* (Unaudited)
(Loss) profit before tax		**(24,252)**	20,701
Income tax expense	*8*	**–**	(2,247)
(Loss) profit for the period	*9*	**(24,252)**	18,454
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments at fair value through other comprehensive income		**(12,569)**	(4,348)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		**13,976**	576
Release on redemption of debt instruments at fair value through other comprehensive income		**(84)**	–
Exchange differences arising on translation of financial statements of foreign operations		**(2,348)**	787
Other comprehensive expense for the period, net of income tax		**(1,025)**	(2,985)
Total comprehensive (expense) income for the period		**(25,277)**	15,469
(Loss) profit for the period attributable to:			
Owners of the Company		**(24,252)**	18,073
Non-controlling interests		**–**	381
		(24,252)	18,454
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(25,277)**	15,088
Non-controlling interests		**–**	381
		(25,277)	15,469
(Loss) earnings per share attributable to owners of the Company			
– Basic	*11*	**HK(0.46) cent**	HK0.34 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**44,017**	34,383
Right-of-use assets	12	**3,424**	4,200
Debt instruments at fair value through other comprehensive income	13	**4,459**	30,684
Prepayments and deposits for acquisition of non-current assets	14	**145,738**	9,874
Total non-current assets		**197,638**	79,141
Current assets			
Debt instruments at fair value through other comprehensive income	13	**29,776**	47,712
Loan and interest receivables	15	**102,104**	115,001
Trade and other receivables and prepayments	14	**1,844**	1,616
Other tax recoverable		**692**	732
Income tax recoverable		**497**	171
Financial assets at fair value through profit or loss	16	**5,929**	6,724
Bank balances and cash		**71,703**	191,818
Total current assets		**212,545**	363,774
Current liabilities			
Trade and other payables	17	**5,200**	11,852
Income tax payable		**657**	679
Lease liabilities		**1,087**	1,574
Total current liabilities		**6,944**	14,105
Net current assets		**205,601**	349,669
Total assets less current liabilities		**403,239**	428,810

	At 30 June 2022 *HK$'000* (Unaudited)	At 31 December 2021 *HK$'000* (Audited)
Non-current liability		
Lease liabilities	**2,526**	2,820
Net assets	**400,713**	425,990
Capital and reserves		
Share capital	**52,403**	52,403
Reserves	**348,310**	373,587
Total equity	**400,713**	425,990

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendment to HKFRS 16	Covid-19 – related rent concessions beyond 30 June 2021
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. Revenue

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

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of petroleum	**–**	1,826
Sales of electricity	**2,629**	–
Interest income from money lending business*	**2,193**	11,048
Interest income from debt instruments at fair value through other comprehensive income ("**FVTOCI**")*	**2,410**	4,836
Dividend income from financial assets at fair value through profit or loss ("**FVTPL**")	**–**	72
	7,232	17,782

* Under effective interest method

During the six months ended 30 June 2021, revenue from sales of petroleum was recognised at a point in time. Revenue from sales of petroleum was recognised once the control of the crude oil was transferred from the Group to the customer. Revenue was measured based on the oil price agreed with the customer at the point of sales.

During the current interim period, revenue from sales of electricity is recognised over time when the electricity generated (by solar energy power generation systems) and transmitted is simultaneously received and consumed by the power companies under the Renewable Energy Feed-in Tariff Scheme (the "**FiT Scheme**") jointly launched by the Hong Kong Government and the two power companies in Hong Kong. The Group has elected the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the power companies. The Group has no unsatisfied performance obligations at each reporting date.

Dividend income and interest income fall outside the scope of HKFRS 15.

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

4. **Segment information**

The following is an analysis of the Group's revenue and results by operating segments, based on the information provided to the chief operating decision maker representing the Board, for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 "Operating segments" are as follows:

(i) Petroleum exploration and production
(ii) Solar energy
(iii) Money lending
(iv) Investment in securities

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the six months ended 30 June 2022

	Petroleum exploration and production *HK$'000* **(Unaudited)**	**Solar energy** *HK$'000* **(Unaudited)**	**Money lending** *HK$'000* **(Unaudited)**	**Investment in securities** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment revenue					
External sales/sources	**–**	**2,629**	**2,193**	**2,410**	**7,232**
Results					
Segment results before provision of expected credit loss ("**ECL**")	**(431)**	**656**	**2,189**	**1,694**	**4,108**
Provision of ECL	**–**	**–**	**(1,964)**	**(13,976)**	**(15,940)**
Segment results	**(431)**	**656**	**225**	**(12,282)**	**(11,832)**
Other income and losses, net					**(1,165)**
Corporate expenses					**(11,235)**
Finance costs					**(20)**
Loss before tax					**(24,252)**
Income tax expense					**–**
Loss for the period					**(24,252)**

For the six months ended 30 June 2021

	Petroleum exploration and production HK$'000 (Unaudited)	Money lending HK$'000 (Unaudited)	Investment in securities HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue				
External sales/sources	1,826	11,048	4,908	17,782
Results				
Segment results before provision of ECL	(893)	10,984	16,626	26,717
Provision of ECL	–	(800)	(576)	(1,376)
Segment results	(893)	10,184	16,050	25,341
Other income and losses, net				322
Corporate expenses				(4,920)
Finance costs				(42)
Profit before tax				20,701
Income tax expense				(2,247)
Profit for the period				18,454

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

Segment assets and liabilities

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

	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
Segment assets		
Petroleum exploration and production	**138,879**	1,256
Solar energy	**55,102**	47,599
Money lending	**105,271**	127,774
Investment in securities	**40,169**	85,126
Total segment assets	**339,421**	261,755
Unallocated:		
Property, plant and equipment	**732**	854
Bank balances and cash	**68,408**	177,911
Right-of-use assets	**707**	1,312
Other assets	**915**	1,083
Consolidated assets	**410,183**	442,915
Segment liabilities		
Petroleum exploration and production	**1,638**	1,800
Solar energy	**3,302**	2,860
Money lending	**–**	25
Total segment liabilities	**4,940**	4,685
Unallocated:		
Lease liabilities	**773**	1,491
Other liabilities	**3,757**	10,749
Consolidated liabilities	**9,470**	16,925

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain bank balances and cash, certain right-of-use assets and certain other assets; and

- all liabilities are allocated to operating segments other than certain lease liabilities and certain other liabilities.

5. Other income and losses, net

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**96**	56
Exchange (loss) gain, net	**(959)**	393
Sales of scrap materials	**–**	708
Reversal of write-off of other receivables and deposits *(Note)*	**1,076**	–
Loss on disposal of subsidiaries	**–**	(45)
Others	**113**	318
	326	1,430

Note: The amount represented the reversal of write-off of other receivables and deposits paid in relation to the Group's petroleum exploration and production operation in Argentina as the counterparty had refunded the monies to the Group during the six months ended 30 June 2022.

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net unrealised (loss) gain on financial assets at FVTPL	**(795)**	8,221
Net realised gain on disposal of financial assets at FVTPL	**–**	3,672
	(795)	11,893

7. Finance costs

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**67**	42

8. Income tax expense

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Tax charge for the period comprises:		
Current tax		
Hong Kong	–	(1,004)
The People's Republic of China (the "**PRC**")	–	(308)
	–	(1,312)
Deferred tax	–	(935)
Income tax expense recognised in profit or loss	–	(2,247)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. There is no assessable profit arising in Hong Kong for the period under review.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. There is no assessable profit arising in the PRC for the period under review.

9. (Loss) profit for the period

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**1,133**	107
Depreciation of right-of-use assets	**749**	606
Total depreciation	**1,882**	713
Staff costs		
– directors' emoluments	**653**	740
– other staff costs	**2,635**	3,944
– other staff's retirement benefits schemes contributions (excluding directors)	**341**	440
Total staff costs	**3,629**	5,124
Professional and consultancy fees	**7,147**	675

10. Dividends

No dividend was paid, declared or proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2021: nil).

11. (Loss) earnings per share

(Loss) earnings per share is calculated by dividing the (loss) profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings:		
(Loss) profit for the period attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	**(24,252)**	18,073

	Six months ended 30 June	
	2022	2021
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**5,240,344**	5,240,344

For the six months ended 30 June 2022 and 30 June 2021, the diluted (loss) earnings per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

12. Property, plant and equipment and right-of-use assets

For the six months ended 30 June 2022, additions of solar photovoltaic systems and the related construction in progress amounted to HK$10,767,000 in aggregate (six months ended 30 June 2021: HK$97,000 being addition of office equipment), and HK$3,738,000 (six months ended 30 June 2021: nil) was transferred from construction in progress to solar photovoltaic systems.

For the six months ended 30 June 2022 and 30 June 2021, the Group had not entered into any new lease agreement.

13. Debt instruments at fair value through other comprehensive income

	At 30 June 2022	At 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 5.25% to 11.75% (31 December 2021: 4.70% to 11.75%) per annum and maturity dates ranging from 23 March 2022 to 28 June 2025 (31 December 2021: 8 March 2022 to 28 June 2025)	**34,235**	78,396
Analysed as:		
Current portion	**29,776**	47,712
Non-current portion	**4,459**	30,684
	34,235	78,396

At 30 June 2022 and 31 December 2021, the fair values of the debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments as they were in actual or potential defaults in payments of principal and/or interests.

The Group had engaged an independent professional valuer to perform ECL assessment on the debt instruments. The Company's management worked closely with the independent professional valuer to establish the appropriate valuation techniques and inputs to the model for ECL assessment. In making that evaluation, the Group assessed ECL for debt instruments at FVTOCI by reference to the credit rating of the debt instruments estimated by recognised rating agencies (i.e. Moody's, Fitch etc.), the macroeconomic factors and the changes in regulatory requirements affecting each issuer, and the probability of default and loss given default of each debt instrument. The Group also took into account forward-looking information that was reasonably and supportably available to the Group without undue cost or effort, including information such as gross domestic product growth rate and unemployment rate.

Provision of ECL of HK$13,976,000 (six months ended 30 June 2021: HK$576,000) on debt instruments at FVTOCI was recognised in profit or loss with a corresponding adjustment to other comprehensive income for the current interim period.

14. Prepayments and deposits for acquisition of non-current assets and trade and other receivables and prepayments

	At 30 June 2022 *HK$'000* (Unaudited)	At 31 December 2021 *HK$'000* (Audited)
Prepayments and deposits for acquisition of non-current assets *(Note (i))*	**145,738**	9,874
Trade receivables *(Note (ii))*	**502**	194
Deposits and prepayments	**1,169**	1,316
Others	**173**	106
	1,844	1,616

Notes:

(i) At 30 June 2022, the amount included prepayments of HK$8,711,000 (31 December 2021: HK$9,874,000) for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business, the amount would be utilised as consideration upon completion of the acquisition. The management expects the acquisition to be completed within one year.

In addition, the amount included deposits of HK$137,027,000 (31 December 2021: nil) in relation to the acquisition of an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets, located in Alberta Province of Canada.

(ii) The Group allows an average credit period of 30 to 60 days (31 December 2021: 30 to 60 days). The trade receivables of HK$502,000 (31 December 2021: HK$194,000) were aged within 30 days based on the invoice date and were neither past due nor impaired.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limit by customer. Credit limits and credit quality attributed to the customers are reviewed by the management regularly.

15. Loan and interest receivables

	At 30 June 2022	At 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fixed-rate loan receivables	**130,419**	140,378
Interest receivables	**8,564**	9,538
	138,983	149,916
Less: impairment allowance	**(36,879)**	(34,915)
	102,104	115,001
Analysed as:		
Current portion	**102,104**	115,001
Analysed as:		
Secured	**102,104**	115,001

At 30 June 2022, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 10% to 18% (31 December 2021: 10% to 18%) per annum and from 3 July 2022 to 27 April 2023 (31 December 2021: 12 March 2022 to 13 August 2022) respectively.

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

	At 30 June 2022	At 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loan and interest receivables:		
Within one year or on demand	**102,104**	115,001

Before granting loans to borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

During the six months ended 30 June 2022, provision of ECL of HK$1,964,000 (six months ended 30 June 2021: HK$800,000) on loan and interest receivables was recognised in profit or loss.

16. Financial assets at fair value through profit or loss

	At 30 June 2022	At 31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	**5,929**	6,724

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

17. Trade and other payables

	At 30 June 2022 *HK$'000* (Unaudited)	At 31 December 2021 *HK$'000* (Audited)
Trade payables	**448**	129
Other tax payables	**1,205**	1,178
Accrued professional fees	**1,961**	390
Other payables and accruals *(Note)*	**1,586**	10,155
	5,200	11,852

Note: At 30 June 2022, the amount included HK$187,000 (31 December 2021: HK$7,388,000) being other payable for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business with credit period of 45 days.

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

	At 30 June 2022 *HK$'000* (Unaudited)	At 31 December 2021 *HK$'000* (Audited)
0 - 30 days	**448**	129

The average credit period of trade payables was 30 days.

18. Event after the reporting period

On 9 February 2022, EP Resources Corporation ("**EP Resources**"), an indirect wholly-owned subsidiary of the Company, as purchaser and RockEast Energy Corp. ("**RockEast**") as vendor entered into a conditional asset purchase and sale agreement (the "**APA**"), pursuant to which EP Resources had conditionally agreed to acquire, and RockEast had conditionally agreed to sell, an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets, located in Alberta Province of Canada (the "**Canadian Oil Assets**") at an initial consideration of Canadian dollars ("**C$**") 22,500,000 (approximately HK$138,375,000) (the "**Acquisition**").

On 16 July 2022, all the conditions precedent to completion of the Acquisition were fulfilled and the Acquisition took place in accordance with the terms and conditions of the APA. Upon the closing, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: nil).

BUSINESS REVIEW

For the six months ended 30 June 2022 ("**HY2022**"), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2022, there was a sharp surge in international oil prices largely because of the revival of economic activities worldwide following the easing of the COVID pandemic, and the tightened supply of energy sources following the outbreak of war between Russia and Ukraine. The price of Brent crude oil, one of the benchmarks of international oil prices, jumped from around US$80 per barrel in December 2021, reached its peak of over US$130 in March 2022, and downed to around US$120 per barrel in June 2022. Although international oil prices continue to fluctuate considerably recently, they are hovering at comparatively high levels to their historical trends in the past five years and current market outlook of the industry remains positive. Leveraging on the Group's business experience of its oil operation in Argentina and with the intent of continuing its petroleum exploration and production business, as announced by the Company on 9 February 2022, the Group entered into a conditional APA with the vendor for the acquisition of the Canadian Oil Assets for an initial consideration of C$22,500,000 (approximately HK$138,375,000). The APA was duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the transactions contemplated thereunder were completed on 16 July 2022. Upon closing of the transactions, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements and will be reflected in the Group's results for the second half of 2022. The acquisition of the oil assets under the APA represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

In alignment with the Group's strategic initiatives to develop a diversified and balanced energy business portfolio, in July 2021, the Group entered into a cooperation framework agreement (the "**Cooperation Agreement**") with a specialist solar energy total solution and services provider to invest in solar energy power generation projects that are participating in the FiT Scheme, which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. In August 2021, for further development of the solar energy business, the Group entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 30 June 2022, the Group has invested HK$53,250,000 in solar energy power generation projects under the two aforementioned agreements.

For HY2022, the Group recorded a decline in revenue by 59% to HK$7,232,000 (30 June 2021: HK$17,782,000), mainly due to the decrease in revenue from the money lending business, and reported a loss attributable to owners of the Company of HK$24,252,000 (30 June 2021: profit of HK$18,073,000), primarily due to (i) the recognition of net loss on financial assets at FVTPL of HK$795,000 in contrast to the net gain of HK$11,893,000 recorded in the prior period; (ii) the provision of ECL on debt instruments at FVTOCI of HK$13,976,000 (30 June 2021: HK$576,000); and (iii) the decrease in profit contribution from the money lending business to HK$225,000 (30 June 2021: HK$10,184,000).

Petroleum Exploration and Production

As stated in the Company's announcement dated 16 March 2021, the Group's interest in an oil concession in the Chañares Herrados area (the "**CHE Concession**") located in Cuyana Basin, Mendoza Province of Argentina had been taken over by a new concessionaire on 13 March 2021. Accordingly, for HY2022, the Group's petroleum exploration and production business did not generate any revenue (30 June 2021: HK$1,826,000) due to the cessation of the Group's interest in the CHE Concession and recorded an operating loss of HK$431,000 (30 June 2021: HK$893,000). As above mentioned, the acquisition of the Canadian Oil Assets was completed on 16 July 2022, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements since then and will be reflected in the Group's results for the second half of 2022.

The Canadian Oil Assets represent an operating oil field comprising petroleum and natural gas rights, facilities and pipelines, together with other properties and assets, located in Alberta Province of Canada. The oilfield currently has 32 producing wells and it is expected that the contributions from the Canadian Oil Assets to the Group in terms of revenue and EBITDA (i.e. earnings before interest, taxes, depreciation and amortisation) will continue to grow according to the Group's current four-year development plan in respect of these oil assets. Further details of the Canadian Oil Assets are contained in the Company's circular dated 11 March 2022.

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions and it is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy business, including solar energy projects, which could provide the Group with healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into the Cooperation Agreement with a specialist solar energy total solution and services provider to invest in solar energy power generation projects, from which the electricity generated can be sold to the two power companies, thereby earning the feed-in tariff income under the FiT Scheme. Moreover, for further development of the solar energy business, on 30 August 2021, the Group entered into the Acquisition Agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. Further details of the transactions are stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During the current period, the Group has made further investment of HK$9,605,000 and bringing the Group's total investment in solar energy power generation projects up to HK$53,250,000 as of 30 June 2022, with a further capital commitment of approximately HK$24,787,000. As of the period end, the Group has 40 solar photovoltaic systems in operation, 11 solar photovoltaic systems scheduled to be completed before the end of 2022, and three projects in the preparation stage. For HY2022, the solar energy business contributed a revenue and an operating profit of HK$2,629,000 (30 June 2021: nil) and HK$656,000 (30 June 2021: nil) respectively to the Group. The contributions from the solar energy business are expected to grow in the second half of 2022 following the completion of a number of projects now in progress.

Money Lending

For HY2022, the Group's money lending business reported decreases in revenue by 80% to HK$2,193,000 (30 June 2021: HK$11,048,000) and operating profit (before provision of ECL) by 80% to HK$2,189,000 (30 June 2021: HK$10,984,000), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2022. A provision of ECL of HK$1,964,000 (30 June 2021: HK$800,000) on loan and interest receivables was recognised during the period.

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (i.e. the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the assets/ properties pledged to the Group as collaterals are performed by independent professional valuers engaged by the Group, where applicable, at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. At the period end, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers (the negative impact of the COVID epidemic on the economy had also been considered).

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value reviews against market information and regular communication with the borrowers of their financial positions, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and taking possession of the collaterals pledged.

For HY2022, a provision of ECL of HK$1,964,000 (30 June 2021: HK$800,000) was recognised with the balance of the impairment allowance increased by 6% or HK$1,964,000 to HK$36,879,000 (31 December 2021: HK$34,915,000) at the period end, which primarily represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of the collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans.

The size of the Group's loan portfolio remained in line with the level at prior year end as the management had been prudent in assessing new loans in light of the prevailing economic conditions in Hong Kong. The Group aims to make loans that could be covered by sufficient collaterals, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collaterals for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents.

At 30 June 2022, the carrying value of the loan portfolio held by the Group amounted to HK$102,104,000 (after impairment allowance of HK$36,879,000) (31 December 2021: HK$115,001,000 (after impairment allowance of HK$34,915,000)), and details of the portfolio are as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio	Interest rate per annum	Maturity
	%	%	
Corporate	60.00	10 - 12	Within one year
Individual	40.00	10 - 18	Within one year
	100.00		

At 30 June 2022, 100% (31 December 2021: 100%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals. At the period end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 36% (31 December 2021: 32%) and 100% (31 December 2021: 100%) respectively of the Group's loan portfolio (on a net of impairment allowance basis).

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including (i) due diligence; (ii) credit appraisal; (iii) proper execution of documentations; (iv) continuous monitoring and (v) collection and recovery. Before granting loan to a potential customer, the Group performs credit appraisal process to assess the potential borrower's credit quality and defines the credit limit granted to the borrower. The credit appraisal process encompasses detailed assessment on the credit history and financial background of the borrower, as well as the value and nature of the collateral to be pledged. The credit limit of a loan successfully granted to the borrower will be subject to regular credit review by the management as part of the ongoing loan monitoring process.

Investment in Securities

The Group generally acquires securities listed on the Hong Kong 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 prospects, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investment other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

At 30 June 2022, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK$5,929,000 (31 December 2021: HK$6,724,000), comprising equity securities listed in Hong Kong, and debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK$34,235,000 (31 December 2021: HK$78,396,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK$2,410,000 (30 June 2021: HK$4,908,000) and a loss, after provision of ECL, of HK$12,282,000 (30 June 2021: profit of HK$16,050,000).

Financial assets at FVTPL

At 30 June 2022, the Group held a financial asset at FVTPL portfolio amounting to HK$5,929,000 (31 December 2021: HK$6,724,000) measured at market/fair value. For HY2022, the portfolio did not generate any revenue (30 June 2021: HK$72,000, representing dividend income from equity securities) and recognised a net unrealised loss on financial assets at FVTPL of HK$795,000 (30 June 2021: net gain of HK$11,893,000, comprising net unrealised gain and net realised gain of HK$8,221,000 and HK$3,672,000 respectively) for the period.

The net unrealised loss represented the net decrease in market value of those equity securities held by the Group at the period end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio during the current period and had not acquired any equity securities.

At 30 June 2022, the Group's financial asset at FVTPL portfolio of HK$5,929,000 comprised one major investment with details as below:

Investee company's name and its principal activities#	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2022	% of shareholding interest	Carrying amount at 1 January 2022	Market/fair value at 30 June 2022	Unrealised loss recognised during the six months ended 30 June 2022
	%	*%*	*HK$'000*	*HK$'000*	*HK$'000*
			A	**B**	**C = B - A**
Emperor International Holdings Limited (HKEX stock code: 163)					
Property investment and development and hospitality businesses	1.45	0.20	6,724	5,929	(795)

Extracted from published financial information of the investee company.

Debt instruments at FVTOCI

At 30 June 2022, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$34,235,000 (31 December 2021: HK$78,396,000) was measured at market/fair value. During HY2022, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK$2,410,000 (30 June 2021: HK$4,836,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK$29,776,000 (31 December 2021: HK$47,712,000) was classified as current assets.

During HY2022, the Group had not acquired any debt securities (30 June 2021: nil). At the period end, a net fair value loss on debt instruments at FVTOCI amounting to HK$12,569,000 (30 June 2021: HK$4,348,000) was recognised as other comprehensive expense primarily due to the fall in market value of these debt securities and downward adjustment on fair value of certain debt instruments due to their increased credit risks.

The Group had engaged an independent professional valuer to perform an impairment assessment on the debt instruments held under the ECL model. The measurement of ECL is a function of the probability of default and loss given default (i.e. the magnitude of the loss if there is a default), with the assessment of the probability of default and loss given default is based on historical data and forward-looking information. The estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights, and also with reference to the time value of money. In determining the ECL on the Group's debt instruments for the period, the management had worked closely with the independent professional valuer and taken into accounts factors including the downgrading of credit rating of the debt instruments by the credit rating agencies and the defaults of the bond issuers in making payments of interest and principal for their indebtedness, as well as forward-looking information including the future macroeconomic conditions at places where the bond issuers are operating. There was no change in the method used in determining the ECL on debt instruments at FVTOCI from the prior year.

For HY2022, a provision of ECL on debt instruments at FVTOCI of HK$13,976,000 (30 June 2021: HK$576,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of certain debt instruments held by the Group had further increased since initial recognition. During HY2022, the credit ratings of these debt instruments (which were corporate bonds issued by property companies based in the Mainland) were downgraded by the credit rating agencies and/or the expected loss given default of these debt instruments were assessed by the independent professional valuer to have been increased, as the credit risks of these bonds had further increased owing to the bond issuers' actual or potential defaults in making interest and principal payments for their indebtedness. As the Group expected the deterioration of the financial positions of these bond issuers would ultimately affect the collection of contractual cash flows from their bonds, a provision of ECL on debt instruments at FVTOCI of HK$13,976,000 was recognised.

At 30 June 2022, the Group invested in debt securities issued by six property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK$34,235,000 (together with other information) are as below:

Name of issuer	Approximate weighting to the market/ fair value of the Group's debt instrument at FVTOCI portfolio at 30 June 2022 %	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2022 %	Yield to maturity on acquisition date %	Acquisition costs *HK$'000*	Carrying amount at 1 January 2022 *HK$'000*	Market/fair value at 30 June 2022 *HK$'000*	Accumulated fair value loss recognised up to 30 June 2022 *HK$'000*	Fair value loss recognised during the six months ended 30 June 2022 *HK$'000*
				A	B	C	D = C - A	E = C - B
Lai Fung Holdings Limited	62.03	5.18	5.62	23,435	21,792	21,237	(2,198)	(555)
Others	37.97	3.17	5.26 - 12.50	81,391	28,166	12,998	(68,393)	(15,168)
	100.00	8.35		104,826	49,958	34,235	(70,591)	(15,723)

The yield to maturity on acquisition of the debt securities which were held by the Group at the period end ranged from 5.26% to 12.50% per annum.

Overall Results

For HY2022, the Group's petroleum exploration and production business recorded a loss of HK$431,000 (30 June 2021: HK$893,000), the solar energy business recorded a profit of HK$656,000 (30 June 2021: nil), the money lending business recorded a profit of HK$225,000 (30 June 2021: HK$10,184,000), and the Group's investment in securities recorded a loss of HK$12,282,000 (30 June 2021: profit of HK$16,050,000).

Overall speaking, the Group's results turned around and reported a loss attributable to owners of the Company of HK$24,252,000 (30 June 2021: profit of HK$18,073,000) mainly due to the recognition of net loss on financial assets at FVTPL of HK$795,000 (30 June 2021: net gain of HK$11,893,000), the provision of ECL on debt instruments at FVTOCI of HK$13,976,000 (30 June 2021: HK$576,000), the decrease in profit contribution from the money lending business to HK$225,000 (30 June 2021: HK$10,184,000), and the increase in other expenses to HK$8,779,000 (30 June 2021: HK$1,887,000), which was mainly attributed to the professional fees incurred for the acquisition of the Canadian Oil Assets during the current period.

The Group recorded a total comprehensive expense attributable to owners of the Company of HK$25,277,000 (30 June 2021: total comprehensive income of HK$15,088,000) which included an exchange loss of HK$2,348,000 (30 June 2021: gain of HK$787,000) on translation of financial statements of foreign operations.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2022, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the period end, the Group had current assets of HK$212,545,000 (31 December 2021: HK$363,774,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK$77,632,000 (31 December 2021: HK$198,542,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$6,944,000 (31 December 2021: HK$14,105,000), was at a liquid level of about 30.6 (31 December 2021: 25.8). The decrease in liquid assets was mainly due to the deposit of HK$137,027,000 paid for the acquisition of the Canadian Oil Assets (included in the line item of prepayments and deposits for acquisition of non-current assets in the condensed consolidated statement of financial position), which was subsequently completed in July 2022.

At 30 June 2022, the Group's total assets amounted to HK$410,183,000 (31 December 2021: HK$442,915,000). The Group's gearing ratio, calculated on the basis of total liabilities of HK$9,470,000 (31 December 2021: HK$16,925,000) divided by total assets, was at a low level of about 2% (31 December 2021: 4%). Finance costs represented the imputed interest on lease liabilities of HK$67,000 (30 June 2021: HK$42,000) for the period.

At 30 June 2022, the equity attributable to owners of the Company amounted to HK$400,713,000 (31 December 2021: HK$425,990,000) and was equivalent to an amount of approximately HK7.65 cents (31 December 2021: HK8.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK$25,277,000 was mainly due to the loss incurred during the period.

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

PROSPECTS

It is the Group's business strategy to continue developing its petroleum exploration and production business, while expanding and diversifying its business in the energy sector to the next level by investing in renewable energy business, including solar energy power generation, which would support the healthy and sustainable business development of the Group in the long-term and create new value to shareholders. In pursuance of these strategic initiatives, the Group has acquired the Canadian Oil Assets under the APA, and entered into the Cooperation Agreement and Acquisition Agreement for the development of its solar energy business.

The Canadian Oil Assets are located near Calgary City, Alberta Province in Canada. The Group considers Canada is one of the ideal countries for developing petroleum exploration and production business as it has a stable political environment, a well-established system of oil regulations and industrial policies, a well-developed business infrastructure for the oil industry, and the third largest oil reserves in the world. There are thus enormous business opportunities available in Canada for the Group to develop its petroleum business.

The solar energy power generation projects the Group investing in are projects participating in the FiT Scheme. The FiT Scheme is a policy initiative introduced by the Hong Kong Government to encourage the private sector to participate in producing cleaner fuel and developing renewable energy technologies. Under the FiT Scheme, scheme participants who install solar or wind power generation system at their premises can sell the renewable energy generated to the two power companies in Hong Kong at a rate considerably higher than the normal electricity tariff rate. The FiT Scheme will be offered until the end of 2033, through investing in solar energy power generation projects participating in the FiT Scheme, the Group is able to secure a long-term and stable stream of revenue from the tariff income earning by the projects participating in the FiT Scheme.

Looking forward, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses and will manage its businesses in a cautious and disciplined approach in view of the business uncertainties brought by the prolonged continuation of the COVID pandemic, the heightened political and economic tensions between China and the US, and the war between Russia and Ukraine which brings significant volatilities to international prices of oil and gas.

It is the Group's business strategy to build a diversified and balanced energy business portfolio, comprising petroleum as well as solar energy businesses, which will present the Group with favourable long-term prospects, and is in line with the Group's sustainable corporate strategy to broaden its income stream with the goal of achieving a stable, long-term and attractive return to the shareholders.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

Code Provision C.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

The Company had deviated from Code Provision C.2.1 of the CG Code during the six months ended 30 June 2022 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision F.2.2

Code Provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.

Deviation

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as the chairman of the annual general meeting of the Company held on 30 June 2022 in accordance with bye-law 70 of the Company's Bye-laws.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2022 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 30 August 2022

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