THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in EPI (Holdings) Limited, you should at once hand this Response Document to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 0689)

RESPONSE DOCUMENT RELATING TO VOLUNTARY CONDITIONAL CASH OFFERS BY GET NICE SECURITIES LIMITED AND OCTAL CAPITAL LIMITED ON BEHALF OF BILLION EXPO INTERNATIONAL LIMITED TO ACQUIRE ALL THE OUTSTANDING SHARES IN THE ISSUED SHARE CAPITAL OF EPI (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BILLION EXPO INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF EPI (HOLDINGS) LIMITED

Financial Adviser to EPI (Holdings) Limited

OPTIMA CAPITAL
Optima Capital Limited

Independent Financial Adviser to the Independent Board Committee

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document.

A letter from the Board is set out on pages 6 to 20 of this Response Document.

A letter from the Independent Board Committee is set out on pages 21 to 22 of this Response Document.

A letter from Gram Capital containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 23 to 42 of this Response Document.

The Response Document will remain on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.epiholdings.com as long as the Offers remain open.

* *for identification purposes only*

5 October 2016

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In this Response Document, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors
"Closing Date"	19 October 2016, or if the Offers are extended, any subsequent closing date of the Offers as may be announced by the Offeror and approved by the Executive in accordance with the Takeovers Code
"Company"	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0689)
"Conditions"	the conditions to the Share Offer
"Consents"	any consent, approval, authorisation, qualification, waiver, permit, grant, franchise, concession, agreement, licence, exemption or order of, registration, certificate, declaration or permission from, or filing with, or report or notice to, any Relevant Authority(ies) or third parties, including those required under or in relation to any concession rights or licences granted by the Relevant Authority(ies) or third parties to the Group to carry out its operations, whether under applicable laws or regulations, any agreement or arrangement with such Relevant Authority(ies) or third parties, or otherwise
"Director(s)"	the director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any of its delegate
"First Letter"	the letter dated 25 August 2016 from the Offeror to the Board informing the Board of, among other things, the Offeror's firm intention to make the Offers
"Form(s) of Acceptance"	the form of acceptance in respect of the Share Offer and the form of acceptance in respect of the Option Offer accompanying the Offer Document, and "Form of Acceptance" means either of them

"GN Securities"	Get Nice Securities Limited, a licensed corporation permitted to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being one of the joint agents making the Offers on behalf of the Offeror and the financier of the Offeror
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising all the non-executive Directors, namely Mr. Ho King Fung, Eric and Mr. Phen Chun Shing Vincent; and all the independent non-executive Directors, namely Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng, formed for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee in connection with the Offers
"Independent Shareholders"	Shareholders other than the Offeror and parties acting in concert with it
"Last Trading Day"	25 August 2016, being the last full trading day of the Shares on the Stock Exchange before the publication of the Offer Announcement
"Latest Practicable Date"	3 October 2016, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Suen"	Mr. Suen Cho Hung, Paul, who indirectly owns the entire issued share capital of the Offeror through Premier United and is the sole director of the Offeror and Premier United

"Octal Capital"	Octal Capital Limited, a licensed corporation permitted to carry out business in Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the joint agents making the Offers on behalf of the Offeror and the financial adviser to the Offeror
"Offer Announcement"	the announcement dated 31 August 2016 made by the Offeror setting out details of the Offers and the Offeror
"Offer Document"	the document dated 21 September 2016 issued by the Offeror to the Independent Shareholders and the Optionholders in connection with the Offers containing, among other things, the terms and conditions of the Offers and information relating to the Offeror, together with the Forms of Acceptance
"Offer Document LPD"	19 September 2016, being the latest practicable date prior to the printing of the Offer Document for the purpose of ascertaining certain information contained therein
"Offer Period"	has the meaning ascribed to it in the Takeovers Code
"Offer Share(s)"	issued Share(s) other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Offeror"	Billion Expo International Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Premier United, which in turn is wholly owned by Mr. Suen
"Offers"	the Share Offer and the Option Offer
"Option Offer"	the voluntary conditional cash offer being made jointly by GN Securities and Octal Capital for and on behalf of the Offeror for the cancellation of the Options
"Optionholder(s)"	holder(s) of the Option(s)
"Option(s)"	the outstanding share option(s) granted under the share option scheme adopted by the Company on 6 November 2006

"PRC"	the People's Republic of China which, for the purpose of this Response Document, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Premier United"	Premier United Group Limited, a company incorporated in the British Virgin Islands with limited liability, which directly owns the entire issued share capital of the Offeror and is wholly owned by Mr. Suen
"Relevant Authority(ies)"	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution in any jurisdiction that has the authority to grant permit, license or approval or accept registration or filing in relation to the Offers or otherwise
"Relevant Period"	the period commencing on 29 February 2016, being the date falling six months before 31 August 2016 (being the date of the Offer Announcement), up to and including the Latest Practicable Date
"Response Document"	this response document dated 5 October 2016 issued by the Company to the Independent Shareholders and the Optionholders in response to the Offers in accordance with the Takeovers Code
"Rights Issue"	the issue of new Shares by the Company on 27 January 2016 by way of a rights issue at the subscription price of HK$0.14 per rights share on the basis of five rights shares for every share held
"Second Letter"	the letter dated 29 August 2016 from the Offeror to the Board informing the Board that GN Securities and Octal Capital will jointly make the Offers for and on its behalf
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.01 each in the share capital of the Company

"Share Offer"	the voluntary conditional cash offer being made jointly by GN Securities and Octal Capital for and on behalf of the Offeror to acquire all of the outstanding Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it)
"Share Offer Price"	the price of HK$0.168 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning given to it in the Listing Rules
"substantial shareholder"	has the meaning given to it in the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC
"Third Letter"	the letter dated 31 August 2016 from the Offeror to the Board containing supplemental information about the Offers and the Offeror
"Unconditional Date"	the date on which the Offers become or are declared unconditional in all respects
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 0689)

Non-executive Chairman
Mr. Ho King Fung, Eric

Executive Directors:
Mr. Tse Kwok Fai, Sammy (Chief Executive Officer)
Mr. Chan Chi Hung, Anthony
Mr. Zou Feng

Non-executive Director
Mr. Phen Chun Shing Vincent

Independent non-executive Directors:
Mr. Qian Zhi Hui
Mr. Teoh Chun Ming
Mr. Zhu Tiansheng

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 1108-09, 11/F
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

5 October 2016

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFERS BY GET NICE SECURITIES LIMITED AND OCTAL CAPITAL LIMITED ON BEHALF OF BILLION EXPO INTERNATIONAL LIMITED TO ACQUIRE ALL THE OUTSTANDING SHARES IN THE ISSUED SHARE CAPITAL OF EPI (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BILLION EXPO INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF EPI (HOLDINGS) LIMITED

1. INTRODUCTION

The Board received a letter from the legal adviser to the Offeror on 25 August 2016 enclosing the First Letter informing the Board that the Offeror had acquired an aggregate of 1,212,160,119 Shares, representing approximately 27.76% of the existing issued share capital

* *for identification purposes only*

of the Company, and it had a firm intention to make voluntary conditional cash offers through GN Securities to acquire all the outstanding Shares and all outstanding Options in compliance with the Takeovers Code. The Board received another letter from the legal adviser to the Offeror on 29 August 2016 enclosing the Second Letter informing the Board that GN Securities and Octal Capital will jointly make the Offers for and on its behalf. On 31 August 2016, the Board received a further letter from the legal adviser to the Offeror enclosing the Third Letter providing supplemental information about the Offers and the Offeror.

On 31 August 2016, the Offeror published the Offer Announcement setting out details of the Offers and the information and intentions of the Offeror.

On 21 September 2016, the Offeror despatched the Offer Document setting out further details of the Offers, accompanied with the Forms of Acceptance.

The purpose of this Response Document is to provide you with, among other things, information relating to the Group, details of the Offers, the recommendation from the Independent Board Committee and the recommendation and advice from Gram Capital in respect of the Offers.

You are advised to read this Response Document, the letter from the Independent Board Committee and the letter from Gram Capital in conjunction with the Offer Document carefully before taking any action in respect of the Offers.

2. THE OFFERS

The terms of the Offers set out below are based on the Offer Document. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.

The Share Offer

GN Securities and Octal Capital are jointly, for and on behalf of the Offeror, making a voluntary conditional cash offer to acquire all of the outstanding Shares in the entire issued share capital of the Company (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms:

For each Offer Share . . . . HK$0.168 in cash

The Share Offer is extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Share Offer shall be (a) fully paid; (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interest of any nature whatsoever; and (c) together with all rights, benefits and entitlements attached thereto (including the right to receive and retain all dividends and other distributions (if any) which may be announced, declared, paid or made thereon by the Company on or after the Closing Date).

The Option Offer

GN Securities and Octal Capital are jointly, for and on behalf of the Offeror, making an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Options. As the exercise price payable for the underlying Shares on exercise of the Options is above the Share Offer Price, GN Securities and Octal Capital are jointly, for and on behalf of the Offeror, making a nominal cash offer, namely HK$0.01 for each Option, for the cancellation of such Options.

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced.

The Optionholders will be entitled to exercise the Options for which the Option Offer is not accepted within one month from the Unconditional Date, after which the Options will lapse.

Conditions to the Share Offer

The Share Offer is conditional on the satisfaction or waiver of the following conditions:

(i) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with those Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the parties acting in concert with it holding more than 50% of the voting rights in the Company on a fully-diluted basis (after taking into account the new Shares that will be issued upon the exercise in full of the subscription rights attached to all outstanding Options (those Options held by Optionholders who do not accept the Option Offer)) as at the Closing Date;

(ii) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading in the Shares pending issuance of any announcement(s) in relation to any inside information of the Company (if any) as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror or any party acting in concert with it;

(iii) (a) all Consents as are necessary for the consummation of the transactions contemplated in the Offers having been obtained in form and substance satisfactory to the Offeror and remaining in full force and effect without material variation from any Relevant Authority(ies) and all conditions (if any) to such Consents having been fulfilled, (b) each member of the Group possessing or having obtained all Consents from the Relevant Authority(ies) that are necessary to carry on its business and (c) all mandatory Consents from third parties having been obtained for the acquisition of the Offer Shares and/or Options under the Offers;

(iv) no event having occurred which would make the Offers or the acquisition of any of the Offer Shares and/or cancellation of the Options under the Offers void, unenforceable or illegal or prohibit the implementation of the Offers;

(v) no Relevant Authority(ies) in any jurisdiction having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Offer Shares and/or Options under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to the Offers (other than such items or events as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers);

(vi) since the date of the last audited consolidated financial statements of the Company, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of the Group as a whole, whether or not arising in the ordinary course of business;

(vii) no dividend or other distribution (whether in cash or in kind) during the Offer Period having been declared, made or paid by the Company to the Shareholders; and

(viii) there having been no frustrating action taken by the Company or any member of the Group since the date of the Offer Announcement, unless with the consent of the Offeror.

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions either generally or in respect of any particular matter save that Conditions (i) and (ii) cannot be waived. If any of the Conditions is not satisfied or (where applicable) waived on or before 31 December 2016, the Share Offer will lapse. It was stated in the Offer Document that as at the Offer Document LPD, based on the information then available to the Offeror, the Offeror understood that no Consent was required for the consummation of the Offers and the matters stipulated in Condition (iii).

Condition to the Option Offer

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

Further details of the Offers

Further details of the Offers, including, among other things, the expected timetable, the terms and procedures of acceptance and settlement of the Offers, are set out in the Offer Document and the Forms of Acceptance.

3. INFORMATION ON THE GROUP

Principal activities

The Group's core business had been petroleum exploration and production in the Puesto Pozo Cercado area and the Chañares Herrados area in the Cuyana Basin, Mendoza Province of Argentina (the "**Areas**"). The hydrocarbon exploitation concession rights (the "**Concessions**") in the Areas are held by a concession owner (the "**Concessionaire**").

In order to lessen the impact of market adversity encountered by the Group in its petroleum exploration and production business in Argentina, the Company had been monitoring the market conditions and looking for potential investment opportunities in energy or other sectors that may create value to the Shareholders. To this end, the Group completed the Rights Issue in January 2016 to raise capital with a view to, among other things, pursuing potential acquisitions of solar power plant projects. In June 2016, the Group also entered into the money lending business in order to broaden its source of income. Details of the development of the Group's businesses are set out below.

Exploration and sales of petroleum business

During the past few years, the Group had focused on investments including performing workover jobs and constructing infrastructure to improve production on the existing oil wells. As at the Latest Practicable Date, the Group had finished drilling 10 oil wells in the Chañares Herrados area in the Cuyana Basin, Mendoza Province of Argentina. All the 10 oil wells are in production, of which 5 oil wells were drilled by Have Result Investments Limited where the Group is entitled to 51% interest on the oil production, and 5 oil wells were drilled by EP Energy S.A. where the Group is entitled to 72% interest on the oil production. However, due to the drop in oil price and production volume, the Group's revenue from the petroleum exploration and production segment had experienced a decline. Further, substantial amount of non-cash impairment losses in the exploration and evaluation assets, and property, plant and equipment for the petroleum exploration and production business were made. Revenue generated from the sales of petroleum for the two years ended 31 December 2014 and 2015, and the six months ended 30 June 2016 amounted to approximately HK$85.7 million, approximately HK$66.6 million and approximately HK$25.3 million respectively.

As disclosed in the announcement of the Company dated 25 August 2016, the Group was notified by the Concessionaire on 24 August 2016 that the department of hydrocarbons of the government of Mendoza has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. In the event that the extension is withdrawn, the Concessions in the Puesto Pozo Cercado area and the Chañares Herrados area will expire on 26 June 2017 and 24 September 2017 respectively. As advised by the Concessionaire, it is currently undertaking discussions with the government of Mendoza in securing the extension of the Concessions. Given that this event occurred only recently, the Board is uncertain of the outcome of the discussions between the Concessionaire and the government of Mendoza on maintaining the extension of the Concessions, and therefore is not in a position to assess the impact on the Group at this stage. The impact could only be assessed after the outcome of such discussions become certain and the Board has been given sufficient information on the status of the extension. The Group will closely monitor the development of the event, and will take appropriate action to modify (if it is warranted) the future development plan of its existing Argentina operation and to maintain, in conjunction with the Concessionaire, the extension of the Concessions to 2027. Further announcement(s) will be made by the Company when there is any material development.

Proposed investment in solar power plant

As disclosed in the circular of the Company dated 2 December 2015 in connection with the Rights Issue, the Company intended to apply certain portion of the proceeds from the Rights Issue in the amount of approximately HK$317 million (the "**Amount**") towards the proposed acquisition of a target company which will hold interest in certain solar power plants in the PRC from a subsidiary of one of the top twenty photovoltaic power plant investment companies in the PRC (the "**Proposed Acquisition**"). The Group subsequently decided not to proceed with the Proposed Acquisition. Notwithstanding that the Proposed Acquisition did not materialise, the Group continues to source other suitable solar power projects in the PRC, and will consider opportunities in other energy related sectors. As at the Latest Practicable Date, the Directors confirmed that (i) no investment in solar power plant or other energy related projects had been made by the Group; and (ii) the Amount had not been utilised or re-allocated for other uses or the drilling of new oil wells and/or investment in workover on the existing oil wells.

Money lending business

In order to better utilise the portion of proceeds from the Rights Issue in the amount of approximately HK$110.6 million which was originally earmarked for early repayment by June 2016 of debts due in November 2016 and November 2017, the Board resolved on 7 June 2016 to repay the debts only when they become due and apply such amount towards the operation of the money lending business in the meantime. As at the Latest Practicable Date, the Group held a portfolio of short-term loans in the amount of HK$58 million. The Group may consider recruiting additional professionals with relevant experience to assist the Directors in managing the money lending business when the loan portfolio size increases.

As at the Latest Practicable Date, save as described above, the Company did not have any intention, agreement or negotiation to (i) dispose of the existing business and/or material assets of the Group; and (ii) acquire any new business.

Financial information

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2014 and 2015 (as extracted from the Company's annual report for the year ended 31 December 2015) and the unaudited consolidated financial information of the Group for the six months ended 30 June 2016 (as extracted from the Company's interim report for the six months ended 30 June 2016):

	For the year ended 31 December 2014 (audited) *HK$'000*	**For the year ended 31 December 2015** (audited) *HK$'000*	**For the six months ended 30 June 2016** (unaudited) *HK$'000*
Revenue	85,689	66,571	25,748
Loss before and after tax	(381,143)	(276,548)	(28,516)

	As at 30 June 2016 (unaudited) *HK$'000*
Total assets	544,827
Total liabilities	196,422
Net assets	348,405

Please refer to Appendix I to this Response Document for further details on the financial information of the Group.

4. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there were 4,367,121,822 Shares in issue. The following table sets out the shareholding structure of the Company as at the Latest Practicable Date, which is prepared based on the disclosure of interest notices filed by relevant Shareholders (as the case may be) under Part XV of the SFO up to the Latest Practicable Date:

Name of Shareholders	*Number of Shares*	*Approximate percentage of shareholding (%)*
The Offeror and parties acting in concert with it *(Note 1)*	1,287,155,119	29.47%
Always Profit Development Limited *(Note 2)*	702,000,000	16.07%
Prestige Rich Holdings Limited *(Note 2)*	107,658,000	2.47%
City Wise Investment Limited *(Note 3)*	391,174,730	8.96%
City Smart International Investment Limited *(Note 3)*	45,955,120	1.05%
Mr. Tse Kwok Fai Sammy *(Note 4)*	330,000	0.01%
Sub-total	2,534,272,969	58.03%
Public Shareholders	1,832,848,853	41.97%
Total	4,367,121,822	100.00

Notes:

1. These Shares are held by the Offeror. The Offeror is wholly owned by Premier United, which in turn is wholly owned by Mr. Suen.

2. Both Always Profit Development Limited and Prestige Rich Holdings Limited are wholly owned by Mr. Zhang Jinbing.

3. Both City Wise Investment Limited and City Smart International Investment Limited are wholly owned by Mr. Wu Shaozhang.

4. Mr. Tse Kwok Fai Sammy is an executive Director and the chief executive officer of the Company.

As at the Latest Practicable Date, there were outstanding Options carrying rights to subscribe for 10,556,460 new Shares at the exercise price of HK$1.3277 per Share during the period from 25 February 2014 to 24 November 2016. On 22 June 2016, a new share option scheme was approved and adopted by the Company. As at the Latest Practicable Date, no share option has been granted by the Company pursuant to such new share option scheme.

Save as disclosed herein, the Company has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company.

5. INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

The information set out below is reproduced from the Offer Document:

"The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Premier United, which in turn is wholly owned by Mr. Suen."

"Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The existing principal business of the Group includes petroleum exploration and production and money lending business. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business."

The Board is aware of the intentions of the Offeror in respect of the Group and its employees as stated above.

6. PROPOSED CHANGE OF BOARD COMPOSITION

It was stated in the Offer Document that the Offeror intends to nominate Mr. Suen, Mr. Sue Ka Lok, Ms. Chan Yuk Yee, Mr. Yiu Chun Kong, Mr. Zhu Kai and Mr. Chan Shui Yuen as executive Directors and Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as independent non-executive Directors to the Board (together, the "**Nominees**") and such appointments will be subject to the approval of the Board and will not take effect earlier than the date as permitted under the Takeovers Code. Any appointments to the Board will be made in compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules.

The information about the Nominees set out below is reproduced from the Offer Document:

"Mr. Suen Cho Hung, Paul

Mr. Suen Cho Hung, Paul, ("**Mr. Suen**"), aged 55, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is an executive director and the chairman of, and a controlling shareholder indirectly holding approximately 31.30% of the issued share capital in, Enviro Energy. Mr. Suen is also indirectly holding approximately 9.89% of the issued share capital in China Strategic. The shares of both Enviro Energy and China Strategic are listed on the Main Board of the Stock Exchange. Mr. Suen is also indirectly holding approximately 22.89% of the issued share capital of Courage Marine, the shares of which are listed on the Main Board of the Stock Exchange and the SGX-ST and the sole ultimate beneficial owner of a company which will, subject to fulfillment of certain conditions, become a controlling shareholder of Birmingham International.

Mr. Suen was a non-executive director of BEP International Holdings Limited ("**BEP International**") (stock code: 2326) until 1 June 2015 and was an executive director and the chairman of BEP International until 27 January 2014. Mr. Suen was also an executive director and the chairman of Skyway Securities Group Limited ("**Skyway**") (formerly known as Poly Capital Holdings Limited) (stock code: 1141) until 3 March 2015, and an executive director and the chairman of Huajun Holdings Limited ("**Huajun**") (formerly known as New Island Development Holdings Limited) (stock code: 377) until 25 September 2014. Mr. Suen was also a non-executive director of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) ("**Hailiang International**") (stock code: 2336) until 3 June 2014 and an executive director and the chairman of Hailiang International until 11 September 2012. All of the above companies are listed on the Main Board of the Stock Exchange.

As at the Offer Document LPD, Mr. Suen is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

Save as disclosed in the section headed "Dealings in securities in the company" on page 9 of the Offer Document, Mr. Suen does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Sue Ka Lok

Mr. Sue Ka Lok ("**Mr. Sue**"), aged 51, holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia and a fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators and the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chairman of Courage Marine, an executive director of Tianli Holdings Group Limited ("**Tianli Holdings**") (formerly known as EYANG Holdings (Group) Co., Limited) (stock code: 117) and an executive director and the company secretary of China Strategic. All of the above companies are listed on the Main Board of the Stock Exchange and Courage Marine is also listed on the SGX-ST.

Mr. Sue was an executive director and the chief executive officer of Enviro Energy until 7 October 2015; and the chief executive officer and an executive director of BEP International until 10 January 2014 and 13 July 2015 respectively. Mr. Sue was also the chairman and a non-executive director of Winshine Science Company Limited ("**Winshine**") (formerly known as China Tycoon Beverage Holdings Limited) (stock code: 209) until 4 November 2014 and 27 November 2014 respectively; an executive director and the chairman of Hailiang International until 3 June 2014 and an executive director and the chief executive officer of Skyway until 31 October 2014. All of the above companies are listed on the Main Board of the Stock Exchange.

As at the Offer Document LPD, Mr. Sue is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. Sue does not hold any Share interests within the meaning of Part XV of the SFO.

Ms. Chan Yuk Yee

Ms. Chan Yuk Yee ("**Ms. Chan**"), aged 48, holds a Master of Business Law degree from Monash University in Australia and is an associate of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She has extensive experience in corporate administration and company secretarial practice. Ms. Chan is an executive director of Courage Marine and the company secretary of Hailiang International and Enviro Energy. She was an executive director of Huajun until 25 September 2014 and an executive director and the company secretary of Winshine until 10 November 2014 when she was redesignated as a non-executive director of Winshine and served until 8 April 2015. She was also the company secretary of Skyway until 2 July 2014. All of the above companies are listed on the Main Board of the Stock Exchange and Courage Marine is also listed on the SGX-ST.

As at the Offer Document LPD, Ms. Chan is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Ms. Chan does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Yiu Chun Kong

Mr. Yiu Chun Kong ("**Mr. Yiu**"), aged 31, holds a Bachelor of Business Administration in Accountancy degree from The Hong Kong Polytechnic University. He has experience in auditing, accounting and finance.

As at the Offer Document LPD, Mr. Yiu is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. Yiu does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Zhu Kai

Mr. Zhu Kai ("**Mr. Zhu**"), aged 29, holds a Bachelor of Science in Actuarial Science degree from Heriot-Watt University in the United Kingdom. He has experience in business and market research and analysis.

As at the Offer Document LPD, Mr. Zhu is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. Zhu does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Chan Shui Yuen

Mr. Chan Shui Yuen ("**Mr. Chan**"), aged 35, holds a Bachelor of Business Administration in Accountancy degree from City University of Hong Kong and a Master Degree of Financial Analysis from The University of New South Wales. Mr. Chan is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has experience in auditing, accounting and finance.

As at the Offer Document LPD, Mr. Chan is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. Chan does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. To Yan Ming, Edmond

Mr. To Yan Ming, Edmond ("**Mr. To**"), aged 44, holds a Bachelor of Commerce Accounting degree from Curtin University of Technology in Western Australia. Mr. To is a Certified Public Accountant (Practising) in Hong Kong, a certified practising accountant of the CPA Australia and an associate of the Hong Kong Institute of Certified Public Accountants. He had worked for Deloitte Touche Tohmatsu, an international accounting firm, and has extensive experience in auditing, accounting, initial public offerings and taxation matters. Mr. To is also a director of Edmond To CPA Limited, R.C.W. (HK) CPA Limited and Asian Alliance (HK) CPA Limited. Mr. To is an independent non-executive director of China Vanguard Group Limited (stock code: 8156), Courage Marine, Tianli Holdings, Wai Chun Group Holdings Limited (stock code: 1013) and Wai Chun Mining Industry Group Company Limited (stock code: 660). He was an independent non-executive director of China Household Holdings Limited (stock code: 692), Theme International Holdings Limited (stock code: 990) and BEP International until 10 December 2015, 31 May 2015 and 20 December 2013 respectively. All the above companies are listed on the Main Board/Growth Enterprise Market of the Stock Exchange and Courage Manine is also listed on the SGX-ST.

As at the Offer Document LPD, Mr. To is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. To does not hold any Share interests within the meaning of Part XV of the SFO.

Mr. Pun Chi Ping

Mr. Pun Chi Ping ("**Mr. Pun**"), aged 49, holds a Master of Science in Finance degree from the City University of Hong Kong and a Bachelor of Arts in Accountancy degree from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong). Mr. Pun is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Pun is an independent non-executive director of Huajun and the financial controller of Poly Property Group Co., Limited (stock code: 119), a company listed on the Main Board of the Stock Exchange.

As at the Offer Document LPD, Mr. Pun is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Mr. Pun does not hold any Share interests within the meaning of Part XV of the SFO.

Ms. Leung Pik Har, Christine

Ms. Leung Pik Har, Christine ("**Ms. Leung**"), aged 47, holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong. She has extensive experience in banking and financial services industries and had worked at several international financial institutions including Citibank, N.A. Hong Kong, Bank of America, Industrial and Commercial Bank of China (Asia) Limited and Fubon Bank (Hong Kong) Limited. Ms. Leung is an independent non-executive director of Enviro Energy and was an independent non-executive director of Winshine until 10 November 2014, both companies are listed on the Main Board of the Stock Exchange.

As at the Offer Document LPD, Ms. Leung is not related to any Directors, senior managers or substantial/controlling Shareholders of the Company and, save as disclosed above, has not held directorship in any other listed companies in Hong Kong or overseas in the last three years.

As at the Offer Document LPD, Ms. Leung does not hold any Share interests within the meaning of Part XV of the SFO."

On 27 September 2016, the Board received a letter (the "**Nomination Letter**") from the Offeror in relation to the nomination of the Nominees to the Board (the "**Nomination**"). The biographical details of the Nominees set out in the Nomination Letter are the same as those disclosed in the Offer Document. It was stated in the Nomination Letter that the Offeror sought the approval of the Board to appoint the Nominees as Directors with effect from 29 September 2016. In response to the Nomination Letter, the Board replied to the Offeror on 28 September 2016 that the Board will put forward the Nomination to the nomination committee and the remuneration committee of the Board (together, the "**Committees**") for review and the Committees may require further information and documents regarding the Nominees. The Committees will, in accordance with their respective terms of reference, make recommendation to the Board accordingly. In light of the Company's internal policies and procedures, the appointments of the Nominees as Directors, if they happen, will not likely take effect from 29 September 2016. Further announcement(s) will be made by the Company as and when appropriate.

7. MAINTAINING THE LISTING STATUS OF THE COMPANY

The information set out below is reproduced from the Offer Document:

"The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offers.

Pursuant to the Listing Rules, if, upon the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that (i) a false market

exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares.

The Offeror will use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules. The sole director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that sufficient public float exists in the Shares."

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, which comprises all the non-executive Directors, namely Mr. Ho King Fung, Eric and Mr. Phen Chun Shing Vincent; and all the independent non-executive Directors, namely Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng, has been established to make a recommendation to the Independent Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers.

Gram Capital has been appointed as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in connection with the Offers.

9. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 21 to 22 of this Response Document which contains its recommendation to the Independent Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers; and (ii) the letter from Gram Capital set out on pages 23 to 42 of this Response Document which contains its advice to the Independent Board Committee in connection with the Offers and the principal factors considered by it in arriving at its advice. Independent Shareholders and Optionholders should read these letters in conjunction with the Offer Document carefully before taking any action in respect of the Offers.

10. ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this Response Document for financial and other information of the Group.

Yours faithfully,
for and on behalf of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
CEO & Executive Director

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Response Document.

EPI (Holdings) Limited
長盈集團(控股)有限公司*

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

5 October 2016

To the Independent Shareholders and Optionholders,

Dear Sir or Madam,

VOLUNTARY CONDITIONAL CASH OFFERS BY GET NICE SECURITIES LIMITED AND OCTAL CAPITAL LIMITED ON BEHALF OF BILLION EXPO INTERNATIONAL LIMITED TO ACQUIRE ALL THE OUTSTANDING SHARES IN THE ISSUED SHARE CAPITAL OF EPI (HOLDINGS) LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BILLION EXPO INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF EPI (HOLDINGS) LIMITED

INTRODUCTION

We refer to the response document dated 5 October 2016 issued by the Company (the "**Response Document**"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers. Gram Capital has been appointed as the independent financial adviser to advise us in this respect. Details of its independent advice and the principal factors it has taken into consideration are set out in the letter from Gram Capital on pages 23 to 42 of the Response Document.

We also wish to draw your attention to the letter from the Board set out on pages 6 to 20 of the Response Document and the additional information set out in the appendices to the Response Document.

RECOMMENDATION

Having considered the terms of the Offers and the advice from Gram Capital, we consider that the terms of the Offers (including the Share Offer Price and the offer price per Option) are fair and reasonable. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Offers.

We would also like to remind the Independent Shareholders who intend to accept the Share Offer to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offers.

Yours faithfully,
The Independent Board Committee

Mr. Ho King Fung, Eric
Non-executive Director

Mr. Phen Chun Shing Vincent
Non-executive Director

Mr. Qian Zhi Hui
Independent non-executive Director

Mr. Teoh Chun Ming
Independent non-executive Director

Mr. Zhu Tiansheng
Independent non-executive Director

Set out below is the text of a letter received from Gram Capital, the independent financial adviser to the Independent Board Committee in respect of the Offers for the purpose of inclusion in the Response Document.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

5 October 2016

To: The independent board committee of EPI (Holdings) Limited

Dear Sirs,

VOLUNTARY CONDITIONAL CASH OFFERS BY GET NICE SECURITIES LIMITED AND OCTAL CAPITAL LIMITED FOR AND ON BEHALF OF BILLION EXPO INTERNATIONAL LIMITED TO ACQUIRE ALL OF THE OUTSTANDING SHARES IN THE ISSUED CAPITAL OF EPI (HOLDINGS) LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY BILLION EXPO INTERNATIONAL LIMITED AND PARTIES ACTING IN CONCERT WITH IT) AND TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF EPI (HOLDINGS) LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the Response Document dated 5 October 2016 issued by the Company to the Shareholders and the Optionholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Response Document unless the context requires otherwise.

On 4 August 2016, Always Profit Development Limited (the "**Previous Offeror**") and the Company jointly announced that GTJA Securities (Hong Kong) Limited would, for and on behalf of the Previous Offeror, make voluntary conditional cash offers (i) to acquire all of the Shares in the entire issued share capital of the Company (other than those Shares already owned or agreed to be acquired by the Previous Offeror and parties acting in concert with it); and (ii) to cancel all the outstanding Options at appropriate prices in compliance with Rule 13 of the Takeovers Code (the "**Previous Offers**").

On 25 August 2016 after trading hours and on 29 August 2016 and 31 August 2016, respectively, the Offeror notified the Board that it has firm intention to make the Offers (in compliance with the Takeovers Code) through GN Securities and Octal Capital (i) to acquire all the outstanding Shares at the Share Offer Price of HK$0.168; and (ii) to cancel all outstanding Options.

Furthermore, with reference to the withdrawal announcement of the Company dated 8 September 2016 that on 8 September 2016, among other things, the Board was informed by the Previous Offeror that the Previous Offeror has applied to the Executive for, and the Executive has granted, its consent to the Previous Offeror's withdrawal of the Previous Offers with effect from the date on which the Offeror posts its Offer Document in respect of the Offers.

With reference to the Offer Document, as at the latest practicable date of the Offer Document, the Offeror, a wholly-owned subsidiary of Premier United, which in turn is wholly and beneficially owned by Mr. Suen, holds an aggregate of 1,287,155,119 Shares, represented approximately 29.47% of the existing issued share capital of the Company.

An Independent Board Committee comprising all the non-executive Directors, namely Mr. Ho King Fung, Eric and Mr. Phen Chun Shing Vincent; and all the independent non-executive Directors, namely, Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng has been formed to advise the Independent Shareholders and the Optionholders as to whether the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Offer Document, the Response Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Response Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Response Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document (other than the information relating to the Offers and the Offeror which is based on the Offer Document), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Response Document have been arrived at after due and careful consideration and there are no other facts not contained in the Response Document, the omission of which would make any statement contained in the Response Document misleading. The Directors only take responsibility for the correctness of the reproduction or presentation of the information relating to the Offers and the Offeror which is based on the Offer Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Response Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offers. The Company has been separately advised by its own professional advisers with respect to the Offers and the preparation of the Response Document (other than this letter).

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Offer Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offers

According to the Offer Document, the Offers are made by Get Nice Securities Limited and Octal Capital Limited, for and on behalf of the Offeror, on the following basis:

The Share Offer

For each Offer Share . . . . HK$0.168 in cash

The Option Offer

For cancellation of each Option with exercise price of HK$1.3277 . . . . HK$0.01 in cash

As at the Latest Practicable Date, there are 4,367,121,822 Shares in issue. On the basis of the share offer price of HK$0.168 per Offer Share (the "**Share Offer Price**") and assuming that no outstanding Options are exercised prior to the Closing Date, the entire issued share capital of the Company is valued at approximately HK$733,676,466.10. According to the Offer Document, as 1,287,155,119 Shares are held by the Offeror and parties acting in concert with it, the Share Offer is valued at approximately HK$517,434,406.10 based on the Share Offer Price and 3,079,966,703 Offer Shares.

As at the Latest Practicable Date, there were a total of 10,556,460 outstanding Options in respect of 10,556,460 Shares. Assuming none of the outstanding Options is exercised prior to the Closing Date, the total amount required to satisfy the cancellation of all the outstanding Options under the Option Offer is HK$105,564.60.

Based on the above and assuming that no outstanding Options is exercised prior to the Closing Date, the Offers are valued at approximately HK$517,539,970.70 in aggregate (on the basis of 3,079,966,703 Offer Shares). Assuming all the outstanding Options are exercised in full by the Optionholders prior to the Closing Date, the maximum value of the Share Offer is approximately HK$519,207,891.38 (on the basis of 3,090,523,163 Offer Shares). In that case, no amount will be payable by the Offeror under the Option Offer.

(2) Financial information on the Group

The Group is principally engaged in petroleum exploration and production and money lending business.

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2016 and each of the two years ended 31 December 2015 as extracted from the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**") and annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**"):

	For the six months ended 30 June 2016	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**	**Year on year change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**25,748**	**66,571**	**85,689**	***(22.31)***
– Petroleum exploration and production	25,302	66,571	85,689	(22.31)
– Money lending	446	–	–	N/A
Segment results excluding impairment	**(276)**	**1,950**	**17,271**	***(88.71)***
– Petroleum exploration and production	(370)	1,950	17,271	(88.71)
– Money lending	94	–	–	N/A
Impairment losses	**–**	**(206,315)**	**(91,049)**	***126.60***
Loss for the period/ year	**(28,516)**	**(276,548)**	**(381,143)**	***(27.44)***

	As at 30 June 2016	**As at 31 December 2015**	**As at 31 December 2014**	**Year on year change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
Total assets	544,827	92,903	361,892	*(74.33)*
Total liabilities	196,422	217,828	331,207	*(34.23)*

As depicted from the above table, the Group recorded a decrease of approximately 22.31% in revenue for the year ended 31 December 2015 ("**FY2015**") as compared to that for the year ended 31 December 2014 ("**FY2014**"). With reference to the 2015 Annual Report, the decrease in revenue was attributable to the decline of the sales of petroleum in Argentina. The Group also recorded a loss of approximately HK$276.55 million during FY2015 as compared to the loss of approximately HK$381.14 million during FY2014, representing a year-on-year decrease in loss of approximately 27.44%. With reference to the 2015 Annual Report, the loss for FY2015 was mainly due to the provision of impairment losses and the decrease of sales of petroleum. As also depicted from the above table, revenue derived from petroleum exploration and production represented the entire revenue of the Group for the year ended 31 December 2015 and 2014 and approximately 98.3% of the revenue of the Group for the six months ended 30 June 2016.

According to the 2016 Interim Report, the Group recorded an increase of approximately 86.48% in loss for the six months ended 30 June 2016 as compared to that for the six months ended 30 June 2015. As mentioned in the profit warning announcement of the Company dated 11 August 2016, such increase in loss is expected to be primarily attributable to (i) the lack of fair value gain of approximately HK$12.3 million and effective interest expense of approximately HK$6.8 million on convertible notes as a result of the early redemption by the Company in June 2015; (ii) the segment results of petroleum exploration and production turned from a profit of approximately HK$3.1 million for the six months ended 30 June 2015 to a small loss for the same period in 2016; and (iii) the increase in other expenses.

With reference to the 2016 Interim Report and as advised by the Directors, in terms of short-term development plan, the Group will continue to invest in workover on the existing 10 producing oil wells during year 2016; in terms of long-term development plan, the Directors has considered the production estimation up to the expiry of Concessions after a 10-year extension to year 2027.

On 24 August 2016, the Group was notified by the holder (the "**Concessionaire**") of the Concessions that the department of hydrocarbons of the government of Mendoza has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. In the event that the extension is withdrawn, the Concessions in the Puesto Pozo Cercado area and the Chañares Herrados area will expire on 26 June 2017 and 24 September 2017 respectively. With reference to the Board Letter, as advised by the Concessionaire, it is currently undertaking discussions with the government of Mendoza in securing the extension of the Concessions. Given that the aforesaid event occurred only recently, the Board is uncertain of the outcome of the discussions between the Concessionaire and the government of Mendoza on maintaining the extension of the Concessions, and therefore, the Board is not in a position to assess the impact on the Group at this stage. The impact could only be assessed after the outcome of such discussions become certain and the Board has been given sufficient information on the status of the extension. The Group will closely monitor the development of the aforesaid event, and will take appropriate action to modify (if it is warranted) the future development plan of its existing Argentina operation.

We also noted from the 2015 Annual Report that on 2 September 2015, Xin Wei Limited ("**Xin Wei**"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the "**MOU**") with Zhongli Talesun Solar Technology Company Limited ("**Zhongli**", being a subsidiary of one of the top twenty PV power plant investment companies in the PRC) with respect to a proposed acquisition of a target company which will hold the entire interests in certain solar power plants (the "**Proposed Acquisition**"). On 2 March 2016, Xin Wei and Zhongli mutually agreed to terminate the MOU in relation to the Proposed Acquisition.

According to the prospectus of the Company dated 31 December 2015 the Rights Issue and the announcement of the Company dated 8 June 2016 regarding the change of use of proceeds from the Rights Issue, the gross proceeds from the Rights Issue was approximately HK$509.5 million, among which approximately HK$317.0 million would be utilised for the Proposed Acquisition including the professional fees and transaction costs attributable thereto. If the Group decides not to proceed with the Proposed Acquisition and the Group is not able to identify other suitable solar power plants to acquire from Zhongli, the Group intends to source suitable solar power plants for acquisition from other PV power plants investors in the market. Accordingly, the aforesaid amount of approximately HK$317.0 million which were initially allocated for the Proposed Acquisition (the "**Amounts for Solar Plant Projects**") will instead be applied to the acquisition of suitable solar power plants from other PV power plant investors in the market. Should the Company fail to complete the Proposed Acquisition or other potential acquisition of solar power plants within the 12 months after the completion of the Rights Issue, the Company intends to reallocate the Amounts for Solar Plant Projects as to (i) approximately HK$55.8 million to repay the Company's debt due in November 2018; and (ii) subject to the then market conditions, approximately HK$261.2 million for the drilling of new oil wells and/or investment in workover on existing oil wells to improve the production of oil in the Puesto Pozo Cercado Concession and Chañares Herrados Concession in Cuyana Basin, Mendoza Province of Argentina.

The Group subsequently decided not to proceed with the Proposed Acquisition. As advised by the Directors, notwithstanding that the Proposed Acquisition did not materialise, the Group continues to source other suitable solar power projects in the PRC, and will consider opportunities in other energy related sectors.

As at the Latest Practicable Date, as confirmed by the Directors (i) no investment in solar power plant or other energy related projects had yet been made by the Group; and (ii) the Amounts for Solar Plant Projects had not been utilised or re-allocated for the drilling of new oil wells and/or investment in workover on existing oil wells.

In addition, with reference to the Board Letter, in order to better utilise the portion of proceeds from the Rights Issue in the amount of approximately HK$110.6 million, which was originally earmarked for early repayment of debts due in November 2016 and November 2017, by June 2016, the Board resolved on 7 June 2016 to repay the debts only when they become due and apply such amount towards the operation of the money lending business in the meantime. Subsequently, the Group commenced its money lending business on 8 June 2016. As at the Latest Practicable Date, the Group held a portfolio of short-term loans in the amount of HK$58 million. The Group may consider recruiting additional professionals with relevant experience to assist the Directors in managing the money lending business when the loan portfolio size increases.

With reference to the Board Letter and as confirmed by the Directors, as at the Latest Practicable Date, save as described above, the Company did not have any intention, agreement or negotiation to (i) dispose of the existing business and/or material assets of the Group; and (ii) acquire any new business.

Further details of the information on the Group was set out under the section headed "Information on the Group" of the Board Letter.

Industry overview

Oil

With reference to the statistical data released by U.S. Energy Information Administration ("**EIA**"), being the statistical and analytical agency within the U.S. Department of Energy, in 2015, total oil production in Argentina was 716,000 barrels per day (b/d), of which 513,000 b/d was from crude oil and 108,000 b/d was from natural gas plant liquids. With reference to Short-Term Energy Outlook (the "**STEO**") as published by EIA on 7 September 2016, the West Texas Intermediate ("**WTI**", being a grade of crude oil used as a benchmark in oil pricing) spot price was approximately US$48.67 per barrel in 2015, representing a decrease of approximately 47.8% as compared to WTI spot price in 2014. The forecast WTI spot price for year 2016 and year 2017 are US$41.92 per barrel and US$50.58 per barrel respectively, representing (i) a decrease of approximately 13.9% and an increase of approximately 3.9% respectively as compared to the WTI spot price for the year 2015; and (ii) a decrease of approximately 55.0% and 45.7% respectively as compared to the WTI spot price for the year 2014.

We noted from BP Statistical Review of World Energy June 2016 published in June 2016 by BP p.l.c. (one of the world's leading integrated oil and gas companies, which has been publishing statistical reviews since 1951 and its statistical reviews are commonly used for reference by market information providers and media such as Bloomberg and Reuters and listed companies in Hong Kong) that Dated Brent (being a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide) averaged US$52.39 per barrel in 2015, representing a decline of US$46.56 per barrel from the 2014 level; and being the lowest annual average since 2004. Furthermore, we noted from the STEO, the forecast Brent crude oil prices are US$42.54 per barrel for 2016 and US$51.58 per barrel for 2017, respectively, representing a decrease of (i) approximately 18.7% and 1.4% respectively as compared to the average Brent crude oil prices of US$52.32 per barrel for the year 2015 as disclosed in STEO; and (ii) approximately 57.0% and 47.8% respectively as compared to the average Brent crude oil prices of US$98.89 per barrel for the year 2014 as disclosed in the STEO.

The Directors considered that according to the analysis/forecast shown in STEO, the crude oil prices in 2016 and 2017 are unlikely to rebound to the 2014 crude oil price level.

We further noted from a press release as published by Bloomberg on 13 January 2015 that in Argentina, oil prices are set and regulated by the federal government of Argentina. As advised by the Directors, the local oil selling price (the "**Local Oil Selling Price(s)**") of the Group's Argentina operation remained around US$58 per barrel for the seven months ended July 2016. Despite that the current Local Oil Selling Price is above WTI spot prices and Brent crude oil prices, having considered that (i) the crude oil prices in 2016 and 2017 are unlikely to rebound to the 2014 crude oil price level; and (ii) the Local Oil Selling Prices are set and regulated by the federal government of Argentina, we concur with the Directors that the future Local Oil Selling Prices are uncertain.

Solar power

Among the various energy sources, solar energy is a clean and renewable energy which does not generate pollutants, wastes and greenhouse gases.

In December 2011, the National Energy Administration ("**NEA**") issued《國家能源科技「十二五」規劃》(the National Energy Technology Twelfth Five Year Plan*) (the "**NET 12th Five-Year Plan**") which cited that the proportion of solar energy consumption volume to the total energy consumption volume in the world is expected to increase in the future. The NET 12th Five-Year Plan stated that one of the national directions for energy technology development is to reduce reliance on coal energy and shift to use clean, diversified and low-carbon energy. Despite the looming economic pressure in the first half of 2015, NEA considered that the growth of solar power industry in the PRC remained robust. The NEA further published 《關於下達2015年光伏發電建設實施方案的通知》 (Notice About The Implementation of Photovoltaic Power Generation Construction Plan for 2015*) in March 2015. Such notice (i) set out the national target for construction of solar power plants in 2015 including target construction scale for respective provinces in the PRC; (ii) offered priority to certain well-established solar power plants for connecting to the grid; and (iii) encouraged competition in the solar power generation industry by encouraging companies with strong technological support and economic strength to participate in constructing solar power plants so as to reduce the construction costs of solar power plants and subsequently the grid power price.

Furthermore, according to the "Proposal on Formulating the Thirteenth Five-Year Plan (2016-2020) on National Economic and Social Development" as released by Xinhua News Agent on 3 November 2015 that, the PRC will embrace a "green" development model in the next five years, implementing a more exacting environmental protection system to reduce carbon emissions. The PRC will continue to develop wind, solar, biomass, water, geothermal and nuclear energy, as well as explore deposits natural, shale and coal bed gases. Energy-intensive industries, such as power, steel, chemical and architectural material will be subject to carbon emission control regulations.

Despite that the PRC government has continued to promulgate favorable policies to support the development of solar power generation business in the PRC over the years, as at the Latest Practicable Date, no investment in solar power plant had yet been made by the Group.

Having considered (i) the financial performance of the Group for recent years, in particular the Group recorded (a) loss since 2010; and (b) net liabilities as at 31 December 2015; (ii) the future Local Oil Selling Prices are uncertain; and (iii) despite that the PRC government has continued to promulgate favourable policies to support the development of solar power generation business in the PRC over the years, no investment on solar power plant had yet been made by the Group as at the Latest Practicable Date, the Directors were of the view that the outlook of the Group is uncertain. We concurred with the Directors in this regard.

(3) Information on the Offeror

To provide Independent Shareholders and the Optionholders with basic information on the background of the Offeror, set out below is the key information on the Offeror as extracted from the "Letter from GN Securities and Octal Capital" of the Offer Document:

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Premier United, which in turn is wholly and beneficially owned by Mr. Suen. Mr. Suen is also the sole director of the Offeror and Premier United. Mr. Suen, aged 55, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen is an executive director and the chairman of, and a controlling shareholder indirectly holding approximately 31.30% of the issued share capital in Enviro Energy International Holdings Limited (stock code: 1102) ("**Enviro Energy**"). Mr. Suen is also indirectly holding approximately 9.89% of the issued share capital in China Strategic Holdings Limited (stock code: 235) ("**China Strategic**"). The shares of both Enviro Energy and China Strategic are listed on the Main Board of the Stock Exchange. Mr. Suen is also indirectly holding approximately 22.89% of the issued share capital of Courage Marine Group Limited (stock code:1145), the shares of which are listed on the Main Board of the Stock Exchange and the Singapore Exchange Securities Trading Limited (Singapore stock code: ATL.SI). Mr. Suen is also the sole ultimate beneficial owner of a company which will become a controlling shareholder of Birmingham International Holdings Limited (stock code: 2309).

Save as disclosed in the section headed "Dealings in securities in EPI" of the "Letter from GN Securities and Octal Capital" of the Offer Document, neither the Offeror nor parties acting in concert with it hold any Shares or any outstanding warrants, options or securities of the Company which are convertible into Shares, nor are there any outstanding derivative in respect of securities in the Company entered into by the Offeror or parties acting in concert with it as at the latest practicable date of the Offer Document.

(4) Intentions of the Offeror in relation to the Group

To provide Independent Shareholders and the Optionholders with information on the intentions of the Offeror, set out below is the Offeror's intentions on the Group's business as extracted from the "Letter from GN Securities and Octal Capital" of the Offer Document:

Following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The existing principal business of the Group includes petroleum exploration and production and money lending business. The Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror's intention regarding the Group as set out above, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

(5) Proposed change of Board composition

It was stated in the Offer Document that the Offeror intends to nominate Mr. Suen, Mr. Sue Ka Lok, Ms. Chan Yuk Yee, Mr. Yiu Chun Kong, Mr. Zhu Kai and Mr. Chan Shui Yuen as executive Directors and Mr. To Yan Ming, Edmond, Mr. Pun Chi Ping and Ms. Leung Pik Har, Christine as independent non-executive Directors to the Board (together, the "**Nominees**") and such appointments will be subject to the approval of the Board and will not take effect earlier than the date of posting of the Offer Document or such other date as permitted under the Takeovers Code. Any appointments to the Board will be made in compliance with all the applicable regulatory requirements, including the Takeovers Code and the Listing Rules. Please refer to the section headed "Proposed change of board composition" in the letter from GN Securities and Octal Capital contained in the Offer Document for biographic details of the above-mentioned nominees for appointment as executive Directors and independent non-executive Directors. Further details regarding any appointment of Directors as required by Rule 13.51(2) of the Listing Rules will be announced if the aforesaid appointments take effect.

As extracted from the Board Letter, on 27 September 2016, the Board received a letter from the Offeror in relation to the nomination of the Nominees to the Board (the "**Nomination**"). The biographical details of the Nominees set out in the nomination letter are same as those disclosed in the Offer Document. It was stated in the nomination letter that the Offeror requested the Board to appoint the Nominees as Directors with effect from 29 September 2016. In response to the Nomination, the Board replied to the Offeror on 28 September 2016 that the Board will put forward the Nomination to the nomination committee and the remuneration committee of the Board (together, the "**Committees**") for review. The Committees will, in accordance with their respective terms of reference, make recommendation to the Board accordingly. In light of the Company's internal policies and procedures, the appointment of the Nominees as Directors, if they happen, will not likely take effect from 29 September 2016. Further announcement(s) will be made by the Company as and when appropriate.

(6) The Share Offer Price

Share Offer Price comparison

The Share Offer Price of HK$0.168 per Offer Share represents:

(i) a discount of approximately 23.29% to the closing price of HK$0.219 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) the closing price of HK$0.168 per Share as quoted on the Stock Exchange on 25 August 2016, being the Last Trading Date;

(iii) a premium of approximately 8.39% over the average closing price of approximately HK$0.1550 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to and including the Last Trading Date;

(iv) a premium of approximately 11.63% over the average closing price of approximately HK$0.1505 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Date;

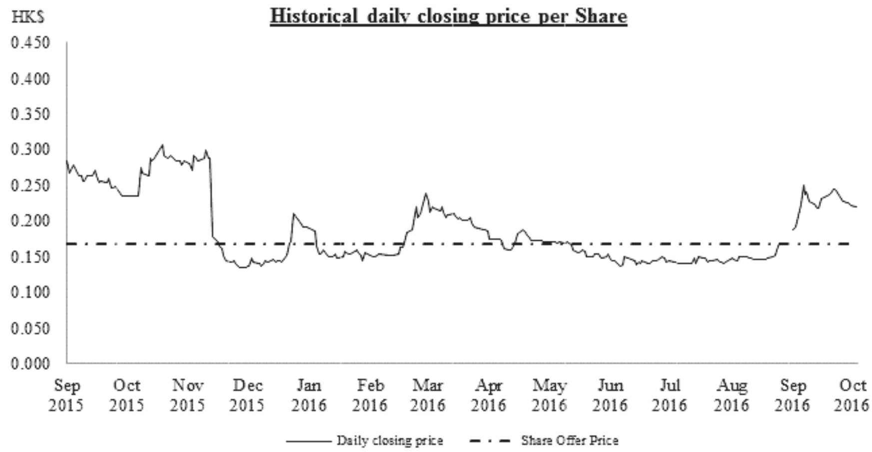
(v) a premium of approximately 13.13% over the average closing price of approximately HK$0.1485 per Share as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Date;

(vi) a premium of approximately 14.05% over the average closing price of approximately HK$0.1473 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Date; and

(vii) a premium of approximately 15.62% over the average closing price of approximately HK$0.1453 per Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Date.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 September 2015, being approximate one-year prior to the Offer Announcement up to the Latest Practicable Date (the "**Review Period**", which is commonly used for analysis purpose), to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. The closing prices of the Shares from 3 August 2015 to 21 December 2015 had been adjusted for the effect of the rights issue, which became effective from 22 December 2015 onwards, on the basis of five (5) rights shares for every one (1) existing share at HK$0.14 per rights share.

2. Trading in the Shares was halted from 26 August 2016 to 31 August 2016 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.135 per Share recorded on both 27 November 2015 and 30 November 2015, and HK$0.306 recorded on 19 October 2015, respectively. The Share Offer Price of HK$0.168 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

The closing prices of the Shares has been in a general decreasing trend during the Review Period. The closing price of the Shares fluctuated between the range of HK$0.235 to 0.306 during the period from 1 September 2015 to 19 October 2015. After the closing price of the Shares reached its peak during the Review Period on 19 October 2015, the closing prices of the Shares dropped significantly thereafter and reached the bottom of HK$0.135 per Share on both 27 November 2015 and 30 November 2015. The closing prices of the Shares fluctuated within the range of HK$0.135 to HK$0.239 from 30 November 2015 to 29 February 2016. Thereafter, the closing prices was in a general decreasing trend till the beginning of June 2016 and remained stable from the beginning of June 2016 to the late August 2016. Following the resumption of trading in the Shares on 1 September 2016, the closing prices of the Shares has been substantially increased thereafter and fluctuated between the ranges of HK$0.217 per Share to HK$0.250 per Share from 5 September 2016 to 30 September 2016. We have enquired into the Directors regarding the possible reasons for such sudden increase in the Share price and as confirmed by the Directors, save as (i) the publication of the Offer Announcement and the response announcement (the "**Response Announcement**") regarding the Offers on 31 August 2016 (after trading hours); and (ii) the publication of the announcements in respect of the withdrawal of the Previous Offer, the Directors were not aware of any happening which might have affected the Share price.

Given the volatility of the closing prices of the Shares in 2015 and the general downward trend of the closing prices of the Shares during the Review Period, there is no guarantee that the surge in Share price since 1 September 2016 will sustain after the Closing Date.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the "**Average Volume**"), and the respective percentages of the Average Volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	No. of trading days in each month	The Average Volume *(Note 1)*	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date
		in Shares	%	%
2015				
September	20	3,899,618	0.21	0.09
October	20	21,910,301	1.20	0.50
November	21	26,667,424	1.45	0.61
December	22	12,419,312	0.68	0.28
2016				
January	20	8,119,587	0.44	0.19
February	18	22,527,952	1.23	0.52
March	21	11,431,887	0.62	0.26
April	20	5,789,735	0.32	0.13
May	21	2,267,658	0.12	0.05
June	21	3,740,060	0.20	0.09
July	20	2,331,029	0.13	0.05
August *(Note 2)*	18	81,333,868	4.44	1.86
September	21	54,939,721	3.00	1.26
October (up to and including the Latest Practicable date)	1	8,538,000	0.47	0.20

Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. The trading volume of the Shares from 3 August 2015 to 21 December 2015 had been adjusted for the effect of the rights issue which became effective from 22 December 2015 onwards, on the basis of five (5) rights shares for every one (1) existing share at HK$0.14 per rights share.

2. Trading in the Shares was halted from 26 August 2016 to 31 August 2016 (both days inclusive).

3. As at the Latest Practicable Date, based on the available public information, the total number of issued Shares held by the public was 1,832,848,853.

4. The total number of issued Shares was 4,367,121,822 as at the Latest Practicable Date.

We noted from the above table that the trading in the Shares had been thin during the Review Period. Save for August 2016 and September 2016, the volume of Shares traded during the Review Period was below 1% of the total number of issued Shares as at the Latest Practicable Date. We have enquired into the Directors regarding the possible reasons for such sudden increase in the trading volume in August 2016 and September 2016 as confirmed by the Directors, save as (i) the publication of the Offer Announcement and the Response Announcement on 31 August 2016 (after trading hours); (ii) the publication of the announcements in respect of the withdrawal of the Previous Offer; and (iii) the increase in the shareholding of the Offeror in the Company in 24 August 2016, 25 August 2016 and 1 September 2016, the Directors were not aware of any happening which might have affected the trading volume of the Shares. As the Shares are illiquid, disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares.

Taking into account that there is no guarantee that (i) the surge in Share price since 1 September 2016 will sustain; and (ii) the relatively higher trading volume of the Shares in August 2016 will continue, we are of the view that Independent Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price higher than the Share Offer Price, in particular when they are going to dispose of their entire holdings at a fixed cash price without disturbing the market price. We, therefore, consider that the Share Offer provides an exit alternative to the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Share Offer Price, those Independent Shareholders may consider not accepting the Share Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Share Offer.

Furthermore, those Independent Shareholders who, after reading through the 2016 Interim Report, the 2015 Annual Report, the Offer Document and the Response Document, are optimistic about the future financial performance of the Group (detailed analysis on the Group's business is set out under the above section headed "Financial information on the Group") after the Offers, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and be aware of the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offers given the thin Average Volume.

Comparison with other comparable companies

We noted that the trading multiples analysis, such as price to earnings ratio ("**PER**"), price to book ratio ("**PBR**") and price to sales ratio ("**PSR**"), is a commonly adopted valuation method in the market. Given that the Group had been loss making for the year ended 31 December 2015, we consider the PER analysis to be inapplicable. For this reason, to assess the fairness and reasonableness of the Share Offer Price, we have performed the PSR and PBR analysis.

In light of the information on the Group as mentioned above, in particular, (i) the Group commenced its money lending business on 8 June 2016; and (ii) revenue derived from petroleum exploration and production represented the entire revenue of the Group for the year ended 31 December 2015 and 2014 and approximately 98.3% of the revenue of the Group for the six months ended 30 June 2016, we have searched for companies listed in Hong Kong which (i) are engaged in similar line of business as Group, being principally engaged in petroleum exploration and production; and (ii) derive a majority of their turnover from such business based on their respective latest published financial information for comparison. We found that only New Times Energy Corporation Ltd. (166) and Shanghai Dasheng Agriculture Finance Technology Co, Ltd. (1103) could meet our selection criteria. To facilitate the trading multiples analysis with sufficient comparables and having considered that according to "The Origins of Oil and Gas" as published on the website of Shell Global, being a global group of energy and petrochemical companies with an average of 93,000 employees in more than 70 countries, that oil and gas are generally trapped together. Hence, we have extended our search to include companies listed in Hong Kong which (i) are principally engaged in petroleum and natural gas exploration and production and classified into the same segment; and (ii) derive a majority of their turnover from such business based on their respective latest published financial information for comparison, we found 7 Hong Kong listed companies which met the said criteria (the "**Comparables**"). Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables.

Set out below are the PSRs and PBRs of the Comparables based on their respective closing prices as at the Latest Practicable Date and their respective latest published financial information:

Company name (Stock code)	**Principal business**	**Year end date**	**PSR** *(Note 1)*	**PBR** *(Note 2)*
New Times Energy Corporation Ltd. (166)	Trading of oil products; exploration, exploitation, production and sale of natural resources.	31 December 2015	15.45	0.47
China Petroleum & Chemical Corporation (386)	Exploration, development and production of crude oil and natural gas; refining, transportation, storage and marketing of crude oil and petroleum product; and production and sale of chemicals.	31 December 2015	0.29	0.73
United Energy Group Ltd. (467)	Sales and production of crude oil, condensate, gas and liquified petroleum gas and provision of patented technology supporting services to oilfields.	31 December 2015	1.81	1.31
Pearl Oriental Oil Ltd. (632)	Processing and sales of recycling materials, oil and natural gas and petroleum exploration, exploitation and production in certain natural gas and oilfield located in Uinta Basin, Uintah County, Utah, the United States of America.	31 December 2015	949.20	2.18
CNOOC Ltd. (883)	Exploration, development, production and sales of crude oil and natural gas and other petroleum products.	31 December 2015	2.17	1.00

Company name (Stock code)	Principal business	Year end date	PSR *(Note 1)*	PBR *(Note 2)*
Shanghai Dasheng Agriculture Finance Technology Co, Ltd (1103)	Road and bridge construction business, petrochemical products supply chain services and agricultural financial business.	31 December 2015	0.58	1.51
MIE Holdings Corporation (1555)	Exploration, development, production and sale of oil and other petroleum products in the PRC, the Kazakhstan, and the USA.	31 December 2015	1.92	2.84
		Maximum	**949.20**	**2.84**
		Minimum	**0.29**	**0.47**
		Average	**138.77**	**1.43**
		Average (excluding outlier)	**3.70**	**N/A**
The Share Offer			**11.02** ***(Note 3)***	**2.11** ***(Note 4)***

Notes:

1. The PSRs of the Comparables were calculated based on their respective closing price per share as at the Latest Practicable Date, their respective number of issued shares as at the Latest Practicable Date and their latest full year revenue as per their respective latest published annual results.

2. The PBRs of the Comparables were calculated based on their respective closing price per share as at the Latest Practicable Date, their respective number of issued shares as at the Latest Practicable Date and their latest net assets value as per their respective latest published annual results, quarterly results or interim results (as the case may be).

3. The implied PSR of the Share Offer was calculated based on the Share Offer Price and the revenue of the Group for the year ended 31 December 2015 as extracted from the 2015 Annual Report over the total number of issued Shares as at the Latest Practicable Date.

4. The implied PBR of the Share Offer was calculated based on the Share Offer Price and the net asset value of the Group per Share as at 30 June 2016 as extracted from the 2016 Interim Report over the total number of issued Shares as at the Latest Practicable Date.

As depicted from the above table, the PSRs of the Comparables ranged from approximately 0.29 times to 949.20 times or approximately 0.29 times to 15.45 times excluding the outlier (being Pearl Oriental Oil Ltd. (632), the PSR of which was exceptionally high as compared with those of the other Comparables), with an average of approximately 138.77 times or approximately 3.70 times excluding the outlier.

Given that the PSR of the Share Offer is approximately 11.02 times, the PSR of the Share Offer is (i) within the range of; (ii) above the majority of; and (iii) above the average of the PSRs of the Comparables (excluding the outlier).

In addition, the PBRs of the Comparables ranged from approximately 0.47 times to 2.84 times, with an average of approximately 1.43 times. Given that the PBR of the Share Offer is approximately 2.11 times, the PBR of the Share Offer is (i) within the range of; (ii) above the majority of; and (iii) above the average of the PBRs of the Comparables.

Having considered that both the PSR and PBR of the Share Offer are (i) within the range of; (ii) above the majority of; and (iii) above the average of the PSRs (excluding the outlier) and PBRs of the Comparables respectively, we consider that the Share Offer Price is fair and reasonable.

(7) The Option Offer Price for each Option

The option offer price to cancel all the outstanding Options is a nominal cash offer, namely HK$0.01 (the "**Option Offer Price**") for each Option. As at the Latest Practicable Date, the exercise price of the outstanding Options is HK$1.3277, which is out-of-money. Moreover, in view of that the exercise price of the Options is higher than the Share Offer Price and thus the "see through" price is zero, we consider the Option Offer Price to be fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) as mentioned in the section headed "Financial information on the Group" of this letter, the outlook of the Group is uncertain;

(ii) the Share Offer Price of HK$0.168 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period;

(iii) given the volatility of the closing prices of the Shares in 2015 and the general downward trend of the closing prices of the Shares during the Review Period, there is no guarantee that (a) the surge in Share price since 1 September 2016 will sustain; and (b) the relatively higher trading volume of the Shares in August 2016 will continue;

(iv) disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the thin trading volume of the Shares;

(v) both the PSR and PBR of the Share Offer are (a) within the range of; (b) above the majority of; and (c) above the average of the PSRs (excluding the outlier) and PBRs of the Comparables respectively; and

(vi) the exercise price of the outstanding Options is (a) out-of-money as at the Latest Practicable Date; and (b) higher than the Share Offer Price and thus the "see through" price is zero,

we consider that the terms of the Offers (including the Share Offer Price and the Option Offer Price) are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Optionholders to accept the Offers.

However, given that the Share Offer Price represents discounts to the recent market prices of the Shares (including but not limited to the closing price of the Shares as at the Latest Practicable Date) but due to the low trading liquidity of the Shares, disposal of large block of Shares by the Independent Shareholders in the open market would likely to trigger price slump of the Shares, we would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offers. Further terms and conditions of the Offers are set out in the "Letter from GN Securities and Octal Capital" of and Appendix I to the Offer Document.

As different Shareholders/Optionholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders/Optionholders who may require advice in relation to any aspect of the Offer Document and the Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *for identification purposes only*

1. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 as extracted from the Company's annual reports for the two years ended 31 December 2014 and 2015 and the Company's interim report for the six months ended 30 June 2016:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS				
Revenue	89,853	85,689	66,571	25,748
Loss before and after taxation from continuing operations	(665,113)	(180,233)	(276,548)	(28,516)
DISCONTINUED OPERATIONS				
Loss from discontinued operations	(14,058)	(200,910)	–	–
Loss for the year/period attributable to owners of the Company	(679,171)	(381,143)	(276,548)	(28,516)
Dividend per Share	–	–	–	–
		(Restated) *(Note 1)*		
Loss per Share from continuing operations (basic)	(0.19)	(0.33)	(0.39)	(0.01)
Loss per Share from continuing operations (diluted)	(0.19)	(0.33)	(0.40)	(0.01)
Loss per Share from discontinued operations (basic and diluted)	–	(0.37)	–	–

Notes:

1. The restatement (as shown in the Company's annual report for the year ended 31 December 2015) is mainly because the weighted average number of Shares for the purpose of calculating the basic and diluted loss per Share in 2014 has been adjusted after taking into account the share consolidation in June 2015 on the basis of ten shares being consolidated into one share and the Company's open offer on the basis of one offer share for every two shares held, details of which are set out in the circular of the Company dated 26 May 2015.

2. No qualified or modified opinion in respect of the consolidated financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015 has been issued by the Company's auditors.

3. Save for the impairment loss of approximately HK$492.6 million, HK$73.6 million and HK$215.7 million recorded for the three years ended 31 December 2013, 2014 and 2015 respectively, there were no exceptional items because of their size, nature or incidences recognised in the above accounts for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. In addition, the Group had no non-controlling interest and no provision for income tax had been made for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 extracted from the Company's annual report for the year ended 31 December 2015. Capitalised terms used in this section shall have the same meanings as those defined in such annual report.

"CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operation:			
Revenue	6	66,571	85,689
Purchases, processing and related expenses		(39,146)	(38,881)
Other losses, net	7	(15,617)	(16,542)
Wages, salaries and other benefits		(21,949)	(34,253)
Depreciation and depletion		(17,118)	(18,043)
Provision of impairment losses	8	(215,686)	(73,576)
Fair value gains on financial instruments	9	12,351	49,109
Expenses incurred in exploring potential investment opportunities		(330)	(25,260)
Other expenses		(28,798)	(73,783)
Finance costs	10	(16,826)	(34,693)
Loss and total comprehensive expenses for the year from continuing operation	12	(276,548)	(180,233)
Discontinued operation:			
Loss and total comprehensive expense for the year from discontinued operation	13	–	(200,910)
Loss and total comprehensive expense for the year attributable to owners of the Company		(276,548)	(381,143)
			(Restated)
Loss per share attributable to owners of the Company	17		
From continuing operation:			
— basic		(0.39)	(0.33)
— diluted		(0.40)	(0.33)
From discontinued operation:			
— basic		N/A	(0.37)
— diluted		N/A	(0.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Exploration and evaluation assets	18	–	115,222
Property, plant and equipment	19	38,723	138,422
Other tax recoverable	20	7,721	17,563
		46,444	271,207
Current assets			
Trade and other receivables and prepayments	21	26,864	45,928
Other tax recoverable	20	6,365	16,140
Held-for-trading investments	22	62	52
Bank balances and cash	23	13,168	28,565
		46,459	90,685
Current liabilities			
Trade and other payables	24	34,028	44,013
Borrowings — amount due within one year	25	74,600	54,600
Convertible notes	26	–	62,877
Derivative financial liabilities	26	–	5,917
		108,628	167,407
Net current liabilities		(62,169)	(76,722)
Total assets less current liabilities		(15,725)	194,485
Capital and reserves			
Share capital	27	7,279	485,236
Reserves		(132,204)	(454,551)
Equity attributable to owners of the Company and total equity		(124,925)	30,685
Non-current liabilities			
Borrowings — amount due after one year	25	109,200	163,800
		(15,725)	194,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Contributed surplus reserve** *HK$'000* *(note a)*	**Share options reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	416,988	4,100,080	60,322	82,150	(4,441,354)	218,186
Loss and total comprehensive expense for the year	–	–	–	–	(381,143)	(381,143)
Issue of new shares upon placement *(note b)*	68,248	87,357	–	–	–	155,605
Transaction costs attributable to issue of new shares	–	(5,639)	–	–	–	(5,639)
Recognition of equity-settled share-based payment expense	–	–	–	43,676	–	43,676
At 31 December 2014	485,236	4,181,798	60,322	125,826	(4,822,497)	30,685
Loss and total comprehensive expense for the year	–	–	–	–	(276,548)	(276,548)
Share consolidation	(480,383)	–	480,383	–	–	–
Capital reorganisation *(note a)*	–	(4,181,798)	(540,705)	–	4,722,503	–
Share consolidation and capital reorganisation expenses	–	(387)	–	–	–	(387)
Issue of new shares upon open offer *(note c)*	2,426	118,883	–	–	–	121,309
Transaction costs attributable to issue of shares upon open offer	–	(2,546)	–	–	–	(2,546)
Recognition of equity-settled share-based payment expense	–	–	–	2,562	–	2,562
At 31 December 2015	7,279	115,950	–	128,388	(376,542)	(124,925)

Notes:

(a) The contributed surplus reserve represents the credit arising from the capital reduction in 2006 and the credit transferred from the share premium account of the Company together with the application to set off the accumulated losses of the Company in May 2015 (see note 27(b)).

(b) During the year ended 31 December 2014, the Company completed a placement by which a total of 682,480,000 shares of the Company were issued. Details of the placement are set out in note 27(a).

(c) During the year ended 31 December 2015, the Company completed an open offer by which a total of 242,617,879 shares of the Company were issued. Details of the open offer are set out in note 27(c).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Operating activities		
Loss for the year	(276,548)	(381,143)
Adjustments for:		
Depreciation and depletion of property, plant and equipment	17,118	18,043
Impairment loss recognised in respect of exploration and evaluation assets	115,222	91,049
Impairment loss recognised in respect of property, plant and equipment	91,093	–
Impairment loss of other receivables	7,800	200,810
Loss on disposal of property, plant and equipment	–	464
(Gain) loss on held-for-trading investments	(10)	46
Gain on disposal of held-for-trading investments	(106)	–
Interest income	(234)	(1,016)
Interest expense	16,769	34,693
Net gain on modification of terms of convertible notes	(12,480)	–
Amortisation of deferred loss on conversion component of convertible notes	380	5,347
Gain on derivative component of convertible notes	–	(34,687)
Gain on new derivative component recognised in profit or loss	(135)	–
Fair value gain on warrants	–	(20,751)
Impairment (reversal of impairment) loss of other tax recoverable	1,571	(17,473)
Equity-settled share-based payment expense	2,562	43,676
Operating cash flows before movements in working capital	(36,998)	(60,942)
Decrease (increase) in trade and other receivables and prepayments	11,370	(19,546)
Decrease in other tax recoverable	18,046	25,066
(Decrease) increase in trade and other payables	(9,993)	5,670
Decrease in other non-current liabilities	–	(1,410)
Cash used in operations and net cash used in operating activities	(17,575)	(51,162)
Investing activities		
Purchase of property, plant and equipment	(8,512)	(3,471)
Interest received	234	1,016
Net cash used in investing activities	(8,278)	(2,455)

	2015 *HK$'000*	2014 *HK$'000*
Cash flows from financing activities		
Proceeds from open offer shares	121,309	–
New other loans raised	20,000	–
Expenses of open offer shares	(2,546)	–
Expenses of share consolidation and capital reorganisation	(387)	–
Redemption of convertible notes	(60,000)	(40,000)
Repayment of bank borrowings	(54,600)	(54,600)
Interest paid	(13,320)	(19,213)
Proceeds from issue of new shares	–	155,605
Repayment of other loans	–	(2,000)
Share issue expenses	–	(5,639)
Net cash generated from financing activities	10,456	34,153
Net decrease in cash and cash equivalents	(15,397)	(19,464)
Cash and cash equivalents at beginning of the year	28,565	48,029
Cash and cash equivalents at end of the year, representing bank balances and cash	13,168	28,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Room 1108–09, 11/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in petroleum exploration and production.

The functional currency of the Company is United States dollars ("US$"). Since the Company's shares are listed on the Stock Exchange, the directors consider that it is more appropriate to adopt Hong Kong dollars ("HK$") as the Group's presentation currency in the preparation of the consolidated financial statements.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group incurred a loss attributable to the owners of the Company of HK$276,548,000 and had a net operating cash outflow of HK$36,998,000 during the year end 31 December 2015. As at 31 December 2015, the Group's net liabilities is HK$124,925,000, its current liabilities exceeded its current assets by HK$62,169,000, and its cash and cash equivalents balance was reduced to HK$13,168,000.

In addition, the Group had total borrowings of HK$183,800,000, consisting of a bank loan of HK$163,800,000, as at 31 December 2015. Total borrowings amounted to HK$183,800,000, including the current portion of bank loans and other loan of HK$74,600,000 which will be due for repayment within twelve months after the end of the reporting period.

Pursuant to the bank loan agreement of the outstanding bank loans of HK$163,800,000, the Group is required to comply with certain requirements, including to maintain Mr. Wu Shaozhang ("Mr. Wu") as a substantial shareholder of the Company ("Substantial Shareholder") as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A Substantial Shareholder is one who is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Company. The failure to comply with such requirements would constitute an event of default, which may cause the relevant bank loans totalling HK$163,800,000 becoming immediately repayable.

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

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

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

(b) On 12 November 2015, the Company proposed to raise gross proceeds of not less than approximately HK$509.5 million by way of a rights issue of shares on the basis of five rights shares for every one existing share at HK$0.14 per rights share. The rights issue was completed in January 2016. The estimated net proceeds, after deducting underwriting commission and other related expenses incurred by the Company, amounted to approximately HK$502.1 million. Mr. Wu subscribed for all the rights shares provisionally allotted to him, directly or indirectly, and he continues to hold, directly or indirectly, approximately 10.01% of the Company's issued shares after the rights issue and at the date of approval of these consolidated financial statements. Mr. Wu maintains his position as a Substantial Shareholder. Further details of the rights issue are set out in the prospectus of the Company dated 31 December 2015 and the announcement of the Company dated 26 January 2016.

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKFRS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company do not anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts and the related interpretations" when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company do not anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported but may have additional disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 "Accounting for acquisitions of interests in joint operations"

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 "Business combinations". Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 "Income taxes" regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 "Impairment of assets" regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortisation"

The amendments to HKAS 16 "Property, plant and equipment" prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 "Intangible assets" introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the unit-of-production method for depreciation and depletion of oil and gas properties and the straight-line method for depreciation of other property, plant and equipment. The directors of the Company believe that such methods are the most appropriate methods to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

The directors of the Company do not anticipate that the application of other amendments will have a material effect on the amounts recognised and the disclosures in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO regarding preparation of accounts and directors' report, which became effective for the Company for the financial year ended 31 December 2015, and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resell.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss or other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the disposal group(s) constituting the discontinued operation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is possible that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Oil and gas properties

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within construction in progress under property, plant and equipment. When development is completed on a specific field, it is transferred to oil and gas properties. No depreciation and depletion is charged during the development phase.

Oil and gas production properties are aggregated exploration and evaluation assets and development expenditures associated with the production of proved reserves.

Oil and gas properties are depreciated and depleted using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered to be part of production once they have been measured through metres at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Property, plant and equipment, including oil and gas properties, are stated at historical cost less depreciation, depletion and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress is stated in the consolidated statement of financial position at cost less any recognised impairment loss. Construction in process in respect of exploratory wells is classified to oil and gas properties when production of oil starts. Construction in progress in respect of other assets is classified to the appropriate category of property, plant and equipment when construction is completed and the asset is ready for intended use. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment

Property, plant and equipment other than oil and gas properties and construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than oil and gas properties and construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss.

Exploration and evaluation assets

Oil and gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised within exploration and evaluation assets until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to profit or loss.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to construction in progress under property, plant and equipment. No depreciation or depletion is charged during the exploration and evaluation phase.

Exploration and evaluation assets are tested for impairment when reclassified to construction in progress, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. Recoverable amount is the higher of the exploration and evaluation assets' fair value less costs of disposal and their value in use.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 "Impairment of assets" and whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible assets other than exploration and evaluation asses (see the accounting policy in respect of exploration and evaluation assets above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-for-trading investments and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading, or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other (losses) gains, net line item. Fair value is determined in the manner described in respective notes.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policies on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and as equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and other payables, liability component of convertible notes and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Convertible notes containing liability component and conversion option derivative

The component parts of the convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the liability component and conversion option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and is initially measured at its fair value and is subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 “Provisions, contingent liabilities and contingent assets”; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to other suppliers of goods and services

Share options issued in exchange for goods or services with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains goods or the counterparty renders the services. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint operations, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Schemes ("MPF Schemes") are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements in Hong Kong dollars, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and other receivables

Allowance for trade and other receivables is made based on the evaluation of collectability and ageing analysis of accounts. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the aggregate carrying amount of trade and other receivables (excluding deposits and prepayments and deposits held for petroleum exploration and production operation) is HK$15,278,000 (with an impairment on other receivables of HK$7,800,000) (2014: HK$20,097,000 with no impairment).

Estimation of petroleum reserves

Estimates of petroleum reserves are key elements in the Group's investment decision-making process. They are also an important element in determining the amount of depreciation and depletion for oil and gas properties and for testing impairment of oil and gas properties and exploration and evaluation assets. Changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depletion and depreciation recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depletion and depreciation charges (assuming constant production) and reduce net profit or increase net loss. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Impairment of oil and gas properties

The carrying amounts of the oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amounts of the oil and gas properties may exceed their recoverable amounts. The Group's determination as to whether they are impaired requires an estimation of the recoverable amount of the assets. The Group relies on experts to assess the geological prospects for the discovery of oil in the oil field and estimates the value of oil to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling costs and other exploration and evaluation assets, the Group determines whether the related well costs are expensed if it is determined that such economic viability is not attained after performing further feasibility studies. The Group's carrying value of oil and gas properties as at 31 December 2015 was HK$37,646,000 (2014: HK$137,018,000).

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions such as discount rates used and the estimated oil to be produced etc, can significantly affect these cash flow projections and therefore the results of the impairment reviews. Details of the key assumptions adopted and the corresponding impact are set out in note 19.

Impairment of exploration and evaluation assets

The carrying amounts of the exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amounts of the exploration and evaluation assets may exceed their recoverable amounts. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including the level of proved and probable petroleum reserves, future technological changes which could impact the cost of drilling, future changes relevant to regulations on exploration, drilling and production of oil in Mendoza, Argentina, changes to the commodity prices, future drilling plan of the Group and the ability of raising financing to meet the drilling plan. The Group's determination as to whether the exploration and evaluation assets are impaired requires an estimation of the recoverable amount of the assets. The directors of the Company exercise their judgement in estimating the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

The management decided that it is not feasible to drill any new wells in the oil filed in Mendoza, Argentina, based on its oil price forecast, and it is unlikely to resume its oil wells drilling plan in the near future. This decision has a significant impact on the related expected future cash flows from operation; therefore the management has assessed the impairment of the exploration and evaluation assets. The critical factors that the management assessed were the cessation of its future drilling plan and the failure to obtain reliable comparable market price existing in the market. The Group's carrying value of exploration and evaluation assets as at 31 December 2015 was nil (2014: HK$115,222,000). During the year ended 31 December 2015, an impairment loss of HK$115,222,000 (2014: HK$91,049,000) was recognised in profit or loss in respect of the exploration and evaluation assets. Details of these are set out in note 18.

Recognition of share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the Group receives services from employees and consultants as consideration for equity instruments (options) of the Group. The directors of the Company used the Binomial Model to determine the total value of the options granted, which was based on fair value and various attributes of the underlying shares of the Company. Significant estimates and assumptions were required to be made in determining the parameters for applying the Binomial Model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the share options. In addition, the Group was required to estimate the expected percentage of grantees that would remain in employment or terms with the Group at the end of the vesting period. The Group only recognises an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based payments.

Current and deferred tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The directors of the Company has set up a valuation team to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model and reports the valuation team's findings to the directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities is set out in respective notes.

6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the petroleum exploration and production. An analysis of the Group's revenue from continuing operation for the year is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Sales of petroleum	66,571	85,689

Information is reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The Chief Executive Officer considers the business of the Group from both a geographic and product perspective.

For the year ended 31 December 2014, the Group's reportable segments were:

- Petroleum exploration and production (continuing operation); and
- Metals transactions (discontinued operation), segment information of which is set out in note 13.

For the year ended 31 December 2015, the Chief Executive Officer has determined with management that the Group operated only in two geographical locations, being Argentina and Hong Kong, and has one operating segment on an aggregate basis, i.e. petroleum exploration and production, after the operating segment of metals transactions being discontinued in 2014. Other than the geographical information, no operating results and other discrete financial information are available for the assessment of performance of the respective business divisions. For these reasons, no separate segment information is presented.

Geographical information

The Group's operations are located in Argentina and Hong Kong.

The Group's revenue from continuing operation from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Argentina	66,571	85,689	37,963	252,617
Hong Kong	–	–	760	1,027
	66,571	85,689	38,723	253,644

Non-current assets excluded other tax recoverable.

During the current year, all external revenue of HK$66,571,000 (2014: HK$85,689,000) is generated from one customer. The revenue is attributable to petroleum exploration and production segment.

7. OTHER (LOSSES) GAINS, NET

	2015	**2014**
	HK$'000	*HK$'000*
Continuing operation:		
Bank interest income	1	2
Other interest income	233	1,014
Total interest income	234	1,016
Exchange losses, net	(17,187)	(18,333)
Loss on disposal of property, plant and equipment	–	(464)
Others	1,336	1,239
	(15,617)	(16,542)

8. PROVISION OF IMPAIRMENT LOSSES

	2015	**2014**
	HK$'000	*HK$'000*
Continuing operation:		
Impairment loss of exploration and evaluation assets	115,222	91,049
Impairment loss of property, plant and equipment	91,093	–
Impairment loss of other receivables	7,800	–
Impairment (reversal of impairment) loss of other tax recoverable	1,571	(17,473)
	215,686	73,756

9. FAIR VALUE GAINS (LOSSES) ON FINANCIAL INSTRUMENTS

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Net gain on modification of terms of convertible notes	12,480	–
Amortisation of deferred loss on conversion component of convertible notes	(380)	(5,347)
Gain on derivative component recognised in profit or loss	–	34,687
Gain on new derivative component recognised in profit or loss	135	–
Fair value gain (loss) on held-for-trading investments	10	(46)
Fair value gain on warrants	–	20,751
Loss on disposal of bond	–	(936)
Gain on disposal of held-for-trading investments	106	–
	12,351	49,109

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Interest on borrowings:		
Bank borrowings and overdrafts	9,341	11,564
Other loans	667	180
Effective interest expense on convertible notes	6,761	22,949
Total interest expense	16,769	34,693
Loan arrangement fee	57	–
	16,826	34,693

11. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group does not have assessable profits in Hong Kong for both years.

Argentina income tax is calculated at 35% of assessable profit for the year. No provision for Argentina income tax has been made as there is no assessable profit arising in Argentina for both years.

The taxation for the year can be reconciled to the loss for the year per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Continuing operation:		
Loss for the year	(276,548)	(180,233)
Tax at the applicable rates of 16.5% (2014: 16.5%)	(45,630)	(29,738)
Tax effect of income not taxable for tax purpose	(4,038)	(14,544)
Tax effect of expenses not deductible for tax purpose	64,872	26,549
Tax effect of tax losses not recognised as deferred tax asset	18,943	14,829
Effect of different tax rates of subsidiaries operating in other jurisdictions	(34,147)	2,904
Taxation for the year	–	–

At 31 December 2015, the Group had unused tax losses of HK164,756,000 (2014: HK$100,880,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$76,335,000 (2014: HK$68,814,000) that will expire within 5 years. All other tax losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Continuing operation:		
Loss for the year has been arrived at after charging:		
Directors' emoluments *(note 14)*	8,244	14,180
Other staff's retirement benefits costs (excluding directors)	189	162
Other staff's equity-settled share-based payment expense (excluding directors)	–	162
Other staff costs	13,516	19,749
Total staff costs	21,949	34,253
Auditor's remuneration	2,400	3,000
Equity-settled share-based payment expenses for consultants *(note 28)*	–	34,916
Minimum lease payments under operating leases in respect of office properties and buildings	3,208	2,681
Professional and consultancy fees	5,991	20,652

13. DISCONTINUED OPERATION

On 5 December 2014, the board of directors of the Company passed a resolution to discontinue the operation in EPI Metals Limited, an indirect wholly-owned subsidiary of the Company. EPI Metals Limited was principally engaged in the trading of metals. The discontinued operation decision was based on the Company's strategy of focusing on the exploration and production of oil and gas industry.

The discontinued operation represented the whole metals transactions segment. The financial information below served the purpose of both discontinued operation.

	2014
	HK$'000
Loss for the year from a discontinued operation	
Segment results excluding impairment	(100)
Impairment loss on deposit paid to a supplier	(200,810)
Loss for the year from a discontinued operation	(200,910)
Cashflows from a discontinued operation	
Net cash flows used in operating activities	(14)
Net cash outflows	(14)

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

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

	2014
	HK$'000
At 1 January	13,966
Recognition of impairment loss in profit or loss	200,810
At 31 December	214,776

The taxation for the year can be reconciled to the loss before taxation as follows:

	2014
	HK$'000
Loss for the year	(200,910)
Tax at the applicable rates of 16.5%	33,150
Tax effect of expenses not deductible for tax purpose	(33,150)
	–

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	2015	2014
	HK$'000	*HK$'000*
Fees	1,560	1,434
Other emoluments		
Salaries and other benefits	4,086	4,112
Equity-settled share-based payments *(note 28)*	2,562	8,598
Retirement benefits scheme contributions	36	36
	8,244	14,180

The emoluments paid or payable to each of the six (2014: six) directors of the Company including the Chief Executive Officer were as follows:

2015

Name	Fees	Other emoluments Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-executive chairman					
Ho King Fung, Eric	960	–	1,885	–	2,845
Executive directors					
Tse Kwok Fai, Sammy	–	2,646	–	18	2,664
Chan Chi Hung, Anthony	–	1,440	677	18	2,135
Independent non-executive directors					
Qian Zhi Hui	200	–	–	–	200
Teoh Chun Ming	200	–	–	–	200
Zhu Tiansheng	200	–	–	–	200
Total emoluments	1,560	4,086	2,562	36	8,244

2014

Name	Fees	Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	Total
Non-executive chairman					
Ho King Fung, Eric	870	–	6,325	–	7,195
Executive directors					
Tse Kwok Fai, Sammy	–	2,882	–	18	2,900
Chan Chi Hung, Anthony	–	1,230	2,273	18	3,521
Independent non-executive directors					
Qian Zhi Hui	188	–	–	–	188
Teoh Chun Ming *(note)*	188	–	–	–	188
Zhu Tiansheng	188	–	–	–	188
Total emoluments	1,434	4,112	8,598	36	14,180

Note: Being appointed on 10 January 2014.

Tse Kwok Fai, Sammy is also the Chief Executive Officer of the Company in 2015 and 2014 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive chairman and independent non-executive directors shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director and the Chief Executive Officer waived or agreed to waive remuneration for both years. In addition, no remuneration was paid by the Group to any of the directors and the Chief Executive Officer as an inducement to join, or upon joining the Group or as compensation for loss of office.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2014: three) were directors (including the Chief Executive Officer of the Company) whose emoluments are included in the disclosure in note 14. The emoluments of the remaining two (2014: two) individuals were as follows:

	2015	**2014**
	HK\$'000	*HK\$'000*
Salaries and other benefits	3,290	2,039
Retirement benefits scheme contributions	18	–
	3,308	2,039

Their emoluments were within the following bands:

	2015 No. of employees	**2014 No. of employees**
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	2	–

16. DIVIDEND

No dividend was paid or declared during 2015 and 2014, nor has any dividend been proposed since the end of the reporting period for both years.

17. LOSS PER SHARE

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

	2015	**2014**
	HK\$'000	*HK\$'000*
Loss for the year attributable to owners of the Company		
Continuing operation		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(276,548)	(180,233)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes	2,625	–
Net gain on modification of terms of convertible notes	(12,480)	–
Amortisation of deferred loss on conversion component of convertible notes	380	–
Loss for the purpose of diluted loss per share	(286,023)	(180,233)
Discontinued operation		
Loss for the purpose of basic and diluted loss per share	N/A	(200,910)

	2015 '000	2014 '000 (Restated)
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	703,889	545,035
Effect of dilutive potential ordinary shares:		
Convertible notes	4,871	–
Weighted average number of ordinary shares for the purpose of dilutive loss per share	708,760	545,035

The denominator for the purpose of calculating basic loss per share for the year ended 31 December 2014 has been adjusted to reflect the consolidation of shares in June 2015 on the basis of ten ordinary shares being consolidated into one ordinary share (the "Share Consolidation") and bonus element of the open offer on the basis of one offer share for every two shares (the "Open Offer").

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of potential ordinary shares: warrants, convertible notes and share options (2014: three categories comprising warrants, convertible notes and share options). The 2013 CN (as defined in note 26) are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the related gain/loss and expenses stated above for the current year. For the years ended 31 December 2015 and 2014, the New 2013 CN (as defined in note 26) and 2013 CN, respectively, were not assumed to have been converted into ordinary shares because their exercise would result in a decrease in loss per share, i.e. anti-dilutive.

For the potential ordinary shares from the outstanding warrants and share options, they were anti-dilutive for the years ended December 2015 and 2014. The computation of diluted loss per share does not assume the exercise of the Company's warrants and share options because the exercise prices of those warrants and share options were higher than the average market price for shares for both years.

18. EXPLORATION AND EVALUATION ASSETS

	2015 *HK$'000*	2014 *HK$'000*
COST		
At 1 January and 31 December	3,778,574	3,778,574
IMPAIRMENT		
At 1 January	3,663,352	3,572,303
Recognised in profit or loss	115,222	91,049
At 31 December	3,778,574	3,663,352
NET BOOK AMOUNT		
At 1 January	115,222	206,271
At 31 December	–	115,222

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

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

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

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

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

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

At 31 December 2014, the recoverable amount of the exploration and evaluation assets was determined from value in use calculation based on a cash flow projection derived from estimated oil reserve at the Concessions up to the expiry of the concession right in 2027 at a discount rate of 18.06%. The key assumptions for the value in use calculation were those regarding the discount rates, production decline rates and expected changes in future oil prices. The expected future oil prices for the petroleum exploration and production in Argentina for the next five years ranged from US$66.90 to US$106.30 per barrel. Should the future oil price be further decreased by 3%, the carrying amount of the exploration and evaluation assets would have recognised further impairment of HK$47,221,000. Should the discount rate be increased by 1%, additional impairment loss of HK$27,589,000 would have been recognised.

In 2015, based on current available information on oil price forecast, investment costs and operating costs, the Group reconsidered its future development plan for the Argentina investment plan using methods of Breakeven Analysis and Investment Return Analysis. Based on these methods, the management of the Group concluded that it is not economically justifiable to maintain its previous plan and it is also not feasible to drill any new wells. Therefore, the board of directors resolved that no new wells will be drilled until further decision from the board of directors. Given the nature of the Group's activities, information on the fair value of the exploration and evaluation assets is usually difficult to obtain unless negotiations with potential purchasers are taking place. Accordingly, no reliable fair value information in the market could be found. Considering these factors, in the opinion of the directors of the Company, the exploration and evaluation assets are fully impaired and an impairment loss of HK$115,222,000 was recognised in profit or loss during the year ended 31 December 2015.

19. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2014	484,861	3,411	488,272
Additions	3,402	69	3,471
Disposals	(1,127)	(7)	(1,134)
At 31 December 2014	487,136	3,473	490,609
Additions	8,494	18	8,512
Disposals	–	(29)	(29)
At 31 December 2015	495,630	3,462	499,092
DEPLETION, DEPRECIATION, AMORTISATION AND IMPAIRMENT			
At 1 January 2014	333,155	1,659	334,814
Provided for the year	17,630	413	18,043
Eliminated on disposals	(667)	(3)	(670)
At 31 December 2014	350,118	2,069	352,187
Provided for the year	16,773	345	17,118
Impairment loss recognised in profit or loss	91,093	–	91,093
Eliminated on disposals	–	(29)	(29)
At 31 December 2015	457,984	2,385	460,369
CARRYING VALUES			
At 31 December 2015	37,646	1,077	38,723
At 31 December 2014	137,018	1,404	138,422

The above items of property, plant and equipment other than oil and gas properties are depreciated on a straight-line basis, and after taking into account their estimated residual value, as follows:

Oil and gas properties	Unit-of-production basis over the total proved reserves
Others	20%–33$^{1}/_{3}$%

At 31 December 2015, the Group carried out a review of the recoverable amount of its oil and gas properties, having regard to the operating results in its developed oil and gas properties. The review led to the recognition of an impairment loss in profit and loss of HK$91,093,000 (2014: nil). The recoverable amount of the oil and gas properties was determined based on the discounted cash flow projections derived from production reserves covering the current term of the concessions period until 2027 and the estimated future oil prices with a discount rate of 19.57% (2014: 16.20%), which is categorised as 'Level 3' in the fair value hierarchy under fair value measurement. Significant unobservable inputs include the pre-tax discount rate, production decline rates and expected changes in future oil prices. The expected future oil prices for the petroleum exploration and production in Argentina for the next five years will be maintained at US$58.50 (2014: from US$66.90 to US$106.30) per barrel.

Should the expected oil price be further decreased by 3% (2014: 3%), the Group would have recognised further impairment loss of HK$5,084,000 (2014: HK$4,879,000) in respect of oil and gas properties.

Should the discount rate used in the value in use calculation for oil and gas properties had been one percentage point (2014: one percent point) higher, additional impairment loss of HK$837,000 (2014: HK$4,413,000) would have been recognised.

20. OTHER TAX RECOVERABLE

Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditure incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future revenue which the Group expects would be generated from sales of petroleum, with reference to the current exploration and evaluation stages of the oil field and oil production from wells. During the year ended 31 December 2015, a provision for impairment loss on recoverable value-added tax expense of HK$1,571,000 (2014: reversal of provision for impairment loss of HK$17,473,000) was recognised in profit and loss (see note 8). The directors of the Company expects that an amount of HK$7,721,000 (2014: HK$17,563,000) will be recovered from the sales of petroleum after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables *(note a)*	1,645	3,596
Loan to a third party *(note b)*	–	15,600
Deposits and prepayments	2,864	1,747
Deposits held for petroleum exploration and production operation	8,722	24,084
Others *(note c)*	13,633	901
	26,864	45,928

Notes:

(a) The oil selling price for the Argentina operation is based on US$ and converted into Argentina Peso ("ARS") in official exchange rate on monthly basis. The Group invoices its customers in ARS, which is not the functional currency of the subsidiary generating the revenue, and allows an average credit period of 30 to 60 days to its trade customer. The trade receivables of HK$1,645,000 (2014: HK$3,596,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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

(b) At 31 December 2014, loan to a third party of HK$15,600,000 was unsecured, interest bearing at fixed interest rate of 12% per annum, denominated in US$ and was repayable within six months from the agreement date. HK$7,800,000 of the loan remained outstanding at 31 December 2015, which was overdue and in dispute and was therefore fully impaired. An impairment loss of HK$7,800,000 was recognised in profit or loss in the current year. The Group does not hold any collateral over the balance.

(c) The amount includes HK$13,628,000 (2014: nil) which is kept in 'cash account' of a securities broker which acts an agent of the Group in trading listed securities.

(d) Other items within trade and other receivables and prepayments do not contain impaired assets.

(e) The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of receivables mentioned above. At 31 December 2015, the Group does not hold any collateral as security.

Included in trade and other receivables and prepayments are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015	**2014**
	HK$'000	*HK$'000*
ARS	10,388	28,604
HK$	16,475	1,022

22. HELD-FOR-TRADING INVESTMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Held-for-trading investments include:		
Listed securities		
— Equity securities listed in Hong Kong	62	52

The investments represent investments in listed equity securities in Hong Kong. The fair values of these securities at 31 December 2015 and 2014 are based on bid prices quoted on the Stock Exchange.

23. BANK BALANCES AND CASH

	2015	**2014**
	HK$'000	*HK$'000*
Cash at banks and in hand	13,168	28,565

Bank balances carry interest at market rates which range from 0.01% to 1.25% (2014: 0.01% to 1.25%) per annum.

In addition, included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2015	**2014**
	HK$'000	*HK$'000*
	Equivalent	Equivalent
HK$	2,649	2,372
ARS	1,808	3,744

24. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	389	253
Interest payable on borrowings	1,583	1,575
Other tax payables	19,228	19,944
Accrued professional fees	8,020	12,806
Other payables and accruals	4,808	9,435
	34,028	44,013

The following is an aged analysis by invoice date of trade payables at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0–30 days	389	253

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

All of the other payables are unsecured, interest-free and expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities.

	2015	2014
	HK$'000	*HK$'000*
	Equivalent	Equivalent
ARS	20,146	25,286
HK$	12,596	17,125

25. BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank loan, secured *(note a)*	163,800	218,400
Other loan, unsecured *(note b)*	20,000	–
	183,800	218,400
Carrying amount repayable:		
Within one year	74,600	54,600
In more than one year, but not more than two years	54,600	54,600
In more than two years, but not more than five years	54,600	109,200
	183,800	218,400
Less: Amounts due within one year shown under current liabilities	(74,600)	(54,600)
	109,200	163,800

Notes:

(a) On 3 November 2011, the Company entered into a loan agreement (the "Term Loan Agreement") with a bank for a term loan facility of US$40,000,000 (approximately HK$312,000,000) (the "Term Loan") for the purpose of funding the project in connection with the petroleum exploration and production in the Areas (as defined in note 29) or to refinance any debt incurred by the Group for the purpose of this project.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu has financial interests. The relevant loan agreement also requires Mr. Wu to continue to be a Substantial Shareholder. On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as a Substantial Shareholder, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as a Substantial Shareholder in any event that he is reasonably expected to cease to be a Substantial Shareholder as a result of issue of new shares by the Company.

Mr. Wu has provided a written confirmation to the Company confirming that he will not dispose of his existing interest in the Company for at least a period of twelve months from the date of issuance of the Company's consolidated financial statements. As such, the portion of the Term Loan that is repayable after one year from the end of the reporting period in accordance with the repayment schedule above is shown under non-current liabilities.

(b) Other loan represents a short-term loan from an independent third party. It is interest bearing at a fixed interest rate of 20% per annum, repayable within three months from the drawdown date and secured by personal guarantee of Mr. Wu.

The ranges of effective interest rate (which are also equal to contracted interest rates) on the borrowings are as follows:

	Effective interest rate		**Carrying amount**	
	2015	**2014**	**2015**	**2014**
			HK$'000	*HK$'000*
Fixed-rate borrowings	20.00%	N/A	20,000	–
Variable-rate borrowings	4.57%	4.33%	163,800	218,400
			183,800	218,400

At 31 December 2015, the following assets were pledged to secure the bank borrowings and banking facilities:

(a) The entire issued share capital of EP Energy (as defined in note 29).

(b) The entire issued share capital of Have Result (as defined in note 29).

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

Included in bank and other borrowings are the following amounts of borrowings denominated in currency other than the functional currency of the relevant group entities:

	2015	2014
	HK$'000	*HK$'000*
	Equivalent	Equivalent
HK$	20,000	–

26. CONVERTIBLE NOTES

On 11 April 2013, the Company completed a subscription agreement pursuant to which the Company issued 8% convertible notes in an aggregate principal amount of HK$100,000,000 (the "2013 CN") which could be converted into ordinary shares of HK$0.10 each of the Company at an initial conversion price of HK$0.19 per share (subject to anti-dilutive adjustments). As a result of the capital reorganisation of the Company effective on 14 May 2015 (see note 27(b), the conversion price of the outstanding 2013 CN was adjusted to HK$1.90 per share. Furthermore, as a result of the open offer of shares of the Company effective on 17 June 2015 (see note 27(c)), the conversion price was further adjusted to HK$1.62 per share.

The 2013 CN was denominated in HK$, maturing on the second anniversary of the issue date of 11 April 2013 (the "2013 Maturity date"). The Company shall redeem all the 2013 CN on the 2013 Maturity date at 110% of the principal amount outstanding. With the holder's agreement, the Company may at any time and from time to time purchase the outstanding 2013 CN at such price as may be agreed between the Company and the holder thereof. On 20 June 2014, the Company early redeemed 40% of the 2013 CN at their principal amount of HK$40,000,000.

The fair value of the 2013 CN at 11 April 2013 amounted to HK$155,219,000. The difference between the fair value of the 2013 CN and the cash consideration of HK$100,000,000 received to the extent of (i) HK$34,210,000 was recognised in profit or loss on the date of issuance as this portion represented the loss which the Company would have incurred if the 2013 CN was fully converted on the date of issuance; and (ii) HK$21,009,000 was deferred and allocated between the liability component and conversion option based on the relative fair values of these two components on the date of issuance of the 2013 CN. The portion allocated to the liability component was recognised over the terms of 2013 CN using effective interest method whereas the remaining portion allocated to the conversion option was amortised on a straight-line method over the terms of 2013 CN. For the year ended 31 December 2015, the effective interest rate of the liability component was 23.92% (2014: 37.34%). At 31 December 2015, the unamortised deferred losses amounting to nil (2014: HK$799,000) was included in conversion option.

On 8 January 2015, the Company entered into an amendment deed with the 2013 CN holder to extend the maturity date of the remaining outstanding 2013 CN for one year, from 11 April 2015 to 11 April 2016. On 17 February 2015, an ordinary resolution was passed by shareholders of the Company at the special general meeting approving the amendment deed. Details of these are set out in the announcements of the Company dated 8 January 2015 and 17 February 2015. The extension of the maturity date of the 2013 CN causes modification of the terms of the 2013 CN.

The modification of the terms was determined to be substantial and hence resulted in the extinguishment of the original liability and conversion option derivative components of the 2013 CN and the recognition of new liability and conversion option derivative components (the "New 2013 CN"). The fair value of the new liability component immediately following the modification was HK$57,887,000. The liability component was determined using an effective interest rate of 23.92% (2014: 37.34%). The difference between the fair value of the New 2013 CN and the carrying amounts of the original liability and derivative component, amounting to HK$12,480,000, is recognised as a gain in profit or loss under the 'fair value gains on financial instruments' line item.

On 19 June 2015, the Company early redeemed the remaining balance of the New 2013 CN in the principal amount of HK$60,000,000.

During the years ended 31 December 2015 and 2014, none of the 2013 CN/New 2013 CN was converted into ordinary shares of the Company.

The fair value of the conversion option was determined using binomial option pricing model, and the inputs into the model at the relevant dates were as follows:

	17.2.2015	**31.12.2014**
Conversion price	HK$0.190	HK$0.190
Share price	HK$0.104	HK$0.156
Expected volatility	43.51%	47.503%
Remaining life	1.15 years	0.28 years
Risk-free rate	0.558%	0.404%

The movements of the components of the 2013 CN/New 2013 CN during the current and prior years are set out below:

	Liability component *HK$'000*	**Conversion component** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	84,054	38,152	122,206
Gain on derivative component recognised in profit or loss	–	(34,687)	(34,687)
Amortisation of deferred loss on conversion component	–	5,347	5,347
Redemption during the year	(37,105)	(2,895)	(40,000)
Interest charge	22,949	–	22,949
Interest paid	(7,021)	–	(7,021)
At 31 December 2014	62,877	5,917	68,794
Amortisation of deferred loss on conversion component	–	380	380
Derecognition of original liability/conversion component upon modification of terms	(65,502)	(6,297)	(71,799)
Recognition of new liability/conversion component upon modification of terms	57,887	1,432	59,319
Gain on new derivative component recognised in profit or loss	–	(135)	(135)
Redemption during the year	(58,703)	(1,297)	(60,000)
Interest charge	6,761	–	6,761
Interest paid	(3,320)	–	(3,320)
At 31 December 2015	–	–	–

27. SHARE CAPITAL

	Nominal value per share *HK$*	Number of ordinary shares *'000*	Nominal value of ordinary *HK$'000*
Authorised:			
Ordinary shares at 1 January 2014 and 31 December 2014	0.10	10,000,000	1,000,000
Sub-division of shares *(note b)*		90,000,000	–
Ordinary shares at 31 December 2015	0.01	100,000,000	1,000,000
Issued and fully paid:			
Ordinary shares at 1 January 2014	0.10	4,169,878	416,988
Issue of new share upon placement *(note a)*	0.10	682,480	68,248
Ordinary shares at 31 December 2014	0.10	4,852,358	485,236
Effects of share consolidation and capital reduction *(note b)*		(4,367,122)	(480,383)
	0.01	485,236	4,853
Issue of shares by open offer *(note c)*	0.01	242,618	2,426
Ordinary shares at 31 December 2015	0.01	727,854	7,279

Notes:

(a) On 22 April 2014, the Company completed a placement of 682,480,000 ordinary shares of HK$0.10 each at a placing price of HK$0.228 per share to independent third parties. Accordingly, 682,480,000 ordinary shares of HK$0.10 each were issued at a premium of HK$0.128 each and the premium on issue of shares of HK$87,357,000 was credited to the share premium account.

(b) As announced by the Company on 31 March 2015, the Company proposed to effect (i) the share consolidation whereby every ten shares of nominal value of HK$0.10 each in the issued share capital of the Company shall be consolidated into one consolidated share of nominal value of HK$1.00 and any fractional consolidated share in the issued share capital of the Company arising from the share consolidation shall be cancelled; (ii) the capital reduction whereby the nominal value of all the issued consolidated shares shall be reduced from HK$1.00 each to HK$0.01 each by cancelling paid-up capital to the extent of HK$0.99 on each consolidated share so as to form an adjusted share of HK$0.01, and the credit arising from the capital reduction be credited to the contributed surplus account of the Company; (iii) the sub-division of each of the authorised but unissued shares of HK$0.10 into ten adjusted shares of HK$0.01 each; (iv) the cancellation of all amounts standing to the credit of the share premium account of the Company with the credit arising therefrom credited to the contributed surplus account of the Company; and (v) the application of the amounts in the contributed surplus account of the Company to set off the accumulated losses of the Company.

Details of the share consolidation and capital reorganisation are set out, among others, in the circular of the Company dated 20 April 2015. Special resolutions approving the share consolidation and capital reorganisation were passed at the special general meeting of the Company held on 13 May 2015 and the share consolidation and capital reorganisation became effective on 14 May 2015.

(c) As announced by the Company on 31 March 2015 and 17 April 2015, the Company proposed to raise gross proceeds of approximately HK$121 million to approximately HK$175 million, before expenses, by way of open offer of shares of the Company. Under the open offer, the Company allotted and issued 242,617,879 offer shares at the subscription price of HK$0.50 per offer share, on the basis of one offer share for every two adjusted shares held on 21 May 2015.

Details of the open offer are set out in the circular of the Company dated 26 May 2015. The open offer was completed on 17 June 2015.

(d) As part of the placing agreement for placing of shares completed in March 2013 (the "March 2013 Placing Shares"), the Company issued unlisted warrants (the "Warrants") on the basis of 5 Warrants of each of the March 2013 Placing Shares issued, at no initial price. The exercise price of the Warrant was at HK$0.20 each and could be exercised at any time for period of three years from the issue date.

Prior to and upon completion of the share consolidation of the Company on 14 May 2015 (see (b) above), the Company had outstanding Warrants which entitled the holders thereof to subscribe for 625,000,000 and 62,500,000 shares, respectively, of the Company. The subscription price of the outstanding Warrants was adjusted to HK$2.00 pursuant to the terms of the instrument creating the Warrants.

Prior to and upon completion of the open offer of shares of the Company on 17 June 2015 (see (c) above), the Company had outstanding Warrants which entitled the holders thereof to subscribe for 62,500,000 and 73,529,411 shares, respectively, of the Company. The subscription price of the outstanding Warrants was adjusted to HK$1.70 pursuant to the terms of the instrument creating the Warrants.

At 31 December 2015, Warrants which entitled holders to subscribe for 73,529,411 shares remain outstanding.

All shares issued by the Company during both years rank pari passu with the then existing ordinary shares in all respects.

28. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an ordinary resolution passed at the special general meeting of the shareholders held on 6 November 2006 for the purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible suppliers, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the board of directors of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of: (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

As at 31 December 2015, options to subscribe for an aggregate of 22,538,880 shares (2014: 1,204,000,000 shares) of the Company granted to the directors, certain employees and suppliers pursuant to the Scheme remained outstanding.

Details of the movements in the number of share options during the year ended 31 December 2015 under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price	Outstanding at 1.1.2015	Adjusted during the year	Forfeited during the year	Cancelled during the year	Outstanding at 31.12.2015
			HK$					
			note (d)		*note (d)*		*note (e)*	
Employees:								
N	25 November 2013	25 November 2013 – 24 November 2016	1.8656	57,000,000	991,230	(51,300,000)	(6,691,230)	–
R	17 July 2014	17 July 2014 – 16 July 2017	1.7037	3,000,000	52,170	(2,700,000)	(352,170)	–
				60,000,000	1,043,400	(54,000,000)	(7,043,400)	–
Directors:								
J	11 April 2013 *(Note (a))*	3 July 2013 – 10 April 2016	2.1722	88,000,000	1,530,320	(79,200,000)	(10,330,320)	–
K	30 July 2013 *(Note (b))*	16 September 2013 – 29 July 2016	1.7548	147,500,000	2,565,025	(132,750,000)	(17,315,025)	–
L	30 July 2013 *(Note (b))*	16 September 2014 – 29 July 2016	1.7548	73,750,000	1,282,512	(66,375,000)	(8,657,512)	–
M	30 July 2013 *(Note (b))*	16 September 2015 – 29 July 2016	1.7548	73,750,000	1,282,512	(66,375,000)	(8,657,512)	–
				383,000,000	6,660,369	(344,700,000)	(44,960,369)	–
Suppliers and others:								
H	11 April 2013	11 April 2013 – 10 April 2016	2.1722	128,000,000	2,225,920	(115,200,000)	–	15,025,920
N	25 November 2013	25 November 2013 – 24 November 2016	1.8656	32,000,000	556,480	(28,800,000)	(3,756,480)	–
O	25 November 2013	25 February 2014 – 24 November 2016	1.8656	64,000,000	1,112,960	(57,600,000)	–	7,512,960
P	4 June 2014	4 June 2014 – 3 June 2017	1.6100	70,000,000	1,217,300	(63,000,000)	(8,217,300)	–
Q	17 July 2014	17 July 2014 – 16 July 2017	1.7037	467,000,000	8,121,130	(420,300,000)	(54,821,130)	–
				761,000,000	13,233,790	(684,900,000)	(66,794,910)	22,538,880
				1,204,000,000	20,937,559	(1,083,600,000)	(118,798,679)	22,538,880

Details of the movements in the number of share options during the year ended 31 December 2014 under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price *HK$*	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014
Employees:								
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	64,000,000	–	–	(7,000,000)	57,000,000
R	17 July 2014	17 July 2014 – 16 July 2017	0.200	–	3,000,000	–	–	3,000,000
				64,000,000	3,000,000	–	(7,000,000)	60,000,000
Directors:								
J	11 April 2013 *(Note (a))*	3 July 2013 – 10 April 2016	0.255	88,000,000	–	–	–	88,000,000
K	30 July 2013 *(Note (b))*	16 September 2013 – 29 July 2016	0.206	147,500,000	–	–	–	147,500,000
L	30 July 2013 *(Note (b))*	16 September 2014 – 29 July 2016	0.206	73,750,000	–	–	–	73,750,000
M	30 July 2013 *(Note (b))*	16 September 2015 – 29 July 2016	0.206	73,750,000	–	–	–	73,750,000
				383,000,000	–	–	–	383,000,000
Suppliers and others:								
H	11 April 2013	11 April 2013 – 10 April 2016	0.255	128,000,000	–	–	–	128,000,000
I	11 April 2013 *(Note (c))*	11 April 2013 – 28 February 2014	0.255	32,000,000	–	–	(32,000,000)	–
N	25 November 2013	25 November 2013 – 24 November 2016	0.219	32,000,000	–	–	–	32,000,000
O	25 November 2013	25 February 2014 – 24 November 2016	0.219	64,000,000	–	–	–	64,000,000
P	4 June 2014	4 June 2014 – 3 June 2017	0.189	–	70,000,000	–	–	70,000,000
Q	17 July 2014	17 July 2014 – 16 July 2017	0.200	–	467,000,000	–	–	467,000,000
				256,000,000	537,000,000	–	(32,000,000)	761,000,000
				703,000,000	540,000,000	–	(39,000,000)	1,204,000,000

Pursuant to the resolutions of the Company passed on 4 June 2014 and 17 July 2014, the Company granted 3,000,000 and 537,000,000 share options to employees and consultants of the Company, respectively, under the Scheme.

The closing price of the Company's shares on the approval dates on 4 June 2014 and 17 July 2014, the respective dates of grant of the options, were HK$0.189 and HK$0.200, respectively.

The Binominal Model was used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the independent professional valuer's best estimate. The value of an option varies with different variables of certain subjective assumptions. The estimated fair values of the options on their respective grant dates are as follows:

Option type	Grant date	Exercisable period (both dates inclusive)	Fair value on grant date
			HK$
H	11 April 2013	11 April 2013–10 April 2016	0.096
I	11 April 2013 *(note (c))*	11 April 2013–28 February 2014	0.096
J	11 April 2013 *(note (a))*	3 July 2013–10 April 2016	0.084
K	30 July 2013 *(note (b))*	16 September 2013–29 July 2016	0.093
L	30 July 2013 *(note (b))*	16 September 2014–29 July 2016	0.095
M	30 July 2013 *(note (b))*	16 September 2015–29 July 2016	0.098
N	25 November 2013	25 November 2013–24 November 2016	0.077
O	25 November 2013	25 February 2014–24 November 2016	0.077
P	4 June 2014	4 June 2014–3 June 2017	0.0693
Q	17 July 2014	17 July 2014–16 July 2017	0.058
R	17 July 2014	17 July 2014–16 July 2017	0.054

The inputs into the model in respect of the share options granted were as follows:

	Option type										
	H	I	J	K	L	M	N	O	P	Q	R
Share price on grant date (HK$)	0.255	0.255	0.243	0.234	0.234	0.234	0.215	0.215	0.189	0.200	0.200
Exercise price on grant date (HK$)	0.255	0.255	0.255	0.206	0.206	0.206	0.219	0.219	0.189	0.200	0.200
Expected volatility	60.22%	60.22%	58.03%	58.19%	58.19%	58.19%	57.77%	57.77%	57.13%	55.35%	55.35%
Expected life (years)	3.00	0.88	2.77	2.87	1.87	0.87	3.00	2.75	3	3	3
Risk-free rate	0.19%	0.19%	0.51%	0.54%	0.54%	0.54%	0.37%	0.37%	1.10%	0.80%	0.80%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years.

The Group recognised a total expense of HK$2,562,000 (2014: HK$43,676,000) during the year ended 31 December 2015 in relation to the share options granted by the Company, of which HK$2,562,000 (2014: HK$8,760,000) was related to services provided by the directors and employees of the Company and nil (2014: HK$34,916,000) was related to services provided by the Group's consultants.

Notes:

(a) Date of approval by shareholders was 3 July 2013.

(b) Date of approval by shareholders was 16 September 2013.

(c) These share options were granted to an executive director on 11 April 2013 and the director resigned on 29 November 2013. According to the Scheme, the outstanding number of share options held by the director can be exercised within 3 months from the date of his resignation. These share options were classified in the category of "suppliers and others" in the above tables.

(d) With reference to the provisions of the Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the interpretation of Rule 17.03(13) of the Listing Rules, upon completion of the share consolidation and capital reorganisation on 14 May 2015 (see note 27(b)) and the open offer of shares of the Company on 12 June 2015 (see note 27(c)), the exercise price of the outstanding share options and the number of shares that can be subscribed for upon the exercise of the outstanding share options were adjusted.

(e) On 20 November 2015, the Company agreed with holders of outstanding (and unexercised) share options carrying rights to subscribe for an aggregate of 118,798,679 ordinary shares of the Company of HK$0.01 each to cancel their options with immediate effect in accordance with the rules of the Scheme. No consideration is paid or payable for such cancellation.

29. JOINT OPERATIONS

Chañares entered into a joint venture agreement ("JV Agreement") with a third party ("Third Party") on 14 November 2007 in connection with the development of incremental hydrocarbons production in the "Puesto Pozo Cercado" area and "Chañares Herrados" area ("Areas"), through the investments made by the Third Party. Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploration and production of the works performed thereunder, shall be distributed in the following proportion: 28% for Chañares and 72% for the Third Party.

A wholly-owned subsidiary of the Company, Have Result Investments Limited ("Have Result"), entered into an agreement for the Assignment of Rights, Investment and Technical Cooperation with the Third Party dated 24 November 2007, as amended and/or supplemented by (i) a deed of undertaking executed by the Third Party on 12 December 2007; (ii) a supplementary deed of undertaking executed by the Third Party on 28 December 2007; and (iii) a document entitled "Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation" executed by and between the Third Party and Have Result, dated 19 December 2008 (the "Assignment Agreement"). Under the Assignment Agreement, the Third Party assigned in favour of Have Result 51% of its rights on the future production as a consequence of new drillings and the operation of new wells in the Areas. The incremental hydrocarbon production derived from the new wells in the Areas will first cover the operating costs and thereafter is shared by the proportion of 51% to Have Result, 21% to the Third Party and 28% to Chañares. As from the date the wells drilled under the terms of the Assignment Agreement go into production, the Third Party shall also reimburse Have Result for 21% of the aggregate investments made by Have Result in the Areas.

On 2 December 2010, Have Result sent a letter to the Third Party stating and confirming the termination of the JV Agreement ("Termination"). As advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remains entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Areas (the "Existing Wells"), provided that Have Result continues to pay the relevant operating costs as required by the production allocated to it.

On 2 December 2010, another wholly-owned subsidiary of the Company, Southstart Limited ("Southstart"), and Chañares entered into a new Joint Venture Agreement ("New JV Agreement"). Pursuant to which, EP Energy S.A. ("EP Energy"), a wholly-owned subsidiary of Southstart, is 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 Concessions period and paid US$6,000,000 (equivalent to approximately HK$46,800,000) to Chañares in consideration for the oil exploration and production right in the Areas during the current term of the Concessions.

Pursuant to the New JV Agreement, the total consideration for the oil exploration and production right is subject to adjustment with reference to whether or not Chañares can obtain the extension of the term of Concessions (the "Extension") by 31 December 2011. On 14 July 2011, the Company was informed by Chañares that the Executive of the Province of Mendoza has issued a Decree pursuant to which Chañares obtained an extension of 10 years from the date of expiry of the original term of the Concessions until 2027 (see note 18). EP Energy paid an aggregate amount of US$4,000,000 (equivalent to approximately HK$31,200,000) to Chañares in consideration for the oil exploration and production right in the Areas during the extended term of the Concessions. A sum of US$1,404,000 (equivalent to approximately HK$10,952,000) was paid in 2011 and the remaining balance of US$2,596,000 (equivalent to approximately HK$20,248,000) was paid in 2012.

According to the New JV Agreement, EP Energy is obliged to drill a minimum of five production wells per year during the five consecutive years from 2012, and two production wells per year for the following years until the seventh year before the expiration of the extended term of the Concessions. Failure to meet the minimum drilling requirements may render the New JV Agreement to be terminated and EP Energy will be forfeited any rights to continue drilling but it will not be forfeited any right in respect of the wells already drilled.

On 5 June 2012, EP Energy, Have Result and Chañares entered into an operation agreement ("the Operation Agreement").

Pursuant to the Operation Agreement, Chañares agreed to release EP Energy from the above commitment. EP Energy, however, retains the right to drill and invest in the Areas during the life of the Concessions awarded with respect to the Areas and any extension thereof. If five or more new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 72% and Chañares shall be entitled to 28% of the hydrocarbon production of the new wells; and if less than five new wells are drilled by EP Energy in a year, EP Energy shall be entitled to 65% and Chañares shall be entitled to 35% of the hydrocarbon production of the new wells. The Operation Agreement confirms that the hydrocarbon production of the existing five wells drilled by EP Energy shall continue to be distributed in accordance with the New JV Agreement (i.e., 72% to EP Energy and 28% to Chañares). On the other hand, Chañares becomes entitled to be associated with third parties for carrying out any work or drilling any wells in the Areas.

The Operation Agreement reconfirms that Have Result has the right to receive 51% of the hydrocarbon production obtained from the Existing Wells until the termination of the Concessions held in respect of the Areas and any extension thereof. Have Result agreed that part of the proceeds from previous production of the Existing Wells, as well as the future production from the Existing Wells up to 31 December 2013, shall be reinvested in the Areas, including workover of the Existing Wells.

The aggregate amount of assets and liabilities, revenue and expenses recognised in the consolidated financial statements in relation to the Group's interest in the joint operations are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Assets	64,282	318,674
Liabilities	951	5,363
Revenue	66,571	85,689
Expenses	251,150	70,768

30. PLEDGE OF ASSETS

At 31 December 2015 and 2014, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) The entire issued share capital of EP Energy.

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

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

31. OPERATING LEASE COMMITMENTS

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	2,977	2,672
In the second to fifth year, inclusive	1,968	520
	4,945	3,192

The Group leases certain of its office properties and buildings under operating lease arrangements. Leases for properties are negotiated for terms of three years.

32. RETIREMENT BENEFITS SCHEMES

The Group contributes to MPF Schemes for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the MPF Schemes by the Group and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs recognised in profit or loss represent contributions payable by the Group to the funds. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds.

The Group also participates in the employees' pension schemes of the respective municipal governments in the countries where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

33. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2015	2014
	HK$'000	*HK$'000*
Short-term employee benefits	10,158	16,323
Post-employment benefits	90	90
Equity-settled share-based payments *(note 28)*	2,562	8,598
	12,810	25,011

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. FINANCIAL INSTRUMENTS

Financial risk management objectives

The financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include trade and other receivables, held-for-trading investments, bank balances and cash, trade and other payables, convertible notes and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	28,446	48,662
Held-for-trading investments	62	52
	28,508	48,714
Financial liabilities		
Amortised cost	184,490	281,831
Derivative financial instruments	–	5,917

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's borrowings and short-term deposits placed in banks that are interest-bearing at market interest rates. The fair value interest rate risk relates primarily to the fixed-rate borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances and variable-rate borrowings at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances and borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on loss for the year is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Assets	(65)	(141)
Liabilities	819	1,092
Increase in loss for the year	754	951

The management considers that the fair value interest rate risk is insignificant as the Group had no fixed-rate borrowings due more than one year.

Foreign currency risk management

Several subsidiaries of the Company have assets and liabilities (details are disclosed in respective notes) denominated in foreign currencies which expose the Group to foreign currency risk. Since the HK$ is pegged to US$, the management considers that the exchange rate fluctuation between the HK$ and US$ is not significant and therefore has not been included in the sensitivity analysis. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group entities' foreign currency denominated monetary assets and monetary liabilities, at the reporting date are as follows:

	Liabilities		**Assets**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ARS	(20,146)	(25,286)	26,282	66,050

Foreign currency sensitivity

The following table details the Group's sensitivity to 10% increase against the relevant foreign currency. Sensitivity rate of 10% is used for ARS when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis represents the trade payables, other tax recoverable, trade receivables and bank balances where the denomination are in ARS, the major foreign currency risk. A negative number indicates increase in loss for the year where US$ strengthens against ARS. For a 10% weakening of US$ against ARS, there would be an equal and opposite impact on the loss for the year below:

	Impact of ARS	
	2015	**2014**
	HK$'000	*HK$'000*
Increase in loss for the year	399	2,650

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk at the year end and the sensitivity analysis does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity price risk from investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 20% higher/lower, loss for the year ended 31 December 2015 would decrease/increase by HK$12,400 (2014: HK$10,400) as a result of the change in fair value of held-for-trading investments (2014: held-for-trading investments).

Credit risk

As at 31 December 2015 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

— the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk for trade receivables by geographical locations is mainly in Argentina (2014: Argentina), which accounted for 100% (2014: 100%) of the total trade receivables as at 31 December 2015. For the years ended 31 December 2015 and 2014, the entire Group revenue was derived from one customer.

The Group had concentration of credit risk 100% (2014: 100%) of the total trade receivables, which was attributable to the Group's only customer as at 31 December 2015 (2014: one customer). The Group's only customer is a state-owned enterprise oil company based in Argentina and with good creditability. In this regard, the management considers that the Group's credit risk is significantly reduced.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilisation of current facilities is optimised; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assesses the balance of capital and debt funding of the Group.

The board of directors continuously manages liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flows from operations and proceeds from issue of new shares, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments settled on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity table

	Weighted average interest rate	On demand or less than 1 month	1 to 6 months	7 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2015
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015							
Non-derivative financial liabilities							
Trade payables	N/A	389	–	–	–	389	389
Other payables	N/A	301	–	–	–	301	301
Borrowings							
— variable-rate	4.57%	–	–	62,086	116,686	178,772	163,800
— fixed-rate	20.00%	–	20,500	–	–	20,500	20,000
		690	20,500	62,086	116,686	199,962	184,490

	Weighted average interest rate	On demand or less than 1 month	1 to 6 months	7 months to 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014							
Non-derivative financial liabilities							
Trade payables	N/A	253	–	–	–	253	253
Other payables	N/A	301	–	–	–	301	301
Borrowings							
— variable-rate	4.33%	–	–	64,057	177,985	242,042	218,400
Convertible notes	37.34%	–	–	–	66,000	66,000	62,877
		554	–	64,057	243,985	308,596	281,831

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined based on pricing models such as Black-Scholes Model and Binomial Model.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	31.12.2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Held-for-trading				
— Trading securities	62	–	–	62

	31.12.2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Held-for-trading				
— Trading securities	52	–	–	52
Financial liabilities				
Conversion option				
of convertible notes	–	–	5,917	5,917

There were no transfers between Level 1, 2 and 3 in the current and prior years.

35. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31 December 2015:

As announced by the Company on 12 November 2015, the Company announced a proposed rights issue of shares on the basis of five rights shares for every one existing share at HK$0.14 per rights share. The rights issue was completed on 20 January 2016 and 3,639,268,185 rights shares of HK$0.01 each were issued. The estimated net proceeds, after deducting underwriting commission and other related expenses incurred by the Company, amounted to approximately HK$502 million. These rights shares rank pari passu with the then existing ordinary shares in all respects.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, which are limited liability companies, at 31 December 2015 and 2014, are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
EP Energy S.A.	Argentina	ARS303,600	–	100% (2014: 100%)	Petroleum exploration and production
Have Result Investments Limited	British Virgin Islands/Argentina	US$10,000	–	100% (2014: 100%)	Petroleum exploration and production

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015	2014
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	754	1,018
Interests in subsidiaries — unlisted	8	8
	762	1,026
CURRENT ASSETS		
Other receivables, prepayment and deposits	16,187	577
Amounts due from subsidiaries	41,969	427,955
Bank balances and cash	883	9,399
	59,039	437,931
CURRENT LIABILITIES		
Other payables	33,074	38,644
Amounts due to subsidiaries	90,750	90,791
Borrowings — amount due within one year	74,600	54,600
Convertible notes	–	62,877
Derivative financial liabilities	–	5,917
	198,424	252,829
NET CURRENT (LIABILITIES) ASSETS	(139,385)	185,102
TOTAL ASSETS LESS CURRENT LIABILITIES	(138,623)	186,128
CAPITAL AND RESERVES		
Share capital	7,279	485,236
Reserves *(note)*	(255,102)	(462,908)
TOTAL EQUITY	(247,823)	22,328
NON-CURRENT LIABILITIES		
Borrowings — amount due after one year	109,200	163,800
	(138,623)	186,128

Note:

Movements of the Company's reserves during the current and the prior years are as follows:

	Share premium *HK$'000*	Contributed surplus reserve *HK$'000*	Share options reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2014	4,100,080	60,322	82,150	(4,453,462)	(210,910)
Total comprehensive expense for the year	–	–	–	(377,392)	(377,392)
Issue of new shares	87,357	–	–	–	87,357
Transaction costs attributable to issue of new shares	(5,639)	–	–	–	(5,639)
Recognition of equity-settled share-based payment expense	–	–	43,676	–	43,676
At 31 December 2014	4,181,798	60,322	125,826	(4,830,854)	(462,908)
Total comprehensive expense for the year	–	–	–	(391,089)	(391,089)
Share consolidation	–	480,383	–	–	480,383
Capital reorganisation	(4,181,798)	(540,705)	–	4,722,503	–
Share consolidation and capital reorganisation expenses	(387)	–	–	–	(387)
Issue of new shares	118,883	–	–	–	118,883
Transaction costs attributable to issue of new shares	(2,546)	–	–	–	(2,546)
Recognition of equity-settled share-based payment expense	–	–	2,562	–	2,562
At 31 December 2015	115,950	–	128,388	(499,440)	(255,102)"

3. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following is the full text of the unaudited consolidated financial information of the Group for the six months ended 30 June 2016 extracted from the Company's interim report for the six months ended 30 June 2016. Capitalised terms used in this section shall have the same meanings as those defined in such interim report.

"CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		For the six months ended 30 June	
		2016	**2015**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	25,748	32,871
Purchases, processing and related expenses		(20,324)	(17,949)
Other losses, net	*4*	(2,260)	(2,911)
Wages, salaries and other benefits		(9,199)	(10,800)
Depreciation and depletion		(2,211)	(7,794)
Fair value (loss)/gains on financial instruments		(1,090)	12,254
Other expenses		(15,138)	(9,403)
Finance costs	*5*	(4,042)	(11,560)
Loss and total comprehensive expenses for the period attributable to the owners of the Company	*6*	(28,516)	(15,292)
Loss per share			
– Basic (HK$)	*8*	(0.01)	(0.026)
– Diluted (HK$)	*8*	(0.01)	(0.041)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	At 30 June 2016 HK$'000 (Unaudited)	At 31 December 2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		37,232	38,723
Other tax recoverables		6,776	7,721
		44,008	46,444
Current assets			
Trade and other receivables and prepayments	*10*	76,856	26,864
Loan receivable	*11*	78,500	–
Other tax recoverable		3,540	6,365
Held-for-trading investments		84,022	62
Bank balances and cash		257,901	13,168
		500,819	46,459
Current liabilities			
Trade and other payables	*12*	32,622	34,028
Borrowings – amount due within one year	*13*	54,600	74,600
		87,222	108,628
Net current assets/(liabilities)		413,597	(62,169)
Total assets less current liabilities		457,605	(15,725)
Capital and reserves			
Share capital	*14*	43,671	7,279
Reserves		304,734	(132,204)
Equity attributable to owners of the Company and total equity		348,405	(124,925)
Non-current liabilities			
Borrowings – amount due after one year	*13*	109,200	109,200
		457,605	(15,725)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Contributed surplus reserve (Note a)**	**Share options reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015 (audited)	485,236	4,181,798	60,322	125,826	(4,822,497)	30,685
Loss and total comprehensive loss for the period	–	–	–	–	(15,292)	(15,292)
Share consolidation	(480,383)	–	480,383	–	–	–
Capital reorganisation *(Note a)*	–	(4,181,798)	(540,705)	–	4,722,503	–
Share consolidation and capital reorganisation expenses	–	(204)	–	–	–	(204)
Issue of shares upon open offer *(Note b)*	2,426	118,883	–	–	–	121,309
Transaction costs attributable to issue of shares upon open offer	–	(1,635)	–	–	–	(1,635)
Recognition of equity settled share-based payments	–	–	–	1,797	–	1,797
At 30 June 2015 (unaudited)	7,279	117,044	–	127,623	(115,286)	136,660
Balance at 1 January 2016 (audited)	7,279	115,950	–	128,388	(376,542)	(124,925)
Loss and total comprehensive loss for the period	–	–	–	–	(28,516)	(28,516)
Issue of shares upon rights issue *(Note c)*	36,392	473,105	–	–	–	509,497
Transaction costs attributable to issue of shares upon rights issue	–	(7,651)	–	–	–	(7,651)
At 30 June 2016 (unaudited)	43,671	581,404	–	128,388	(405,058)	348,405

Notes:

(a) The contributed surplus reserve represents the credit arising from capital reduction in 2006 and the credit transferred from the share premium account of the Company together with the application to set off the accumulated losses of the Company in share consolidation and capital reorganisation.

(b) During the period ended 30 June 2015, the Company completed an open offer by which a total of 242,617,879 shares of the Company were issued.

(c) During the period ended 30 June 2016, the Company completed a rights issue by which a total of 3,639,268,185 shares of the Company were issued.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended 30 June 2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/from operations	(147,059)	2,135
Net cash (used in)/from operating activities	(147,059)	2,135
Cash flows from investing activities		
Purchase of property, plant and equipment	(720)	(4,450)
Investment in held-for-trading investment	(85,050)	–
Net cash used in investing activities	(85,770)	(4,450)
Cash flows from financing activities		
Proceeds from open offer shares	–	121,309
Expenses of open offer shares	–	(1,635)
Expenses of share consolidation and capital reorganisation	–	(204)
Redemption of convertible notes	–	(60,000)
Proceeds from issue of rights issue	509,498	–
Expenses of rights issue shares	(7,651)	–
Repayment of other loans	(20,000)	–
Interest paid	(4,285)	(8,088)
Net cash generated from financing activities	477,562	51,382
Net increase in cash and cash equivalents	244,733	49,067
Cash and cash equivalents at 1 January	13,168	28,565
Cash and cash equivalents at 30 June	257,901	77,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the Interim Period, the Group has applied, for the first time, certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA that are mandatorily effective for the Interim Period.

There are no other amended standards or interpretations that are effective for the first time for the Interim Period that could be expected to have a material impact on the Group.

3. REVENUE AND SEGMENTS INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

– Petroleum exploration and production – sale of petroleum

– Money lending – provision of loan finance

The following is an analysis of the Group's revenue and result by reportable segments:

For the six months ended 30 June 2016 (unaudited)

	Petroleum exploration and production HK$'000	Money lending HK$'000	Total HK$'000
Segment revenue			
External sales	25,302	446	25,748
Result			
Segment results	(370)	94	(276)
Unallocated other gains and losses			(2,260)
Unallocated corporate expenses			(21,938)
Finance costs			(4,042)
Loss for the period			(28,516)

For the six months ended 30 June 2015 (unaudited)

	Petroleum exploration and production HK$'000	Money lending HK$'000	Total HK$'000
Segment revenue			
External sales	32,871	–	32,871
Result			
Segment results	3,084	–	3,084
Unallocated other gains and losses			(2,911)
Unallocated corporate expenses			(3,905)
Finance costs			(11,560)
Loss for the period			(15,292)

4. OTHER LOSSES, NET

	For the six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Exchange losses	(3,113)	(3,301)
Others	853	390
	(2,260)	(2,911)

5. FINANCE COSTS

	For the six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	3,880	4,799
Other loans	162	–
Effective interest expense on convertible notes	–	6,761
	4,042	11,560

6. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging the following items:

	For the six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Auditor's remuneration	–	–
Minimum lease payments under operating leases in respect of office properties and buildings	1,749	1,630
Share-based payment expenses		
– Employees including directors	–	1,797
Net gain on modification of terms of convertible notes	–	12,480

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as there is no assessable profit arising in Hong Kong in the Interim Period (2015: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	(28,516)	(15,292)
Effect of dilutive potential ordinary shares:		
Effective interest expense on convertible notes	–	2,625
Net gain on modification of terms of convertible notes	–	(12,480)
Amortisation of deferred loss on conversion component of convertible notes	–	380
Loss for the purpose of diluted loss per share	(28,516)	(24,767)

	2016	2015
	'000	*'000*
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	3,184,819	593,746
Effect of dilutive potential ordinary shares:		
Convertible notes	–	9,822
Weighted average number of ordinary shares for the purpose of dilutive loss per share	3,184,819	603,568

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two (2015: three) categories of potential ordinary shares: share options and warrants (2015: warrants, convertible notes and share options).

For the potential ordinary share from the outstanding warrants and share options, they were anti-dilutive for the Interim Period and also for the six months ended 30 June 2015. The computation of diluted loss per share does not assume the exercise of the Company's warrants and share options because the exercise prices of those warrants and share options were higher than the average market price for shares for both Interim Period and the period ended 30 June 2015.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period (2015: Nil).

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables *(Note (a))*	1,544	1,645
Deposits and prepayments	52,333	2,864
Deposits held for petroleum exploration and production operation	6,954	8,722
Interest receivable	446	–
Others *(Note (b))*	15,579	13,633
	76,856	26,864

Notes:

(a) The oil selling price for the Argentina operation is based on US$ and converted into Argentina Peso ("ARS") in official exchange rate on monthly basis. The Group invoices its customers in ARS, which is not the functional currency of the subsidiary generating the revenue, and allows an average credit period of 30 to 60 days to its trade customer. The trade receivables of HK$1,544,000 (2015: HK$1,645,000) were neither past due nor impaired and aged within 30 days based on the invoice date.

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

(b) The amount includes HK$15,579,000 (2015: HK$13,365,000) which is kept in 'cash account' of a securities broker which acts an agent of the Group in trading listed securities.

11. LOAN RECEIVABLES

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Due within 12 months (inclusive of 12 months)	78,500	–

The loan portfolio for the money lending business contained loans for short term purposes. All loan receivables are unsecured, bear interest and are receivable with fixed terms agreed with customers. The maximum exposure to credit risk as at 30 June 2016 is the carrying value of the loan receivables.

The credit committee of the Company reviewed each loan application on a case by case basis based on the assessment of borrower's creditworthiness, repayment ability as well as general economic conditions. The granting of loans is subject to approval by the credit committee of the Company. The customers are obliged to settle the amounts according to the terms set out in the relevant contracts.

Loan receivables are interest-bearing at a rate of 10% per annum. However interest rate may vary depending on a number of factors including current bank lending rate and the general economic sentiment.

12. TRADE AND OTHER PAYABLES

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	2,175	389
Interest payable on borrowings	1,340	1,583
Other tax payables	19,228	19,228
Accrued professional fees	8,849	8,020
Other payables and accruals	1,030	4,808
	32,622	34,028

The following is an aged analysis by invoice date of trade payables at the end of the Interim Period:

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	2,175	389

13. BORROWINGS

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank loans, secured *(Note)*	163,800	163,800
Other loan, unsecured	–	20,000
	163,800	183,800
Carrying amount repayable:		
Within one year	54,600	74,600
In more than one year, but not more than two years	54,600	54,600
In more than two years, but not more than five years	54,600	54,600
	163,800	183,800
Less: Amounts due within one years shown under current liabilities	(54,600)	(74,600)
	109,200	109,200

The ranges of effective interest rate (which are also equal to contracted interest rates) on the Company's borrowings are as follow:

	Effective interest rate		Carrying amount	
	At 30 June 2016	At 31 December 2015	At 30 June 2016	At 31 December 2015
			HK$'000	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Fixed-rate borrowings	–	20.00%	–	20,000
Variable-rate borrowings	4.91%	4.57%	163,800	163,800
			163,800	183,800

Note:

On 3 November 2011, the Company entered into a loan agreement (the "Term Loan Agreement") with a bank for a term loan facility of US$40,000,000 (approximately HK$312,000,000) (the "Term Loan") for the purpose of funding the project in connection with the petroleum exploration and production in the Argentina Areas or to refinance any debt incurred by the Group for the purpose of this project.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu has financial interests. The relevant loan agreement also requires Mr. Wu to continue to be a Substantial Shareholder. On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertakes (i) at all times to maintain his position as a Substantial Shareholder, and (ii) to promptly acquire an adequate number of shares of the Company to maintain his position as a Substantial Shareholder in any event that he is reasonably expected to cease to be a Substantial Shareholder as a result of issue of new shares by the Company.

Mr. Wu has provided a written confirmation to the Company confirming that he will not dispose of his existing interest in the Company for at least a period of twelve months from the date of issuance of the Company's 2015 financial statements. As such, the portion of the Term Loan that is repayable after one year from the end of the reporting period in accordance with the repayment schedule above is shown under non-current liabilities.

14. SHARE CAPITAL

	Nominal value per share	**Number of ordinary shares**	**Nominal value of ordinary share**
	HK$	*'000*	*HK$'000*
Authorised:			
Ordinary shares at 31 December 2015 and 1 January 2016 (Audited)	0.01	100,000,000	1,000,000
Ordinary shares at 30 June 2016 (Unaudited)	0.01	100,000,000	1,000,000
Issued and fully paid:			
Ordinary shares at 31 December 2015 and 1 January 2016 (Audited)	0.01	727,854	7,279
Issue of shares by rights issue *(Note)*	0.01	3,639,268	36,392
Ordinary shares at 30 June 2016 (Unaudited)	0.01	4,367,122	43,671

Note:

As announced by the Company on 12 November 2015 and as stated in the Rights Issue Prospectus dated 31 December 2015, the Company announced a proposed rights issue of shares on the basis of five rights shares for every one existing share at HK$0.14 per rights share. The rights issue was completed on 27 January 2016 and 3,639,268,185 rights shares of HK$0.01 each were issued. The net proceeds, after deducting underwriting commission and other related expenses incurred by the Company, amounted to approximately HK$502 million. These rights shares rank pari passu with the then existing ordinary share in all respects.

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liability (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2016.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Held-for-trading investments				
– Trading securities	84,022	–	–	84,022

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2015.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Held-for-trading investments				
– Trading securities	62	–	–	62

There were no transfers among levels 1, 2 and 3 during the Interim Period and the year ended 31 December 2015."

4. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

As at 31 July 2016, being the latest practicable date prior to the printing of this Response Document for the purpose of this indebtedness statement, the Group had outstanding secured and guaranteed bank loan of HK$163,800,000.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu Shaozhang, a substantial shareholder of the Company, has financial interests.

Details of mortgages and charges in relation to the bank loan are as follows:

(i) pledge of the entire issued share capital of EP Energy S.A., a subsidiary of the Group;

(ii) mortgage of the entire issued share capital of Have Result Investments Limited, a subsidiary of the Group;

(iii) mortgage of the entire issued share capital of Southstart Limited and Jovanni Limited, subsidiaries of the Group;

(iv) mortgage of the entire issued share capital of Ample Talent Development Group Limited ("**Ample Talent**"), a company indirectly held by Mr. Wu Shaozhang;

(v) pledge of 54% of the registered capital of Guizhou Guoding Jinshi Mining Co., Limited ("**Guizhou Guoding**") held by Mr. Wu Shaozhang;

(vi) security assignment to the bank in relation to all sums including but not limited to all loans or funds made available by Ample Talent to Guizhou Guoding, where Ample Talent has assigned to the bank, by way of security, all of its rights, title and interests in the sums made available to Guizhou Guoding;

(vii) security assignment to the bank in relation to all sums including but not limited to all loans or funds made available by Rakarta Limited (a shareholder of Ample Talent and a company owned by Mr. Wu Shaozhang) to Ample Talent, where Rakarta Limited has assigned to the bank, by way of security, all of rights, title and interests in the sums made available to Ample Talent; and

(viii) guarantee from Ample Talent to the bank.

Financial guarantees

As at 31 July 2016, the Company gave indemnities to two non-controlling shareholders of companies controlled by Mr. Wu Shaozhang, indemnifying them against any loss they may sustain in case of any action or claim against those companies pursuant to the guarantee provided in respect of the bank loan drawn by the Company and that the total amount payable will not exceed an aggregate amount of up to US$13,000,000 (approximately HK$101,140,000).

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 July 2016, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, and term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company, its subsidiaries or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

5. MATERIAL CHANGE

The Directors confirmed that as at the Latest Practicable Date, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(i) on 27 January 2016, the Company issued a total of 3,639,268,185 new Shares by way of the Rights Issue, details of which are set out in the allotment results announcement of the Company dated 26 January 2016;

(ii) the Group repaid a short-term loan in the principal amount of HK$20 million in February 2016 and the interest of approximately HK$3.8 million accrued on the bank borrowings from China Development Bank Corporation in May 2016;

(iii) as disclosed in the announcement of the Company dated 8 June 2016, in order to better utilise the portion of proceeds from the Rights Issue in the amount of approximately HK$110.6 million which was originally earmarked for early repayment by June 2016 of debts due in November 2016 and November 2017, the Board resolved on 7 June 2016 to repay the debts only when they become due and apply such amount towards the operation of the money lending business in the meantime. As at the Latest Practicable Date, the Group held a portfolio of short-term loans in the amount of HK$58 million;

(iv) as disclosed in the announcement of the Company dated 25 August 2016, the Group was notified by the holder (the "**Concessionaire**") of the hydrocarbon exploitation concession rights (the "**Concessions**") in the Puesto Pozo Cercado area and the Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina on 24 August 2016 that the department of hydrocarbons of the government of Mendoza has been reviewing the fulfilment of the terms and conditions of the 10-year extension of the Concessions till 2027 previously awarded to the Concessionaire, particularly the status of the investment commitment of the Concessionaire. In the event that the extension is withdrawn, the Concessions in the Puesto Pozo Cercado area and the Chañares Herrados area will expire on 26 June 2017 and 24 September 2017 respectively. As advised by the Concessionaire, it is currently undertaking discussions with the government of Mendoza in securing the extension of the Concessions. Given that this event occurred only recently, the Board is uncertain of the outcome of the discussions between the Concessionaire and the government of Mendoza on maintaining the extension of the Concessions, and therefore is not in a position to assess the impact on the Group at this stage. The impact could only be assessed after the outcome of such discussions become certain and the Board has been given sufficient information on the status of the extension. The Group will closely monitor the development of the event, and will take appropriate action to modify (if it is warranted) the future development plan of its existing Argentina operation and to maintain, in conjunction with the Concessionaire, the extension of the Concessions to 2027; and

(v) as disclosed in the interim report of the Company published on 9 September 2016, the Group recorded a net loss of approximately HK$28.5 million for the six months ended 30 June 2016 as compared to a net loss of approximately HK$15.3 million for the same period in 2015. Such increase in net loss was mainly due to (a) the lack of fair value gain of approximately HK$12.3 million and effective interest expense of approximately HK$6.8 million on convertible notes as a result of the early redemption by the Company in June 2015; (b) the segment results of petroleum exploration and production turned from a profit of approximately HK$3.1 million for the six months ended 30 June 2015 to a small loss for the same period in 2016; and (c) the increase in other expenses.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document (other than the information relating to the Offers and the Offeror which is based on the Offer Document) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading. The Directors only take responsibility for the correctness of the reproduction or presentation of the information relating to the Offers and the Offeror which is based on the Offer Document.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company was as follows:

	Nominal value per Share *(HK$)*	**Number of Shares**	**Nominal amount** *(HK$)*
Authorised:	0.01	100,000,000,000	1,000,000,000
Issued:	0.01	4,367,121,822	43,671,218.22

The total number of Shares in issue as at 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) was 727,853,637. On 27 January 2016, the Company allotted and issued a total of 3,639,268,185 new Shares by way of the Rights Issue, details of which are set out in the allotment results announcement of the Company dated 26 January 2016. The total number of Shares in issue immediately after completion of such rights issue was 4,367,121,822 Shares. Save for the above, the Company had not issued any Shares since 31 December 2015 up to the Latest Practicable Date. All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, there are outstanding Options carrying rights to subscribe for 10,556,460 new Shares during the period from 25 February 2014 to 24 November 2016 at the exercise price of HK$1.3277 per Share. On 22 June 2016, a new share option scheme was approved and adopted by the Company. As at the Latest Practicable Date, no share option has been granted by the Company pursuant to such new share option scheme.

Save as disclosed herein, the Company has no other outstanding Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company.

3. DISCLOSURE OF INTERESTS AND DEALINGS

(i) Neither the Company nor any Directors owned or controlled or were interested in any shares, convertible securities, warrants, options or derivatives of the Offeror as at the Latest Practicable Date, nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

(ii) Save for 330,000 Shares held by Mr. Tse Kwok Fai Sammy (an executive Director and the chief executive officer of the Company), none of the Directors owned or controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company nor had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(iii) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or of a subsidiary of the Company, or any advisers to the Company (as specified in class (2) of the definition of associate in the Takeovers Code but excluding exempt principal traders) owned, controlled or were interested in any Shares, convertible securities, warrants, options or derivatives of the Company, nor had any of them dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(iv) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(v) As at the Latest Practicable Date, there were no Shares, convertible securities, warrants, options or derivatives of the Company managed on a discretionary basis by fund managers connected with the Company and no such fund managers had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(vi) It is the intention of Mr. Tse Kwok Fai Sammy (an executive Director and the chief executive officer of the Company) to reject the Share Offer in respect of 330,000 Shares held by him. Save as disclosed above, no other Directors held any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date.

(vii) As at the Latest Practicable Date, neither the Company nor any of the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives of the Company.

4. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

(i) no benefit will be given to any Directors as compensation for loss of office or otherwise in connection with the Offers;

(ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and

(iii) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force (i) which (including both continuous and fixed term contracts) had been entered into or amended during the Relevant Period. As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) were continuous contracts with a notice period of 12 months or more; or (ii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

6. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by any members of the Group within the two years immediately preceding the date on which the Offer Period commenced:

(i) the deed of amendment dated 8 January 2015 executed by the Company in relation to the extension of maturity date of the 8% coupon convertible notes (which were issued by the Company in the aggregate principal amount of HK$100,000,000 to the noteholder(s) on 11 April 2013) to 11 April 2016;

(ii) the underwriting agreement dated 31 March 2015 (and supplemented by a supplemental agreement dated 17 April 2015) entered into among the Company, Guotai Junan Securities (Hong Kong) Limited and Ever-Long Securities Company Limited in relation to the underwriting of an open offer of the Company involving the issue of not less than 242,617,879 offer shares and not more than 349,857,353 offer shares of the Company at the subscription price of HK$0.50 per offer share by Guotai Junan Securities (Hong Kong) Limited and Ever-Long Securities Company Limited (with the underwriting commission equivalent to 1% of the aggregate subscription price in respect of the offer shares agreed to be underwritten by the underwriters), details of which are set out in the circular of the Company dated 26 May 2015; and

(iii) the underwriting agreement dated 12 November 2015 entered into among the Company, Guotai Junan Securities (Hong Kong) Limited and Always Profit Development Limited in relation to the underwriting of the Rights Issue involving the issue of not less than 3,639,268,185 rights shares and not more than 4,119,609,640 rights shares of the Company at the subscription price of HK$0.14 per rights share by Guotai Junan Securities (Hong Kong) Limited and Always Profit Development Limited (with the underwriting commission equivalent to 1% of the aggregate subscription price in respect of the rights shares agreed to be underwritten by the underwriters), details of which are set out in the circular of the Company dated 2 December 2015.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance were known to the Directors to be pending or threatened against any member of the Group.

8. EXPERT AND CONSENT

Set out below is the qualification of the expert engaged by the Company who has given opinions or advices contained in this Response Document:

Name	Qualification
Gram Capital	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion of its advice, letter and references to its name and logo in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The registered address of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Room 1108-09, 11/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The principal business address of Gram Capital is Room 1209, 12/F., Nam Fung Tower, 88 Connaught Road Central/173 Des Voeux Road Central, Hong Kong.

(e) The English text of this Response Document shall prevail over their Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on any day (except Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong at Room 1108-09, 11/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong; and (ii) on the websites of the Company (http://www.epiholdings.com) and the SFC (http://www.sfc.hk) from the date of this Response Document up to and including the Closing Date:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for each of the two years ended 31 December 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016;

(iii) the letter from the Board set out in this Response Document;

(iv) the letter from the Independent Board Committee set out in this Response Document;

(v) the letter from Gram Capital set out in this Response Document;

(vi) the written consent referred to under the paragraph headed "Expert and consent" in this appendix; and

(vii) the material contracts referred to under the paragraph headed "Material contracts" in this appendix.