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EPI **EPI (Holdings) Limited**
長盈集團(控股)有限公司*

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

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the “**Board**”) of EPI (Holdings) Limited (the “**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	24,820	42,449
Sales of petroleum		1,847	14,097
Sales of electricity		652	–
Interest income		22,053	28,012
Dividend income		268	340
Purchases, processing and related expenses		(1,391)	(11,758)
Other income and losses, net	5	1,122	10,160
Net gain (loss) on financial assets at fair value through profit or loss	6	7,870	(9,183)
Reversal of expected credit loss on loan and interest receivables		4,356	12,232
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(49,247)	(4,574)
Wages, salaries and other benefits	9	(9,799)	(14,214)
Depreciation	9	(1,666)	(1,417)
Gain on redemption of debt instruments at fair value through other comprehensive income		–	111
Other expenses		(7,193)	(14,547)
Loss on disposal of subsidiaries		(397)	(515)
Finance costs	7	(101)	(166)
(Loss) profit before tax		(31,626)	8,578
Income tax credit (expense)	8	2,255	(440)
(Loss) profit for the year	9	(29,371)	8,138

* For identification purpose only

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on debt instruments at fair value through other comprehensive income		(54,714)	(885)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		49,247	4,574
Release on redemption of debt instruments at fair value through other comprehensive income		–	(111)
Exchange differences arising on translation of financial statements of foreign operations		990	3,886
Reclassification of cumulative translation reserve upon disposal of foreign operations		340	–
		<u>(4,137)</u>	<u>7,464</u>
Other comprehensive (expense) income for the year, net of income tax			
		<u>(4,137)</u>	<u>7,464</u>
Total comprehensive (expense) income for the year			
		<u>(33,508)</u>	<u>15,602</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(29,371)	8,519
Non-controlling interests		–	(381)
		<u>(29,371)</u>	<u>8,138</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(33,508)	15,983
Non-controlling interests		–	(381)
		<u>(33,508)</u>	<u>15,602</u>
(Loss) earnings per share attributable to owners of the Company			
– Basic	<i>11</i>	<u>HK(0.56) cent</u>	<u>HK0.16 cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Exploration and evaluation assets		–	–
Property, plant and equipment		34,383	985
Right-of-use assets		4,200	2,523
Intangible asset		–	–
Prepayment for acquisition of non-current assets	<i>12</i>	9,874	–
Debt instruments at fair value through other comprehensive income	<i>13</i>	30,684	129,985
Loan and interest receivables	<i>14</i>	–	33,425
		<hr/>	<hr/>
Total non-current assets		79,141	166,918
Current assets			
Debt instruments at fair value through other comprehensive income	<i>13</i>	47,712	2,213
Loan and interest receivables	<i>14</i>	115,001	127,957
Trade and other receivables and prepayments	<i>12</i>	1,616	15,793
Other tax recoverables		732	609
Income tax recoverable		171	2,549
Financial assets at fair value through profit or loss	<i>15</i>	6,724	25,097
Bank balances and cash		191,818	134,627
		<hr/>	<hr/>
Total current assets		363,774	308,845
Current liabilities			
Trade and other payables	<i>16</i>	11,852	8,744
Income tax payable		679	4,170
Lease liabilities		1,574	1,282
		<hr/>	<hr/>
Total current liabilities		14,105	14,196
		<hr/>	<hr/>
Net current assets		349,669	294,649
		<hr/>	<hr/>
Total assets less current liabilities		428,810	461,567
		<hr/>	<hr/>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	2,820	1,491
Deferred tax liabilities	–	578
	<hr/>	<hr/>
Total non-current liabilities	2,820	2,069
	<hr/>	<hr/>
Net assets	425,990	459,498
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	52,403	52,403
Reserves	373,587	407,476
	<hr/>	<hr/>
Equity attributable to owners of the Company	425,990	459,879
Non-controlling interests	–	(381)
	<hr/>	<hr/>
Total equity	425,990	459,498
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period.

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

2. Application of amendments to HKFRSs

In the current year, the Group has applied the amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance contracts and the related amendments ³
Amendments to HKFRS 3	Reference to the conceptual framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies ³
Amendments to HKAS 8	Definition of accounting estimates ³
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction ³
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use ²
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

3. Revenue

Revenue from major products and services

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales of petroleum	1,847	14,097
Sales of electricity	652	–
Interest income from money lending business*	13,182	17,870
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)*	8,871	10,142
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	268	340
	<u>24,820</u>	<u>42,449</u>

* Under effective interest method

During the year, revenue from sales of petroleum is recognised at a point in time. Revenue from sales of petroleum is recognised once the control of the crude oil is transferred from the Group to the customer. Revenue is measured based on the oil price agreed with the customer at the point of sales.

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

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

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

4. Segment Information

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

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

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

Segment revenue and results

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

For the year ended 31 December 2021

	Petroleum exploration and production <i>HK\$'000</i>	Solar energy <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
External sales/sources	1,847	652	13,182	9,139	24,820
Results					
Segment results before reversal (provision) of expected credit loss ("ECL")	(4,112)	89	13,084	16,714	25,775
Reversal (provision) of ECL	-	-	4,356	(49,247)	(44,891)
Segment results	(4,112)	89	17,440	(32,533)	(19,116)
Other income and losses, net					987
Corporate expenses					(13,025)
Loss on disposal of subsidiaries					(397)
Finance costs					(75)
Loss before tax					(31,626)
Income tax credit					2,255
Loss for the year					(29,371)

For the year ended 31 December 2020

	Petroleum exploration and production <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Investment in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
External sales/sources	14,097	17,870	10,482	42,449
Results				
Segment results before reversal (provision) of ECL	(2,647)	17,286	1,191	15,830
Reversal (provision) of ECL	–	12,232	(4,574)	7,658
Segment results	(2,647)	29,518	(3,383)	23,488
Other income and losses, net				9,563
Corporate expenses				(23,792)
Loss on disposal of subsidiaries				(515)
Finance costs				(166)
Profit before tax				8,578
Income tax expense				(440)
Profit for the year				8,138

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

Geographical information

The Group's operations are located in Argentina, Hong Kong and the People's Republic of China (the "PRC").

Information about the Group's revenue from external customers/sources is presented based on the location of customers/sources. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers/sources		Non-current assets (<i>Note</i>)	
	Year ended 31 December		At 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Argentina	1,847	14,097	172	–
Hong Kong	21,008	25,537	48,285	3,508
The PRC	1,965	2,815	–	–
	<u>24,820</u>	<u>42,449</u>	<u>48,457</u>	<u>3,508</u>

Note: Non-current assets excluded debt instruments at FVTOCI and loan and interest receivables.

Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue is as follows:

	2021	2020
	HK\$'000	HK\$'000
Customer A ¹	N/A ³	13,740
Customer B ²	<u>3,300</u>	<u>N/A³</u>

Notes:

¹ Revenue from petroleum exploration and production business

² Revenue from money lending business

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant year

5. Other income and losses, net

	2021	2020
	HK\$'000	HK\$'000
Bank interest income	83	741
Government grant (<i>Note (i)</i>)	–	867
Overprovision of accrued expenses (<i>Note (ii)</i>)	1,920	6,088
Exchange gain, net	453	2,506
Loss on disposal of property, plant and equipment	–	(35)
Write off of other receivables (<i>Note (iii)</i>)	(1,680)	–
Others	346	(7)
	<u>1,122</u>	<u>10,160</u>

Notes:

- (i) During the year ended 31 December 2020, the Group recognised government grants in respect of COVID-19-related subsidies which related to the Employment Support Scheme provided by the Hong Kong Government.
- (ii) The amount represented the overprovision of legal and professional expenses in relation to a possible acquisition in 2012 which the management had subsequently decided not to proceed with. The management considered the possibility of settling such liabilities as remote and the provision was reversed accordingly.
- (iii) The amount represented the write off of other receivables and deposits paid in relation to the petroleum exploration and production business in Argentina.

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

	2021	2020
	HK\$'000	HK\$'000
Net unrealised loss on financial assets at FVTPL	(1,229)	(1,751)
Net realised gain (loss) on disposal of financial assets at FVTPL	9,099	(7,432)
	<u>7,870</u>	<u>(9,183)</u>

7. Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on lease liabilities	<u>101</u>	<u>166</u>

8. Income tax credit (expense)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tax charge for the year comprises:		
Current tax		
Hong Kong	(944)	(502)
The PRC	<u>(207)</u>	<u>(125)</u>
	(1,151)	(627)
Overprovision (underprovision) in prior years		
Hong Kong	2,929	–
The PRC	<u>(101)</u>	<u>718</u>
	2,828	718
Deferred tax	<u>578</u>	<u>(531)</u>
Income tax credit (expense) recognised in profit or loss	<u>2,255</u>	<u>(440)</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. (Loss) profit for the year

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

	2021	2020
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	382	221
Depreciation of right-of-use assets	1,284	1,196
Total depreciation	1,666	1,417
Staff costs		
– directors' emoluments	1,575	2,117
– other staff costs	7,421	10,808
– other staff's retirement benefits schemes contributions (excluding directors)	803	1,289
Total staff costs	9,799	14,214
Auditor's remuneration	1,198	850
Professional and consultancy fees	2,761	8,780

10. Dividends

No dividend was paid or proposed for the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting periods.

11. (Loss) earnings per share

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

	2021	2020
	HK\$'000	HK\$'000
(Loss) profit:		
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	(29,371)	8,519
	2021	2020
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	5,240,344	5,240,344

For the year ended 31 December 2021, the diluted loss per share attributable to owners of the Company is not presented as there were no dilutive potential ordinary shares in issue.

For the year ended 31 December 2020, the diluted earnings per share attributable to owners of the Company is not presented as all the outstanding share options were lapsed on 4 May 2020 and there were no dilutive potential ordinary shares in issue since then.

12. Prepayment for acquisition of non-current assets and trade and other receivables and prepayments

	2021	2020
	HK\$'000	HK\$'000
Prepayment for acquisition of non-current assets (<i>Note (i)</i>)	9,874	–
Trade receivables (<i>Note (ii)</i>)	194	1,027
Deposits and prepayments	1,316	3,465
Deposits held for petroleum exploration and production operation (<i>Note (iii)</i>)	–	1,085
Others (<i>Note (iv)</i>)	106	10,216
	1,616	15,793

Notes:

(i) The amount represented the prepayment for the acquisition of solar photovoltaic systems in relation to the solar energy business.

(ii) The Group allows an average credit period of 30 to 60 days. The trade receivables of HK\$194,000 (2020: HK\$1,027,000) 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. Credit limits and credit quality attributable to the customers are reviewed regularly.

(iii) At 31 December 2020, the amount included deposits paid of HK\$1,076,000 in relation to the petroleum exploration and production business in Argentina, which were written off during the current year.

(iv) At 31 December 2021, the amount included HK\$6,000 (2020: HK\$9,101,000) placed with securities brokers in relation to securities trading activities in Hong Kong.

At 31 December 2020, the amount included other receivables of HK\$604,000 in relation to the petroleum exploration and production business in Argentina, which were written off during the current year.

13. Debt instruments at fair value through other comprehensive income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 4.70% to 11.75% (2020: 4.70% to 11.75%) per annum and maturity dates ranging from 8 March 2022 to 28 June 2025 (2020: 12 February 2022 to 28 June 2025)	78,396	132,198
Analysed as:		
Current portion	47,712	2,213
Non-current portion	30,684	129,985
	78,396	132,198

At 31 December 2021 and 2020, the fair values of debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

Provision of ECL of HK\$49,247,000 (2020: HK\$4,574,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income for the year.

14. Loan and interest receivables

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed-rate loan receivables	140,378	190,931
Interest receivables	9,538	20,152
	149,916	211,083
Less: Impairment allowance	(34,915)	(49,701)
	115,001	161,382
Analysed as:		
Current portion	115,001	127,957
Non-current portion	–	33,425
	115,001	161,382
Analysed as:		
Secured	115,001	141,669
Unsecured	–	19,713
	115,001	161,382

At 31 December 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 10% to 18% (2020: 8% to 18%) per annum and from 12 March 2022 to 13 August 2022 (2020: 3 July 2021 to 15 March 2022) respectively.

The Group recognised reversal of impairment allowance of HK\$4,356,000 (2020: HK\$12,232,000) on loan and interest receivables for the year.

15. Financial assets at fair value through profit or loss

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>6,724</u>	<u>25,097</u>

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

16. Trade and other payables

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	129	526
Other tax payables	1,178	1,249
Accrued professional fees	390	3,237
Other payables and accruals (<i>Note</i>)	<u>10,155</u>	<u>3,732</u>
	<u>11,852</u>	<u>8,744</u>

Note: The amount included HK\$7,388,000 (2020: nil) being other payable for the acquisition of solar photovoltaic systems in relation to the solar energy business.

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	<u>129</u>	<u>526</u>

The average credit period of purchases of goods was 30 days.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

BUSINESS REVIEW

For the year ended 31 December 2021 (“**FY2021**”), the Group was principally engaged in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

Following the launch of vaccination programs to combat COVID-19 in many countries, there are signs that the conditions of major economies including China, the US and the UK have stabilised and moving towards full-reactivation, with the result that the market conditions for the petroleum industry have improved considerably during the year, amidst the emergence of the coronavirus variants and the new waves of outbreak in some countries. With the backdrop of a global economic recovery, the price of Brent crude oil, one of the benchmarks of international oil price, increased from around US\$50 per barrel in December 2020 to around US\$80 per barrel in December 2021, showing a positive outlook of the industry. Leveraging on the Group’s business experience of its oil operation in Argentina and with the intent of continuing its petroleum exploration and production business, the Group has been actively pursuing the acquisition of an oilfield project in Canada. As announced by the Company on 9 February 2022, the proposed acquisition is eventually materialised and the Group has successfully entered into a conditional asset purchase and sale agreement (the “**APA**”) with the vendor for the target oil assets in Canada for an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group’s management is in the process of completing the transactions contemplated thereunder. The acquisition of the oil assets under the APA represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

In alignment with the Group’s strategic initiatives to develop a diversified and balanced energy business portfolio, on 23 July 2021, the Group has entered into a cooperation framework agreement (the “**Cooperation Agreement**”) with a specialist solar energy total solution and services provider to invest in solar energy power generation projects participating in the FiT Scheme, which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. On 30 August 2021, for further development of the solar energy business, the Group has entered into an acquisition agreement (the “**Acquisition Agreement**”) to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme.

For FY2021, the Group recorded a decline in revenue by 42% to HK\$24,820,000 (2020: HK\$42,449,000), largely due to the cessation of the Group's interest in an oil concession in Argentina in March 2021, and reported a loss attributable to owners of the Company of HK\$29,371,000 (2020: profit of HK\$8,519,000), mainly due to the provision of ECL of HK\$49,247,000 (2020: HK\$4,574,000) on debt instruments held by the Group at the year end. Basic loss per share was HK0.56 cent (2020: basic earnings per share were HK0.16 cent).

Petroleum Exploration and Production

As stated in the Company's announcement dated 16 March 2021, the Group's interest in an oil concession in the Chañares Herrados area (the "**CHE Concession**") located in Cuyana Basin, Mendoza Province of Argentina had been taken over by a new concessionaire on 13 March 2021. Accordingly, for FY2021, the Group's petroleum exploration and production business had recorded an 87% decline in revenue to HK\$1,847,000 (2020: HK\$14,097,000), due to the cessation of the Group's interest in the CHE Concession, and reported an operating loss of HK\$4,112,000 (2020: HK\$2,647,000).

Since May 2020, the Group has been actively exploring other investment opportunities in natural resources exploration and production, including an oilfield investment in Canada. This proposed investment in Canada is eventually materialised, as announced by the Company on 9 February 2022, EP Resources Corporation, an indirect wholly-owned subsidiary of the Company ("**EP Resources**"), as purchaser and RockEast Energy Corp. ("**RockEast**") as vendor has entered into the APA, pursuant to which EP Resources has conditionally agreed to acquire, and RockEast has conditionally agreed to sell an operating oil field which comprises petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province of Canada (the "**Target Assets**") at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000) (the "**Acquisition**"). The Acquisition, upon completion, will be a valuable and attractive opportunity for the Group to continue developing its petroleum business as the Group will immediately be entitled to the oil production and cash flow generated from the 32 producing wells of the Target Assets. Moreover, it is expected that the contributions from the Target Assets to the Group in terms of revenue and EBITDA (i.e. earnings before interest, taxes, depreciation and amortisation) will continue to grow according to the Group's current four-year development plan in respect of the Target Assets. Further details of the Acquisition are contained in the Company's circular dated 11 March 2022. The APA has been duly approved by the shareholders in a special general meeting of the Company held on 29 March 2022 and the Group's management is in the process of completing the transactions contemplated thereunder. The Company will publish announcement(s) to inform shareholders of the progress of this transaction as and when appropriate.

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions. On 23 July 2021, in order to capture the business opportunities in decarbonization, the Group has entered into the Cooperation Agreement with a specialist solar energy total solution and services provider to invest in solar energy power generation projects, from which the electricity generated can be sold to the two power companies in Hong Kong, thereby earning the feed-in tariff income under the FiT Scheme. Further details of the transaction are stated in the Company's announcement dated 23 July 2021. For further development of the solar energy business, on 30 August 2021, the Group has entered into the Acquisition Agreement with a vendor to acquire a portfolio of existing and to-be-completed solar energy power generation projects participating in the FiT Scheme for a consideration of not exceeding HK\$75,000,000. Further details of the transaction are stated in the Company's announcements dated 30 August 2021 and 16 September 2021.

It is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy business, including solar energy projects, which could provide the Group with healthy and sustainable business development. As of the year end, the Group has invested HK\$43,645,000 in solar energy power generation projects under the two aforementioned agreements and is committed to invest HK\$34,390,000 in 2022. For FY2021, the solar energy business contributed a revenue and an operating profit of HK\$652,000 and HK\$89,000 respectively to the Group since the commencement of the business in the latter part of the year. The contributions from the solar energy business are expected to grow in 2022 following completion of a series of projects now in progress and incorporation of the full year results of the business.

Money Lending

For FY2021, the Group's money lending business reported decreases in revenue by 26% to HK\$13,182,000 (2020: HK\$17,870,000) and operating profit (before reversal of ECL) by 24% to HK\$13,084,000 (2020: HK\$17,286,000), which were mainly due to the lower average amount of loans advanced to borrowers during FY2021. During the year, a reversal of ECL amounting to HK\$4,356,000 (2020: HK\$12,232,000) was recognised which primarily represented the settlement of certain loans which had been previously considered as credit-impaired.

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (i.e. the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the assets/properties pledged to the Group as collaterals are performed by independent professional valuers engaged by the Group, where applicable, at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. At the year end, the net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collaterals pledged to the Group, and forward-looking information including the future macro-economic conditions affecting the borrowers (the negative impact of the COVID-19 pandemic on the economy had also been considered).

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral reviews against market information and regular communication with the borrowers of their financial position, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for recovery of a loan at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and taking possession of the collaterals pledged. For FY2021, a reversal of ECL of HK\$4,356,000 (2020: HK\$12,232,000) was recognised with the balance of the impairment allowance reduced by 30% or HK\$14,786,000 to HK\$34,915,000 (2020: HK\$49,701,000) at the year end, of which a sum of HK\$14,872,000 was impairment allowance for the year, a sum of HK\$20,074,000 was reversal of allowance owing to settlement of loans, and a sum of HK\$10,430,000 was related to the disposal of subsidiaries with loan and interest receivables of gross carrying amount HK\$41,334,000.

The size of the Group's loan portfolio was reduced during FY2021 as the management has been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The Group aims to make loans that could be covered by sufficient collaterals, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collaterals for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents.

At 31 December 2021, the carrying value of the loan portfolio held by the Group amounted to HK\$115,001,000 (after impairment allowance of HK\$34,915,000) (2020: HK\$161,382,000 (after impairment allowance of HK\$49,701,000)) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Corporate	55.00	10 – 12	Within one year
Individual	45.00	10 – 18	Within one year
	<u>100.00</u>		

At 31 December 2021, 100% (2020: 87.79%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals with nil (2020: 12.21%) being unsecured. At the year end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 32% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

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

Investment in Securities

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

At 31 December 2021, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$6,724,000 (2020: HK\$25,097,000), comprising equity securities listed in Hong Kong, and debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK\$78,396,000 (2020: HK\$132,198,000), comprising debt securities listed in Hong Kong or Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$9,139,000 (2020: HK\$10,482,000) and a loss of HK\$32,533,000 (2020: HK\$3,383,000).

Financial assets at FVTPL

At 31 December 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$6,724,000 (2020: HK\$25,097,000) measured at market/fair value. For FY2021, the portfolio generated a revenue of HK\$268,000 (2020: HK\$340,000), representing dividends from equity securities. The Group recognised a net gain on financial assets at FVTPL of HK\$7,870,000 (2020: loss of HK\$9,183,000) for FY2021, which comprised net realised gain and net unrealised loss of HK\$9,099,000 and HK\$1,229,000 (2020: net realised loss and net unrealised loss of HK\$7,432,000 and HK\$1,751,000) respectively.

The net realised gain recorded during the year represented the gain on disposal of equity securities in open market and the unrealised loss represented the decrease in market value of those equity securities held by the Group at the year end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio in view of the significant market volatilities during FY2021.

During FY2021, the Group disposed of most of its investments in equity securities, at 31 December 2021, the Group's financial asset at FVTPL portfolio of HK\$6,724,000 comprised one major investment with details as below:

Investee company's name and its principal activities [#]	Approximate weighting to the carrying amount of the Group's total assets at	% of shareholding interest	Carrying amount at 1 January 2021	Market/fair value at 31 December 2021	Unrealised loss recognised during the year ended 31 December 2021	Dividend income recognised during the year ended 31 December 2021
	31 December 2021 %	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			A	B	C = B - A	
Emperor International Holdings Limited (HKEX stock code: 163) Property investment and development and hospitality businesses	1.52	0.20	7,953	6,724	(1,229)	268

[#] Extracted from published financial information of the investee company.

Debt instruments at FVTOCI

At 31 December 2021, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK\$78,396,000 (2020: HK\$132,198,000) was measured at market/fair value. During FY2021, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK\$8,871,000 (2020: HK\$10,142,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK\$47,712,000 (2020: HK\$2,213,000) was classified as current assets.

During FY2021, the Group had not acquired any debt securities (2020: HK\$7,903,000). At the year end, a net fair value loss on debt instruments at FVTOCI amounting to HK\$54,714,000 (2020: HK\$885,000) was recognised as other comprehensive expense primarily due to the fall in market value of these debt securities and downward adjustment on fair value of certain debt instruments due to their increased credit risks. For FY2021, a provision of ECL on debt instruments at FVTOCI of HK\$49,247,000 (2020: HK\$4,574,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of certain debt instruments held by the Group had increased significantly since initial recognition. During FY2021, the credit ratings of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, were downgraded by the rating agencies as the credit risks of these bonds had increased significantly due to the bond issuers' defaults in making interest and principal payments for their indebtedness. As the Group expected the financial uncertainties of these bond issuers would ultimately affect the collection of contractual cash flows of these bonds, a provision of ECL on debt instruments at FVTOCI of HK\$49,247,000 was recognised.

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

At 31 December 2021, the Group invested in debt securities issued by an aircraft leasing company and seven property companies and their respective weightings to the market/fair value of the Group's debt instruments at FVTOCI portfolio of HK\$78,396,000 (together with other information) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio at 31 December 2021	Approximate weighting to the carrying amount of the Group's total assets at 31 December 2021	Yield to maturity on acquisition date	Acquisition costs	*Acquisition costs during the year/carrying amount at 1 January 2021	Market/fair value at 31 December 2021	Accumulated fair value gain (loss) recognised up to 31 December 2021	Fair value gain (loss) recognised during the year ended 31 December 2021
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				A	B	C	D = C - A	E = C - B
Aircraft leasing	19.99	3.54	4.93	15,444	14,455	15,675	231	1,220
Property [#]	80.01	14.16	5.26 - 12.50	120,497	117,743	62,721	(57,776)	(55,022)
	<u>100.00</u>	<u>17.70</u>		<u>135,941</u>	<u>132,198</u>	<u>78,396</u>	<u>(57,545)</u>	<u>(53,802)</u>

* The amount represented the costs of the securities acquired during FY2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during FY2021.

The weighting of individual debt securities to the carrying amount of the Group's total assets at 31 December 2021 did not exceed 5%.

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

Overall Results

For FY2021, the Group's petroleum exploration and production business recorded a loss of HK\$4,112,000 (2020: HK\$2,647,000), the newly established solar energy business recorded a profit of HK\$89,000 (2020: nil), the money lending business recorded a profit of HK\$17,440,000 (2020: HK\$29,518,000), and the Group's investment in securities recorded a loss of HK\$32,533,000 (2020: HK\$3,383,000).

Overall speaking, the Group reported a loss attributable to owners of the Company of HK\$29,371,000 (2020: profit of HK\$8,519,000) mainly due to the provision of ECL on debt instruments at FVTOCI of HK\$49,247,000 (2020: HK\$4,574,000) (with a corresponding adjustment to other comprehensive income), and a total comprehensive expense attributable to owners of the Company of HK\$33,508,000 (2020: total comprehensive income of HK\$15,983,000) which included a fair value loss on debt instruments at FVTOCI of HK\$54,714,000 (2020: HK\$885,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During FY2021, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the year end, the Group had current assets of HK\$363,774,000 (2020: HK\$308,845,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL totaling HK\$198,542,000 (2020: HK\$159,724,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$14,105,000 (2020: HK\$14,196,000), was at a liquid level of about 25.8 (2020: 21.8). It is intended that a part of the Group's cash holding will be applied for completion of the acquisition of the Target Assets under the APA.

At 31 December 2021, the Group's total assets amounted to HK\$442,915,000 (2020: HK\$475,763,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$16,925,000 (2020: HK\$16,265,000) divided by total assets, was at a low level of about 4% (2020: 3%). Finance costs represented the imputed interest on lease liabilities of HK\$101,000 (2020: HK\$166,000) for the year.

At 31 December 2021, the equity attributable to owners of the Company amounted to HK\$425,990,000 (2020: HK\$459,879,000) and was equivalent to an amount of approximately HK8.13 cents (2020: HK8.78 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$33,889,000 was mainly due to loss incurred during the year.

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

EVENTS AFTER THE REPORTING PERIOD

On 9 February 2022, EP Resources and RockEast entered into the APA, pursuant to which EP Resources has conditionally agreed to acquire, and RockEast has conditionally agreed to sell, the Target Assets at an initial consideration of C\$22,500,000 (approximately HK\$138,375,000). The APA has been duly approved by the shareholders at a special general meeting of the Company held on 29 March 2022 and the Group's management is in the process of completing the transactions contemplated thereunder. Further details of the transaction are contained in the Company's circular dated 11 March 2022.

PROSPECTS

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

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

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

China has achieved strong positive GDP growth in 2021 and there are indications that its economy is undergoing a solid and sustainable growth, from which Hong Kong, being one of the nation's major cities and gateways, is well positioned to be benefited.

Looking forward, the Group will continue to actively pursue its interest in the petroleum and solar energy businesses and will manage its businesses in a cautious and disciplined approach in view of the business uncertainties brought by the recent Omicron outbreak in Hong Kong, the heightened political and economic tension between China and the US, and the conflict between Russia and Ukraine which brings significant volatilities to international prices of oil and gas.

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

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Listing Rules for the year ended 31 December 2021, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision A.2.1 (renumbered as Code Provision C.2.1 since 1 January 2022)

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

Deviation

The Company had deviated from Code Provision A.2.1 of the CG Code during the year ended 31 December 2021 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision E.1.2 (renumbered as Code Provision F.2.2 since 1 January 2022)

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

Deviation

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as the chairman of the annual general meeting of the Company held on 29 June 2021 in accordance with bye-law 70 of the Company's Bye-laws.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out above in this announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board on 31 March 2022. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on this announcement.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 31 March 2022

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