EPI (Holdings) Limited
長盈集團(控股)有限公司*

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the "**Board**") of EPI (Holdings) Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
	Notes	**2023** *HK$'000* **(Unaudited)**	2022 *HK$'000* (Unaudited)
Revenue	*3*	**38,618**	7,232
Sales of petroleum, net of royalties		**32,804**	–
Sales of electricity		**3,790**	2,629
Interest income		**2,024**	4,603
Purchases, processing and related expenses		**(10,151)**	(802)
Other income and losses, net	*5*	**7,214**	326
Net loss on financial assets at fair value through profit or loss	*6*	**(1,085)**	(795)
Reversal (provision) of expected credit loss on loan and interest receivables		**9,719**	(1,964)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		**(3,824)**	(13,976)
Wages, salaries and other benefits	*9*	**(5,610)**	(3,629)
Depreciation	*9*	**(12,611)**	(1,882)
(Loss) gain on redemption of debt instruments at fair value through other comprehensive income		**(36)**	84
Other expenses		**(4,403)**	(8,779)
Finance costs	*7*	**(1,039)**	(67)

* *For identification purpose only*

	Notes	Six months ended 30 June **2023** ***HK$'000*** **(Unaudited)**	 2022 *HK$'000* (Unaudited)
Profit (loss) before tax		**16,792**	(24,252)
Income tax expense	*8*	**(415)**	–
Profit (loss) for the period	*9*	**16,377**	(24,252)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Net fair value loss on debt instruments at fair value through other comprehensive income		**(3,824)**	(12,569)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		**3,824**	13,976
Release on redemption of debt instruments at fair value through other comprehensive income		**36**	(84)
Exchange differences arising on translation of financial statements of foreign operations		**1,696**	(2,348)
Other comprehensive income (expense) for the period, net of income tax		**1,732**	(1,025)
Total comprehensive income (expense) for the period attributable to owners of the Company		**18,109**	(25,277)
Earnings (loss) per share attributable to owners of the Company			
– Basic	*11*	**HK0.31 cent**	HK(0.46) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 HK$'000 (Unaudited)	At 31 December 2022 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**230,157**	218,781
Right-of-use assets	12	**4,567**	2,590
Deposit paid for decommissioning obligation	13	**8,549**	8,256
Prepayment for acquisition of non-current assets	13	**–**	6,978
Debt instruments at fair value through other comprehensive income	14	**139**	5,698
Total non-current assets		**243,412**	242,303
Current assets			
Debt instruments at fair value through other comprehensive income	14	**5,037**	28,041
Inventories		**263**	312
Loan and interest receivables	15	**48,114**	60,852
Trade and other receivables and prepayments	13	**9,519**	10,398
Other tax recoverable		**–**	204
Income tax recoverable		**278**	1,011
Financial assets at fair value through profit or loss	16	**3,687**	4,772
Cash and cash equivalents		**126,268**	85,796
Total current assets		**193,166**	191,386
Current liabilities			
Other payables	17	**6,023**	20,805
Other tax payable		**49**	–
Income tax payable		**1,033**	618
Lease liabilities		**1,579**	374
Total current liabilities		**8,684**	21,797
Net current assets		**184,482**	169,589
Total assets less current liabilities		**427,894**	411,892

	At **30 June 2023** *HK$'000* **(Unaudited)**	At 31 December 2022 *HK$'000* (Audited)
Non-current liabilities		
Lease liabilities	**3,111**	2,351
Decommissioning obligation	**30,361**	33,228
Total non-current liabilities	**33,472**	35,579
Net assets	**394,422**	376,313
Capital and reserves		
Share capital	**52,403**	52,403
Reserves	**342,019**	323,910
Total equity	**394,422**	376,313

Notes:

1. **Basis of preparation**

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

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

2. **Principal accounting policies**

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	International tax reform – Pillar two model rules

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

3. Revenue

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

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of petroleum	**38,579**	–
Less: Royalties	**(5,775)**	–
Sales of petroleum, net of royalties	**32,804**	–
Sales of electricity	**3,790**	2,629
Interest income from money lending business*	**1,526**	2,193
Interest income from debt instruments at fair value through other comprehensive income ("**FVTOCI**")*	**498**	2,410
	38,618	7,232

* Under effective interest method

During the six months ended 30 June 2023, revenue from sales of petroleum was recognised at a point in time. Revenue from sales of petroleum was recognised once the control of the crude oil was transferred from the Group to the customer. Revenue was measured based on the oil price agreed with the customers at the point of sales.

During the six months ended 30 June 2023, revenue from sales of electricity was recognised at a point in time when the electricity generated (by solar energy power generation systems) and transmitted was 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 no unsatisfied performance obligations at each reporting date.

Interest income fall outside the scope of HKFRS 15.

4. Segment information

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

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

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

Segment revenue and results

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

For the six months ended 30 June 2023

	Petroleum exploration and production *HK$'000* (Unaudited)	Solar energy *HK$'000* (Unaudited)	Money lending *HK$'000* (Unaudited)	Investment in securities *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue					
External sales/sources	**32,804**	**3,790**	**1,526**	**498**	**38,618**
Results					
Segment results before reversal (provision) of expected credit loss ("**ECL**")	**7,701**	**1,218**	**1,632**	**(628)**	**9,923**
Reversal (provision) of ECL	**–**	**–**	**9,719**	**(3,824)**	**5,895**
Segment results	**7,701**	**1,218**	**11,351**	**(4,452)**	**15,818**
Other income and losses, net					**6,871**
Corporate expenses					**(5,843)**
Finance costs					**(54)**
Profit before tax					**16,792**
Income tax expense					**(415)**
Profit for the period					**16,377**

For the six months ended 30 June 2022

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

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

5. Other income and losses, net

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank and other interest income	**2,136**	96
Exchange gain (loss), net	**2,417**	(959)
Refund of deposit written-off in prior year *(Note (i))*	**3,081**	–
Write-off of property, plant and equipment	**(609)**	–
Reversal of write-off of other receivables and deposits *(Note (ii))*	**–**	1,076
Others	**189**	113
	7,214	326

Notes:

(i) The amount represented the reversal of write-off of deposit paid for the share subscription of a company as the entire amount had been refunded to the Group during the six months ended 30 June 2023.

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

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at fair value through profit or loss ("**FVTPL**")	**1,085**	795

7. Finance costs

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Accretion expense on decommissioning obligation	**941**	–
Interest on lease liabilities	**98**	67
	1,039	67

8. Income tax expense

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Withholding tax on interest income	**415**	–

Under the two-tiered profits tax rates regime of Hong Kong, 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 assessment profits above HK$2 million. There is no assessable profit arising in Hong Kong for both periods.

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

The Corporate Tax rate of the Canadian subsidiary is 23% that composed of federal tax rate at 15% and provincial tax rate at 8%. There is no assessable profit arising in Canada for both periods.

Withholding tax rate on interest income from a Canadian subsidiary is 10%.

9. Profit (loss) for the period

Profit (loss) for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**11,846**	1,133
Depreciation of right-of-use assets	**765**	749
Total depreciation	**12,611**	1,882
Staff costs		
– directors' emoluments	**654**	653
– other staff costs	**4,781**	2,635
– other staff's retirement benefits schemes contributions (excluding directors)	**175**	341
Total staff costs	**5,610**	3,629
Professional and consultancy fees	**2,696**	7,147

10. Dividends

No dividend was paid, declared or proposed for the six months ended 30 June 2023 (30 June 2022: nil), nor has any dividend been proposed since the end of the reporting period (30 June 2022: nil).

11. Earnings (loss) per share

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings (loss):		
Profit (loss) for the period attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	**16,377**	(24,252)

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**5,240,344**	5,240,344

For the six months ended 30 June 2023 and 30 June 2022, the diluted earnings (loss) per share attributable to owners of the Company are not presented as there were no dilutive potential ordinary shares in issue.

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

For the six months ended 30 June 2023, the Group had additions of construction in progress related to oil and gas properties amounted to HK$9,040,000 and additions of solar photovoltaic systems and leasehold improvements amounted to HK$13,727,000 and HK$179,000 respectively (30 June 2022: additions of solar photovoltaic systems and the related construction in progress amounted to HK$10,767,000 in aggregate), and HK$17,487,000 was transferred from construction in progress to oil and gas properties (30 June 2022: HK$3,738,000 was transferred from construction in progress to solar photovoltaic systems).

For the six months ended 30 June 2023, certain leasehold improvements with an aggregate carrying amount of HK$609,000 (30 June 2022: nil) had been written off, resulting in a loss of HK$609,000 (30 June 2022: nil).

For the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms for 2 years. On the date of lease commencement, the Group recognised right-of-use assets of HK$2,742,000 and lease liabilities of HK$2,742,000.

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

13. Deposits and prepayments, trade and other receivables

	At 30 June 2023 *HK$'000* **(Unaudited)**	At 31 December 2022 *HK$'000* (Audited)
Deposit paid for decommissioning obligation *(Note (i))*	**8,549**	8,256
Prepayment for acquisition of non-current assets *(Note (ii))*	**–**	6,978
Trade receivables *(Note (iii))*	**6,798**	5,232
Deposits and prepayments	**2,238**	4,826
Others	**483**	340
	9,519	10,398

Notes:

(i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's of petroleum exploration and production business in Canada.

(ii) At 31 December 2022, the amount represented prepayment for the acquisition of solar photovoltaic systems in relation to the Group's solar energy business. During the six months ended 30 June 2023, the acquisition had been completed and the entire amount had been utilised and transferred to property, plant and equipment.

(iii) The Group allows an average credit period of 30 to 60 days (31 December 2022: 30 to 60 days). The trade receivables of HK$6,798,000 (31 December 2022: HK$5,232,000) were aged within 30 days based on the customers' statement date and were neither past due nor impaired.

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

14. Debt instruments at fair value through other comprehensive income

	At 30 June 2023 *HK$'000* (Unaudited)	At 31 December 2022 *HK$'000* (Audited)
Listed investments, at fair value:		
– Debt securities listed in Hong Kong or Singapore with fixed interests ranging from 5.25% to 11.75% (31 December 2022: 5.25% to 11.75%) per annum and maturity dates ranging from 14 January 2024 to 28 June 2025 (31 December 2022: 23 March 2023 to 28 June 2025)	**5,176**	33,739
Analysed as:		
Current portion	**5,037**	28,041
Non-current portion	**139**	5,698
	5,176	33,739

At 30 June 2023 and 31 December 2022, the fair values of the debt instruments at FVTOCI were determined based on quoted market prices and credit risk adjustments on certain debt instruments.

Provision of ECL of HK$3,824,000 (30 June 2022: HK$13,976,000) was recognised in profit or loss with corresponding adjustment to other comprehensive income for the current interim period.

15. Loan and interest receivables

	At 30 June 2023 *HK$'000* (Unaudited)	At 31 December 2022 *HK$'000* (Audited)
Fixed-rate loan receivables	**61,500**	84,000
Interest receivables	**695**	652
	62,195	84,652
Less: Impairment allowance	**(14,081)**	(23,800)
	48,114	60,852
Analysed as:		
Current portion	**48,114**	60,852
Analysed as:		
Secured	**36,426**	51,494
Unsecured	**11,688**	9,358
	48,114	60,852

Reversal of ECL of HK$9,719,000 (30 June 2022: provision of ECL of HK$1,964,000) on loan and interest receivables was recognised in profit or loss for the current interim period.

16. Financial assets at fair value through profit or loss

	At 30 June 2023 *HK$'000* (Unaudited)	At 31 December 2022 *HK$'000* (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	**3,687**	4,772

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

17. Other payables

	At 30 June 2023 *HK$'000* (Unaudited)	At 31 December 2022 *HK$'000* (Audited)
Accrued professional fees	**250**	279
Payables for additions of property, plant and equipment *(Note (i))*	**2,443**	12,720
Other payables and accruals *(Note (ii))*	**3,330**	7,806
	6,023	20,805

Notes:

(i) At 30 June 2023, the amount of HK$2,443,000 (31 December 2022: HK$12,720,000) was related to the additions to oil and gas properties in Canada with credit period of 60 days.

(ii) At 30 June 2023, the amount included other payables of HK$1,647,000 (31 December 2022: HK$3,958,000) related to the operating expenses, workover costs and abandonment costs in relation to the petroleum exploration and production business in Canada.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (30 June 2022: nil).

BUSINESS REVIEW

For the six months ended 30 June 2023 ("**HY2023**"), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During HY2023, international oil prices were trading in a narrower range when compared with 2022. The price of Brent crude oil, one of the benchmarks of international oil prices, raised from around United States dollars ("**US$**") 80 per barrel ("**/bbl**") in December 2022 to US$85/bbl in April 2023, and returned back to around US$80/bbl in July 2023, compared to the US$80-US$130/bbl range in 2022. Although international oil prices continue to fluctuate recently, it is the general market consensus that current outlook of the industry remains positive, primarily on the ground that global economic activities are returning to their normality, amid that high inflation and interest rate hikes in several major western economies including the US, the ongoing geopolitical tensions, and the Russia-Ukraine war are adding uncertainties to the market.

During HY2023, the Group continued with the business development of its oil field in Windy Lake Region, near Calgary in Alberta Province of Canada (the "**Canadian Oil Assets**") which was acquired in July 2022. For the interim period, the Canadian Oil Assets contributed a revenue of HK$32,804,000 and an operating profit of HK$7,701,000 to the Group's results, and for the same period, the earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") generated by the Canadian Oil Assets was HK$18,183,000. The acquisition of the Canadian Oil Assets represents a valuable and attractive opportunity for the Group to continue developing its petroleum exploration and production business.

To pursue the Group's strategic initiatives to develop a diversified and balanced energy business portfolio, the Group entered into two agreements in July and August 2021 to invest in solar energy power generation projects that are participating in the FiT Scheme, which is a scheme promoted by the Hong Kong Government to incentivise the private sector to produce clean energy for sale to the two power companies in Hong Kong. As of 30 June 2023, the Group has invested a sum of HK$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For HY2023, the Group's solar energy business contributed a revenue of HK$3,790,000 and an operating profit of HK$1,218,000, and for the same period, the EBITDA generated by the business was HK$3,650,000.

As a whole, for HY2023, the Group's petroleum exploration and production business contributed a profit of HK$7,701,000 (30 June 2022: loss of HK$431,000), the solar energy business contributed a profit of HK$1,218,000 (30 June 2022: HK$656,000), the money lending business contributed a profit of HK$11,351,000 (30 June 2022: HK$225,000), whilst the Group's investment in securities recorded a loss of HK$4,452,000 (30 June 2022: HK$12,282,000).

For HY2023, the Group recorded a sharp increase in revenue by 434% to HK$38,618,000 (30 June 2022: HK$7,232,000), mainly due to the incorporation of the Canadian Oil Assets' revenue in the Group's consolidated financial statements, and a turnaround in results by reporting profit attributable to owners of the Company of HK$16,377,000 (30 June 2022: loss of HK$24,252,000), that mainly was a combined effect of (i) the reversal of ECL on loan and interest receivables of HK$9,719,000 (30 June 2022: provision of ECL of HK$1,964,000); (ii) the decrease in provision of ECL on debt instruments at FVTOCI to HK$3,824,000 (30 June 2022: HK$13,976,000); (iii) the profit contribution from the petroleum exploration and production business of HK$7,701,000 (30 June 2022: loss of HK$431,000); and (iv) the decrease in other expenses to HK$4,403,000 (30 June 2022: HK$8,779,000) mainly due to absence of professional fees incurred for the acquisition of the Canadian Oil Assets.

Petroleum Exploration and Production

As stated in the Company's announcement dated 16 March 2021, the Group's interest in an oil concession in Chañares Herrados area located in Cuyana Basin, Mendoza Province of Argentina was taken over by a new concessionaire in March 2021, accordingly, the Group's petroleum exploration and production business in Argentina had ceased in 2022.

As above mentioned, the Group completed the acquisition of the Canadian Oil Assets in July 2022, since then, the financial results of the Canadian Oil Assets have been incorporated in the Group's consolidated financial statements. The Canadian Oil Assets represent an operating oil field comprising petroleum and natural gas rights, facilities and pipelines, together with other properties and assets spanned on 8,818 net acres of land in Windy Lake region, near Calgary in Alberta Province of Canada. The Canadian Oil Assets is managed under EP Resources Corporation ("**EPR**"), a Canadian incorporated wholly-owned subsidiary of the Company, by a team of local management with extensive experience in the oil and gas industry in Calgary, Canada.

For HY2023, the Group's petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK$32,804,000, an operating profit of HK$7,701,000 and an EBITDA of HK$18,183,000 whilst in prior period (constituted by the oil concession in Argentina), it incurred an operating loss of HK$431,000 with no revenue generated.

For HY2023, the Canadian Oil Assets produced approximately 91,900 barrel ("**bbl**") and sold approximately 91,300 bbl of crude oil, and generated a revenue of approximately Canadian dollars ("**C$**") 6,632,000 (equivalent to HK$38,579,000) (before royalties payment) at an average selling price of C$72.6/bbl. The crude oil produced from the Canadian Oil Assets were trucked and sold to the independent oil distributors located in the nearby regions who will largely resell the same to the American importers.

During HY2023, EPR had incurred capital expenditure totalling C$1,419,000 (equivalent to HK$8,255,000) for drilling work of four new wells as shown in the table below:

	Number of wells	**Capital expenditure**	
		C$'000	***HK$'000 equivalent***
New wells drilling	4	1,419	8,255

As at 30 June 2023, there were 38 producing wells in operation, with an average remaining reserve life of more than ten years, compared to 35 producing wells as at 31 December 2022. The addition of three producing wells was a result of the completion of drilling work of three new wells under the Group's 2022 drilling plan, with two wells commenced production in January 2023 and one well commenced production in February 2023. EPR started its drilling plan for 2023 in June, the drilling work for one new well and three new wells had commenced in June 2023 and July 2023 respectively. Subsequent to the period end, the drilling work of all four new wells have completed in August 2023 and their production have commenced accordingly.

Solar Energy

In recent years, major countries in the world are actively formulating their energy policies to curb carbon emissions and it is the Group's business strategy to expand its footprints in the energy sector through investing in renewable energy assets, including solar energy projects, which could support the Group's healthy and sustainable business development. On 23 July 2021, in order to capture the business opportunities in decarbonisation, the Group entered into a 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 and thereby earning the feed-in tariff income under the FiT Scheme. Moreover, for further development of the solar energy business, on 30 August 2021, the Group entered into an acquisition agreement to acquire a portfolio of existing and to-be-completed solar energy power generation projects which are participating in the FiT Scheme. As of 30 June 2023, all the solar energy power generation projects were completed. Further details of the transactions were stated in the Company's announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During HY2023, the Group has made further investment of HK$6,749,000 and bringing the Group's total investment in solar energy power generation projects up to HK$58,265,000 as of 30 June 2023. As of the period end, the Group has 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt. For HY2023, the solar energy business reported increase in revenue by 44% to HK$3,790,000 (30 June 2022: HK$2,629,000), operating profit by 86% to HK$1,218,000 (30 June 2022: HK$656,000), and EBITDA of the business by 100% to HK$3,650,000 (30 June 2022: HK$1,827,000) which mainly attributed to the addition of solar photovoltaic systems and reduction in operating and maintenance cost during the period.

Money Lending

For HY2023, the Group's money lending business reported decreases in revenue by 30% to HK$1,526,000 (30 June 2022: HK$2,193,000) and operating profit (before reversal of ECL) by 25% to HK$1,632,000 (30 June 2022: HK$2,189,000), which were mainly due to the lower average amount of performing loans advanced to borrowers during HY2023. A reversal of ECL of HK$9,719,000 (30 June 2022: provision of ECL of HK$1,964,000) was recognised which primarily related to the repayments of credit-impaired loan and interest receivables from borrowers.

The impairment allowance recognised on loan and interest receivables at the period end represented the credit risk involved in collectability of certain credit-impaired loans determined under the Group's loan impairment policy, and have considered factors including the credit history of the borrowers, the realisation value of the collaterals pledged to the Group, and the prevailing economic conditions. The Group has taken various actions for recovery of the credit-impaired loans. There was no change in the method used in determining the impairment allowance on loan receivables from the prior financial year.

The size of the Group's loan portfolio reduced by 21% to HK$48,114,000 (31 December 2022: HK$60,852,000) (on a net of impairment allowance basis) was mainly a result of the repayment of certain loans. The Group aims to make loans that could be covered by sufficient collaterals, preferably properties and assets with good quality, and to borrowers with good credit history. The target customer groups of the business are individuals and corporate entities that have short-term funding needs for business purpose and could provide sufficient collaterals for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents. At 30 June 2023, the carrying amount of the Group's loan portfolio amounted to HK$48,114,000 (after impairment allowance of HK$14,081,000) (31 December 2022: HK$60,852,000 (after impairment allowance of HK$23,800,000)) 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	70.6	10.0 - 12.0	Within one year
Individual	29.4	11.0 - 18.0	Within one year
	100.0		

At 30 June 2023, 76% (31 December 2022: 85%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collaterals with 24% (31 December 2022: 15%) being unsecured. At the period end, the loans made to all borrowers were term loans with maturity within one year, and the loan made to the largest borrower and the five largest borrowers accounted for 29% and 100% respectively of the Group's loan portfolio (on a net of impairment allowance basis).

Investment in Securities

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

At 30 June 2023, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK$3,687,000 (31 December 2022: HK$4,772,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio (constituted by non-current and current portions) valued at HK$5,176,000 (31 December 2022: HK$33,739,000), comprising debt securities listed in Singapore (31 December 2022: Hong Kong or Singapore). As a whole, the Group's securities investments recorded a revenue of HK$498,000 (30 June 2022: HK$2,410,000) and a loss, after provision of ECL, of HK$4,452,000 (30 June 2022: HK$12,282,000).

Financial assets at FVTPL

At 30 June 2023, the Group held a financial asset at FVTPL portfolio amounting to HK$3,687,000 (31 December 2022: HK$4,772,000) measured at market/fair value. For HY2023, the portfolio did not generate any revenue (30 June 2022: nil) and recognised a net unrealised loss on financial assets at FVTPL of HK$1,085,000 (30 June 2022: HK$795,000) for the period. The net unrealised loss represented the decrease in market value of those equity securities held by the Group at the period end. The Group continued to adopt a prudent and disciplined approach in managing its financial asset at FVTPL portfolio and had not acquired any equity securities during the current period.

Debt instruments at FVTOCI

At 30 June 2023, the Group's debt instrument at FVTOCI portfolio (constituted by non-current and current portions) of HK$5,176,000 (31 December 2022: HK$33,739,000) was measured at market/fair value. During HY2023, the Group's debt instrument at FVTOCI portfolio generated a revenue of HK$498,000 (30 June 2022: HK$2,410,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, part of the debt instruments at FVTOCI of HK$5,037,000 (31 December 2022: HK$28,041,000) was classified as current assets, with the remaining sum of HK$139,000 (31 December 2022: HK$5,698,000) being classified as non-current assets. During HY2023, the Group had not acquired any debt securities (30 June 2022: nil), and principal of certain debt securities totalling HK$23,946,000 were redeemed. At the period end, a net fair value loss on debt instruments at FVTOCI of HK$3,824,000 (30 June 2022: HK$12,569,000) 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 HY2023, a provision of ECL on debt instruments at FVTOCI of HK$3,824,000 (30 June 2022: HK$13,976,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of certain debt instruments held by the Group had further increased since initial recognition. During HY2023, the credit ratings of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, were withdrawn or downgraded by the credit 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$3,824,000 was recognised.

Overall Results

For HY2023, the Group's petroleum exploration and production business recorded a profit of HK$7,701,000 (30 June 2022: loss of HK$431,000), the solar energy business recorded a profit of HK$1,218,000 (30 June 2022: HK$656,000), the money lending business recorded a profit of HK$11,351,000 (30 June 2022: HK$225,000), whilst the Group's investment in securities recorded a loss of HK$4,452,000 (30 June 2022: HK$12,282,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK$16,377,000 (30 June 2022: loss of HK$24,252,000), and a total comprehensive income attributable to owners of the Company of HK$18,109,000 (30 June 2022: total comprehensive expenses of HK$25,277,000) which included a net fair value loss on debt instruments at FVTOCI of HK$3,824,000 (30 June 2022: HK$12,569,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During HY2023, the Group financed its operation mainly by cash generated from its operations and shareholders' funds. At the period end, the Group had current assets of HK$193,166,000 (31 December 2022: HK$191,386,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK$129,955,000 (31 December 2022: HK$90,568,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$8,684,000 (31 December 2022: HK$21,797,000), was at a liquid level of about 22.2 (31 December 2022: 8.8).

At 30 June 2023, the Group's total assets amounted to HK$436,578,000 (31 December 2022: HK$433,689,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK$42,156,000 (31 December 2022: HK$57,376,000) divided by total assets, was at a low level of about 10% (31 December 2022: 13%). Finance costs represented the accretion expense on decommissioning obligation and interest on lease liabilities of HK$941,000 (30 June 2022: nil) and HK$98,000 (30 June 2022: HK$67,000) respectively recognised for the current period.

At 30 June 2023, the equity attributable to owners of the Company amounted to HK$394,422,000 (31 December 2022: HK$376,313,000) and was equivalent to an amount of approximately HK7.53 cents (31 December 2022: HK7.18 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK$18,109,000 was mainly due to the profit earned by the Group for the current period.

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

PROSPECTS

It is the Group's business strategy to continue developing its petroleum exploration and production business, along with expanding and diversifying its business in the energy sector to the next level by investing in renewable energy assets, including solar energy projects, which would support the healthy and sustainable business development of the Group in the long run and create new value to shareholders. In pursuance of these strategic initiatives, the Group has successfully acquired the Canadian Oil Assets, and entered into a cooperation agreement and an acquisition agreement for the development of its solar energy business.

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

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

Looking forward, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses, and will manage its businesses in a prudent approach in view of the business uncertainties brought by the high inflation and interest rate hikes in several major western economies, the ongoing geopolitical tensions, and the war between Russia and Ukraine which bring volatilities to international prices of oil and gas.

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

CORPORATE GOVERNANCE

The Company had complied with all the applicable provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023, except for the following deviations with reasons as explained:

Chairman and chief executive

Code Provision C.2.1

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

Deviation

The Company had deviated from Code Provision C.2.1 of the CG Code during the six months ended 30 June 2023 due to the positions of Chairman of the Board and Chief Executive Officer have been left vacant. The Company is still looking for suitable candidates to fill the vacancies of the Chairman of the Board and the Chief Executive Officer of the Company. The day-to-day management responsibilities are taken up by the Executive Directors of the Company; and the overall direction and strategy of the businesses of the Group are decided by the agreement of the Board. There are three Independent Non-executive Directors on the Board offering independent and differing perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards in place to enable the Company to make and implement decisions promptly and effectively.

Shareholders meetings

Code Provision F.2.2

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

Deviation

As the position of Chairman of the Board has been left vacant, Mr. Sue Ka Lok, Executive Director of the Company, was elected and acted as chairman of the annual general meeting of the Company held on 29 June 2023 in accordance with Bye-law 70 of the Company's Bye-laws.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 June 2023 have not been audited, but have been reviewed by the Audit Committee and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2023, 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, 28 August 2023

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.