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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 2023**

The Board of Directors (the “**Board**”) of EPI (Holdings) Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with comparative figures as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	83,082	45,102
Sales of petroleum, net of royalties		71,597	30,932
Sales of electricity		8,160	6,536
Interest income		3,282	7,482
Dividend income		43	152
Purchases, processing and related expenses		(23,202)	(13,952)
Other income and losses, net	5	11,696	(8,210)
Net loss on financial assets at fair value through profit or loss	6	(1,988)	(1,952)
Reversal (provision) of expected credit loss on loan and interest receivables		11,300	(20,019)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income		(8,832)	(11,081)
Wages, salaries and other benefits	9	(11,727)	(7,300)
Depreciation	9	(26,129)	(13,130)
Loss on redemption of debt instruments at fair value through other comprehensive income		(37)	(453)
Other expenses		(10,731)	(14,875)
Gain on disposal of subsidiaries		1	159
Finance costs	7	(1,099)	(1,246)

* *For identification purpose only*

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Profit (loss) before tax		22,334	(46,957)
Income tax (expense) credit	8	<u>(834)</u>	<u>211</u>
Profit (loss) for the year	9	<u>21,500</u>	<u>(46,746)</u>
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on debt instruments at fair value through other comprehensive income		(4,931)	(11,238)
Provision of expected credit loss on debt instruments at fair value through other comprehensive income included in profit or loss		8,832	11,081
Release on redemption of debt instruments at fair value through other comprehensive income		37	453
Reclassification of cumulative translation reserve upon disposal of foreign operations		–	1,312
Exchange differences arising on translation of financial statements of foreign operations		<u>1,702</u>	<u>(4,539)</u>
Other comprehensive income (expense) for the year, net of income tax		<u>5,640</u>	<u>(2,931)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>27,140</u>	<u>(49,677)</u>
Earnings (loss) per share attributable to owners of the Company			
– Basic	11	<u>HK0.41 cent</u>	<u>HK(0.89) cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	229,212	218,781
Right-of-use assets	<i>12</i>	3,770	2,590
Deposit paid for decommissioning obligation	<i>13</i>	8,897	8,256
Prepayment for acquisition of non-current assets	<i>13</i>	–	6,978
Debt instruments at fair value through other comprehensive income	<i>14</i>	–	5,698
Loan and interest receivables	<i>15</i>	4,007	–
		<hr/>	<hr/>
Total non-current assets		245,886	242,303
Current assets			
Debt instruments at fair value through other comprehensive income	<i>14</i>	3,662	28,041
Inventories		149	312
Loan and interest receivables	<i>15</i>	12,591	60,852
Trade and other receivables and prepayments	<i>13</i>	11,736	10,398
Other tax recoverable		–	204
Income tax recoverable		–	1,011
Financial assets at fair value through profit or loss	<i>16</i>	2,784	4,772
Cash and cash equivalents		168,287	85,796
		<hr/>	<hr/>
Total current assets		199,209	191,386
Current liabilities			
Other payables	<i>17</i>	6,485	20,805
Income tax payable		1,457	618
Other tax payable		674	–
Lease liabilities		1,621	374
		<hr/>	<hr/>
Total current liabilities		10,237	21,797
Net current assets		188,972	169,589
		<hr/>	<hr/>
Total assets less current liabilities		434,858	411,892

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	2,298	2,351
Decommissioning obligation	29,107	33,228
	<hr/>	<hr/>
Total non-current liabilities	31,405	35,579
	<hr/>	<hr/>
Net assets	403,453	376,313
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves		
Share capital	52,403	52,403
Reserves	351,050	323,910
	<hr/>	<hr/>
Total equity	403,453	376,313
	<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of preparation of consolidated financial statements and material accounting policy information

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**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 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. Application of new and amendments to HKFRSs

In the current year, 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 consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standard (“ 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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

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 year is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of petroleum	83,683	39,821
Less: Royalties	(12,086)	(8,889)
Sales of petroleum, net of royalties	71,597	30,932
Sales of electricity	8,160	6,536
Interest income from money lending business*	2,490	3,877
Interest income from debt instruments at fair value through other comprehensive income (“FVTOCI”)*	792	3,605
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	43	152
	83,082	45,102

* Under effective interest method

During the years ended 31 December 2023 and 2022, 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 years ended 31 December 2023 and 2022, 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.

Dividend income and 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 year ended 31 December 2023

	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	<u>71,597</u>	<u>8,160</u>	<u>2,490</u>	<u>835</u>	<u>83,082</u>
Results					
Segment results before reversal (provision) of expected credit loss ("ECL")	<u>17,874</u>	<u>2,661</u>	<u>2,520</u>	<u>(1,206)</u>	<u>21,849</u>
Reversal (provision) of ECL	<u>-</u>	<u>-</u>	<u>11,300</u>	<u>(8,832)</u>	<u>2,468</u>
Segment results	<u>17,874</u>	<u>2,661</u>	<u>13,820</u>	<u>(10,038)</u>	<u>24,317</u>
Other income and losses, net					10,744
Corporate expenses					(12,626)
Gain on disposal of subsidiaries					1
Finance costs					<u>(102)</u>
Profit before tax					22,334
Income tax expense					<u>(834)</u>
Profit for the year					<u>21,500</u>

For the year ended 31 December 2022

	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	<u>30,932</u>	<u>6,536</u>	<u>3,877</u>	<u>3,757</u>	<u>45,102</u>
Results					
Segment results before provision of ECL	4,078	1,403	3,782	1,338	10,601
Provision of ECL	<u>–</u>	<u>–</u>	<u>(20,019)</u>	<u>(11,081)</u>	<u>(31,100)</u>
Segment results	<u>4,078</u>	<u>1,403</u>	<u>(16,237)</u>	<u>(9,743)</u>	(20,499)
Other income and losses, net					(8,818)
Corporate expenses					(17,772)
Gain on disposal of subsidiaries					159
Finance costs					<u>(27)</u>
Loss before tax					(46,957)
Income tax credit					<u>211</u>
Loss for the year					<u>(46,746)</u>

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

Geographical information

The Group's operations are located in Canada and Hong Kong. The Group's operation in Argentina ceased in the previous year.

Information about the Group's revenue from external customers/sources is presented based on the geographical location of the 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 (Note)	
	Year ended 31 December		At 31 December	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Canada	71,597	30,932	188,297	185,615
Hong Kong	11,485	14,170	57,589	50,990
	<u>83,082</u>	<u>45,102</u>	<u>245,886</u>	<u>236,605</u>

Note: Non-current assets excluded debt instruments at FVTOCI.

Information about major customers

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

	2023	2022
	HK\$'000	HK\$'000
Customer A ¹	64,818	30,166
Customer B ²	N/A ³	6,536
	<u>64,818</u>	<u>36,702</u>

Notes:

¹ Revenue from petroleum exploration and production business

² Revenue from solar energy 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank and other interest income	5,856	1,343
Refund of deposit written-off in prior year (<i>Note (i)</i>)	3,081	–
Exchange gain (loss), net	2,580	(10,332)
Write-off of property, plant and equipment	(609)	(9)
Gain on disposal of property, plant and equipment	21	–
Government grants (<i>Note (ii)</i>)	–	228
Modification loss on debt instruments at FVTOCI	–	(79)
Others	767	639
	<u>11,696</u>	<u>(8,210)</u>

Notes:

- (i) The amount represented the reversal of write-off of deposit paid for the share subscription of a company in the prior year as the entire amount had been refunded to the Group during the year ended 31 December 2023.
- (ii) During the year ended 31 December 2022, the Group received government grants of HK\$228,000 in respect of COVID-19-related subsidies which were related to the Employment Support Scheme provided by the Hong Kong Government.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net unrealised loss on financial assets at FVTPL	<u>1,988</u>	<u>1,952</u>

7. Finance costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accretion expense on decommissioning obligation	908	1,127
Interest on lease liabilities	191	119
	<u>1,099</u>	<u>1,246</u>

8. Income tax (expense) credit

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Overprovision in prior years		
Hong Kong Profits Tax	–	830
Canada withholding tax	<u>(834)</u>	<u>(619)</u>
Income tax (expense) credit recognised in profit or loss	<u><u>(834)</u></u>	<u><u>211</u></u>

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

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 years.

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

9. Profit (loss) for the year

Profit (loss) for the year has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Depreciation of property, plant and equipment	24,567	11,692
Depreciation of right-of-use assets	<u>1,562</u>	<u>1,438</u>
Total depreciation	<u><u>26,129</u></u>	<u><u>13,130</u></u>
Staff costs		
– directors' emoluments	1,389	1,385
– other staff costs	10,042	5,710
– other staff's retirement benefits schemes contributions (excluding directors)	<u>296</u>	<u>205</u>
Total staff costs	<u><u>11,727</u></u>	<u><u>7,300</u></u>
Auditor's remuneration	<u><u>2,157</u></u>	<u><u>2,332</u></u>

10. Dividends

No dividend was paid, declared or proposed for the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

11. Earnings (loss) per share

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<u>21,500</u>	<u>(46,746)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>5,240,344</u>	<u>5,240,344</u>

For the years ended 31 December 2023 and 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 year ended 31 December 2023, the Group had additions of construction in progress related to oil and gas properties amounted to HK\$22,867,000, additions of solar photovoltaic systems amounted to HK\$13,727,000 (2022: additions of oil and gas properties and the related construction in progress amounted to HK\$24,343,000 in aggregate, and additions of solar photovoltaic systems and the related construction in progress amounted to HK\$10,767,000 in aggregate), and HK\$38,175,000 was transferred from construction in progress to oil and gas properties (2022: HK\$2,992,000 and HK\$3,738,000 was transferred from construction in progress to oil and gas properties and solar photovoltaic systems respectively).

For the year ended 31 December 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.

13. Deposits and prepayments, trade and other receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deposit paid for decommissioning obligation (<i>Note (i)</i>)	8,897	8,256
Prepayment for acquisition of non-current assets (<i>Note (ii)</i>)	–	6,978
	<u>8,897</u>	<u>6,978</u>
Trade receivables (<i>Note (iii)</i>)	7,001	5,232
Deposits and prepayments	3,987	4,826
Others	748	340
	<u>11,736</u>	<u>10,398</u>

Notes:

- (i) The amount represented a refundable deposit paid to Alberta Energy Regulator in relation to decommissioning obligation of the Group's 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 year ended 31 December 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 (2022: 30 to 60 days). The trade receivables of HK\$7,001,000 (2022: HK\$5,232,000) were aged within 30 days from 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 limit by customer. Credit limit and credit quality attributed to the customers are reviewed by the management regularly.

14. Debt instruments at fair value through other comprehensive income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed investments, at fair value:		
– Debt securities listed in Singapore (2022: Hong Kong or Singapore) with fixed interests ranging from 5.25% to 11.75% (2022: 5.25% to 11.75%) per annum and contractual maturity dates ranging from 23 March 2022 to 28 June 2025 (2022: 23 March 2022 to 28 June 2025)	<u><u>3,662</u></u>	<u><u>33,739</u></u>
Analysed as:		
Current portion	<u>3,662</u>	28,041
Non-current portion	<u>–</u>	<u>5,698</u>
	<u><u>3,662</u></u>	<u><u>33,739</u></u>

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

For the current year, provision of ECL of HK\$8,832,000 (2022: HK\$11,081,000) on debt instruments at FVTOCI was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

15. Loan and interest receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fixed-rate loan receivables	28,500	84,000
Interest receivables	8	652
	<u>28,508</u>	<u>84,652</u>
Less: Impairment allowance	<u>(11,910)</u>	<u>(23,800)</u>
	<u><u>16,598</u></u>	<u><u>60,852</u></u>
Analysed as:		
Current portion	12,591	60,852
Non-current portion	4,007	–
	<u>16,598</u>	<u>60,852</u>
Analysed as:		
Secured	16,598	51,494
Unsecured	–	9,358
	<u>16,598</u>	<u>60,852</u>

For the current year, reversal of ECL of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000) on loan and interest receivables was recognised in profit or loss.

16. Financial assets at fair value through profit or loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	<u>2,784</u>	<u>4,772</u>

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

17. Other payables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued professional fees	273	279
Payables for additions of property, plant and equipment (<i>Note (i)</i>)	–	12,720
Other payables and accruals (<i>Note (ii)</i>)	<u>6,212</u>	<u>7,806</u>
	<u><u>6,485</u></u>	<u><u>20,805</u></u>

Notes:

- (i) At 31 December 2022, the amount of HK\$12,720,000 was related to the additions of oil and gas properties in Canada with credit period of 60 days.
- (ii) At 31 December 2023, the amount included other payables of HK\$2,982,000 (2022: HK\$3,958,000) for operating expenses, workover costs and abandonment costs in relation to the Group's petroleum exploration and production business in Canada.

18. Acquisition of assets and liabilities

On 9 February 2022, the Group entered into an asset purchase and sale agreement with RockEast Energy Corp. for the acquisition of an operating oilfield which comprised petroleum and natural gas rights, facilities and pipelines, together with all other properties and assets located in Alberta Province in Canada (the “**Canadian Oil Assets**”). On 16 July 2022, the acquisition of the Canadian Oil Assets was completed. The directors of the Company had elected to apply the optional concentration test in accordance with HKFRS 3 and concluded that the transaction was an acquisition of assets and liabilities as the Canadian Oil Assets were concentrated in a group of similar identifiable assets of similar nature. In addition, the directors of the Company were also of the opinion that the Canadian Oil Assets were the smallest identifiable group of assets that generated cash flows.

Details of the acquisition are summarised as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	169,338
Decommissioning obligation	<u>(33,877)</u>
	<u><u>135,461</u></u>
Analysis of net outflow of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	<u><u>135,461</u></u>

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

BUSINESS REVIEW

During the year ended 31 December 2023 (“**FY2023**”), the Group continued to principally engage in the business of petroleum exploration and production, solar energy, money lending and investment in securities.

During FY2023, 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\$94/bbl in September 2023, and dropped back to around US\$78/bbl in December 2023, compared with the US\$80 to US\$130/bbl range in 2022. International oil prices are expected to remain volatile in 2024, driven by the continuous changes in global supply and demand forces, along with the ongoing Russia-Ukraine war and geopolitical tensions adding further uncertainties to the market.

During FY2023, the Group continued with its business development plan of the Canadian Oil Assets, which were acquired in July 2022. For FY2023, the Canadian Oil Assets contributed a revenue of HK\$71,597,000 (2022: HK\$30,932,000), earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of HK\$38,568,000 (2022: HK\$13,178,000) and an operating profit of HK\$17,874,000 (2022: HK\$4,078,000) to the Group’s results. 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 power generation projects that are participating in the FiT Scheme, being 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 31 December 2023, the Group had invested a sum of HK\$58,265,000 in solar energy power generation projects under the two aforementioned agreements. For FY2023, the Group’s solar energy business contributed a revenue of HK\$8,160,000 (2022: HK\$6,536,000), an EBITDA of HK\$7,735,000 (2022: HK\$5,157,000) and an operating profit of HK\$2,661,000 (2022: HK\$1,403,000) to the Group’s results.

Overall speaking, for FY2023, the Group recorded an 84% increase in revenue to HK\$83,082,000 (2022: HK\$45,102,000), mainly due to the incorporation of the full year results of the Canadian Oil Assets, whereas in 2022, the assets' results were incorporated by the Group since 16 July 2022, the day the Group completed the acquisition of the Canadian Oil Assets. The Group recorded a turnaround of its results by reporting a profit attributable to owners of the Company of HK\$21,500,000 (2022: loss of HK\$46,746,000), which was mainly the combined effect of (i) the reversal of ECL on loan and interest receivables of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000); (ii) the decrease in provision of ECL on debt instruments at FVTOCI to HK\$8,832,000 (2022: HK\$11,081,000); (iii) the increase in profit contribution from the petroleum exploration and production business to HK\$17,874,000 (2022: HK\$4,078,000); (iv) the decrease in other expenses to HK\$10,731,000 (2022: HK\$14,875,000) mainly due to the absence of professional fees incurred for the acquisition of the Canadian Oil Assets; and (v) the increase in bank and other interest income to HK\$5,856,000 (2022: HK\$1,343,000). Earnings per share were HK0.41 cent (2022: loss per share of HK0.89 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 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 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 around 8,800 net acres of land in Windy Lake region, near Calgary in Alberta Province of Canada. The Canadian Oil Assets are managed under EP Resources Corporation, 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 FY2023, the Group's petroleum exploration and production business (constituted by the Canadian Oil Assets) generated a revenue of HK\$71,597,000 (2022: HK\$30,932,000), an EBITDA of HK\$38,568,000 (2022: HK\$13,178,000), and an operating profit of HK\$17,874,000 (2022: HK\$4,078,000).

For FY2023, the Canadian Oil Assets produced approximately 183,900 barrel (“bbl”) and sold approximately 184,500 bbl of crude oil, and generated a revenue (before royalties payment) of approximately Canadian dollars (“C\$”) 14,427,000 (equivalent to HK\$83,683,000) at an average selling price of C\$78.2/bbl, whilst in 2022 (for the period from July 2022 to December 2022), the Canadian Oil Assets produced and sold 81,300 bbl and 81,100 bbl of crude oil respectively, and generated a revenue (before royalties payment) of approximately C\$6,618,000 (equivalent to HK\$39,821,000) at an average selling price of C\$81.6/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 would largely resell the same to the American importers.

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. In March 2023, all the solar power generation projects were completed and the Group currently has 50 solar photovoltaic systems in operation. Further details of the transactions were stated in the Company’s announcements dated 23 July 2021, 30 August 2021 and 16 September 2021.

During FY2023, the Group had 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 31 December 2023. As of the year end, the Group had 50 solar photovoltaic systems in operation with a total on-grid power generation capacity of approximately 3,200 kilowatt. For FY2023, the solar energy business reported increases in revenue by 25% to HK\$8,160,000 (2022: HK\$6,536,000), EBITDA by 50% to HK\$7,735,000 (2022: HK\$5,157,000), and operating profit by 90% to HK\$2,661,000 (2022: HK\$1,403,000), which were mainly attributed to the addition of 10 solar photovoltaic systems and savings in certain operating and maintenance costs during the year.

Money Lending

For FY2023, the Group's money lending business reported decreases in revenue by 36% to HK\$2,490,000 (2022: HK\$3,877,000) and operating profit (before reversal of ECL) by 33% to HK\$2,520,000 (2022: HK\$3,782,000, before provision of ECL), which were mainly due to the lower average amount of performing loans advanced to borrowers during the year. A reversal of ECL of HK\$11,300,000 (2022: provision of ECL of HK\$20,019,000) was recognised during the year which primarily related to the repayments of certain credit-impaired loan and interest receivables from borrowers. For FY2023, the Group's money lending business recorded an overall profit of HK\$13,820,000 (2022: loss of HK\$16,237,000).

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

The size of the Group's loan portfolio reduced by 73% to HK\$16,598,000 (2022: HK\$60,852,000) (on a net of impairment allowance basis) was mainly a result of the repayments of certain loan and interest receivables. The Group aims to make loans that could be covered by sufficient collateral, 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 collateral for their borrowings. The Group has a stable source of loan deals from its own business network and its sales agents.

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 31 December 2023, the Group's securities investments comprised a financial asset at FVTPL portfolio valued at HK\$2,784,000 (2022: HK\$4,772,000), comprising equity securities listed in Hong Kong, and a debt instrument at FVTOCI portfolio valued at HK\$3,662,000 (2022: HK\$33,739,000), comprising debt securities listed in Singapore. As a whole, the Group's securities investments recorded a revenue of HK\$835,000 (2022: HK\$3,757,000) and a loss, after provision of ECL, of HK\$10,038,000 (2022: HK\$9,743,000).

Financial assets at FVTPL

At 31 December 2023, the Group held a financial asset at FVTPL portfolio amounting to HK\$2,784,000 (2022: HK\$4,772,000) measured at market/fair value. For FY2023, the portfolio generated a revenue of HK\$43,000 (2022: HK\$152,000), representing dividends from listed equity securities. The Group recognised a net loss on financial assets at FVTPL of HK\$1,988,000 (2022: HK\$1,952,000) for the year, representing the net unrealised loss arising from the decrease in market value of the listed 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 and had not made any new investment during the year.

At 31 December 2023, the Group's financial asset at FVTPL portfolio of HK\$2,784,000 comprised the equity securities of a property company listed on the Hong Kong Stock Exchange.

Debt instruments at FVTOCI

At 31 December 2023, the Group's debt instrument at FVTOCI portfolio of HK\$3,662,000 (2022: HK\$33,739,000) was measured at market/fair value. During FY2023, the Group's debt instrument at FVTOCI portfolio generated a revenue amounting to HK\$792,000 (2022: HK\$3,605,000), representing interest income from debt securities. According to the maturity profile of the debt instruments, all the debt instruments at FVTOCI of HK\$3,662,000 (after impairment allowance) were classified as current assets (2022: current assets of HK\$28,041,000 and non-current assets of HK\$5,698,000). During FY2023, the Group had not acquired any debt securities, and principals of certain debt securities totalling HK\$24,336,000 were redeemed. For FY2023, a net fair value loss on debt instruments at FVTOCI of HK\$4,931,000 (2022: HK\$11,238,000) was recognised as other comprehensive expense primarily due to the fall in market value of the debt securities and downward adjustment on fair values of certain debt instruments due to their increased credit risks.

For FY2023, a provision of ECL on debt instruments at FVTOCI of HK\$8,832,000 (2022: HK\$11,081,000) was recognised in profit or loss (with a corresponding adjustment to other comprehensive income) as the credit risks of the debt instruments held by the Group had further increased since initial recognition. During FY2023, the expected loss given default of these debt instruments, which were corporate bonds issued by property companies based in the Mainland, had significantly increased due to the continued defaults of the bond issuers in making payments of interest and principal 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\$8,832,000 was recognised. There had been no change in the method used in determining the ECL on the debt instruments at FVTOCI from the prior financial year.

At 31 December 2023, the Group's debt instrument at FVTOCI portfolio of HK\$3,662,000 comprised the debt securities of five Mainland based property companies. The yield to maturity upon initial acquisition of these debt securities ranged from 6.01% to 12.50% per annum.

Overall Results

For FY2023, the Group's petroleum exploration and production business contributed a profit of HK\$17,874,000 (2022: HK\$4,078,000), the solar energy business recorded a profit of HK\$2,661,000 (2022: HK\$1,403,000), the money lending business posted a profit of HK\$13,820,000 (2022: loss of HK\$16,237,000), whilst the Group's investment in securities recorded a loss of HK\$10,038,000 (2022: HK\$9,743,000). Overall speaking, the Group reported a profit attributable to owners of the Company of HK\$21,500,000 (2022: loss of HK\$46,746,000), and a total comprehensive income attributable to owners of the Company of HK\$27,140,000 (2022: total comprehensive expense of HK\$49,677,000) which included a net fair value loss on debt instruments at FVTOCI of HK\$4,931,000 (2022: HK\$11,238,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During FY2023, 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\$199,209,000 (2022: HK\$191,386,000) and liquid assets comprising cash and cash equivalents as well as financial assets at FVTPL totalling HK\$171,071,000 (2022: HK\$90,568,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$10,237,000 (2022: HK\$21,797,000), was at a very liquid level of about 19.5 (2022: 8.8).

At 31 December 2023, the Group's total assets amounted to HK\$445,095,000 (2022: HK\$433,689,000), the Group's gearing ratio, calculated on the basis of total liabilities of HK\$41,642,000 (2022: HK\$57,376,000) divided by total assets, was at a low level of about 9% (2022: 13%). Finance costs represented the accretion expense on decommissioning obligation and interest on lease liabilities of HK\$908,000 (2022: HK\$1,127,000) and HK\$191,000 (2022: HK\$119,000) respectively recognised for the year.

The Group's bank and other interest income increased by 336% to HK\$5,856,000 (2022: HK\$1,343,000) over last year, mainly resulted from additional surplus funds on hand and the general rise in bank deposit rates.

At 31 December 2023, the equity attributable to owners of the Company amounted to HK\$403,453,000 (2022: HK\$376,313,000) and was equivalent to an amount of approximately HK7.70 cents (2022: HK7.18 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$27,140,000 was mainly due to the profit earned by the Group 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.

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 in Alberta Province of 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 ahead, the Group will continue to actively pursue its interests in the petroleum and solar energy businesses, and will manage its businesses in a disciplined approach in view of the market uncertainties brought by the volatilities of international oil prices, the ongoing geopolitical tensions, and the war between Russia and Ukraine.

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 (renamed as Appendix C1 since 31 December 2023) to the Listing Rules for the year ended 31 December 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 year ended 31 December 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 audited consolidated financial statements of the Company for the year ended 31 December 2023 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 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 2023 as set out above in this announcement have been agreed by the Group's auditor, Moore CPA Limited (formerly known as Moore Stephens CPA Limited), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Moore CPA Limited on this announcement.

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

During the year ended 31 December 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, 27 March 2024

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.