EPI (Holdings) Limited
長盈集團(控股)有限公司

HKSE:0689

Annual Report 2009

Corporate Profile

EPI is a company that primarily focuses on the production of oil and gas in the energy and resource sector. While having a strong oil and gas exploration and production operation in Argentina, EPI is progressively expanding its portfolio through strategic mergers and acquisitions in other oil and gas projects around the world. The Group also operates an OEM/ODM consumer electronic business supplying to customers in the US, Europe and Latin America. EPI is committed to becoming one of Asia's leading operators in the oil and gas industry and is proactively pursuing investment opportunities that create long-term, sustainable value to our shareholders.

Financial Summary

	2009 **HK$'000**	2008 HK$'000	Change
Turnover	**1,089,539**	1,665,018	↓ 35%
Gross profit	**8,176**	96,825	↓ 92%
Profit before taxation	**22,468**	45,369	↓ 50%
Profit (Loss) attributable to equity holders of the Company	**38,001**	(3,993)	↑ 1052%
Earnings (Loss) per share attributable to equity holders of the Company			
– Basic HK cent	**0.82**	(0.10)	
– Diluted HK cent	**0.61**	N/A	

FINANCIAL POSITIONS

	Year Ended		
	2009 **HK$'000**	2008 HK$'000	Change
Cash and bank balances	**93,002**	99,388	↓ 6%
Total assets	**4,565,772**	1,286,483	↑ 255%
Short term borrowings	**330,004**	472,116	↓ 30%
Long term borrowings	**258,883**	NIL	N/A
Total equity	**3,976,885**	814,367	↑ 388%

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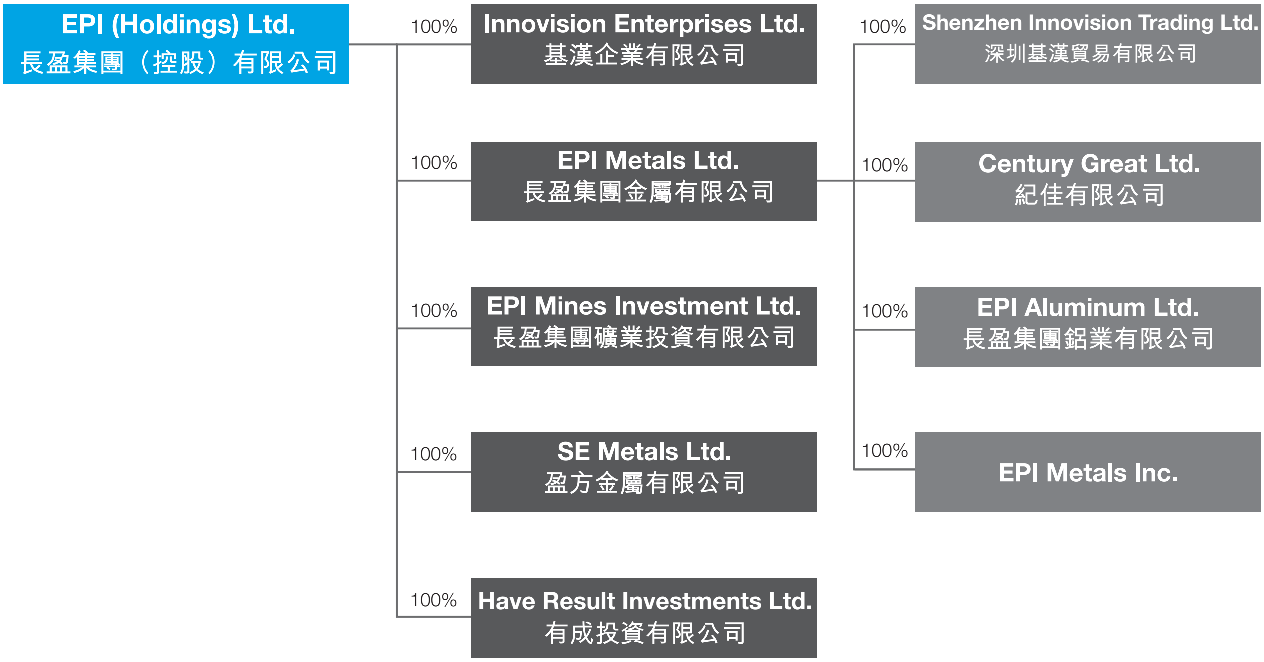
Vision and Mission

VISION Our vision is to become one of Asia's leading operators in the oil and gas industry. At EPI, we aim to achieve this by investing in oil and gas projects with good potentials and building a strong operation and management team to support our exploration, production and development work for our oilfield projects.

MISSION Our mission is to build strategic and productive partnerships with major state-owned enterprises in China oil and gas industry that fit well with our operating strengths and interests to progressively explore, invest and develop significant projects around the world. Our strategy is to invest in projects that will bring quick investment returns. Leveraging on our financial restructuring and management skills, we aim to maximize our value and to provide long-term and sustainable returns to our shareholders.

Corporate Structure



Mr. Joseph Wong Chi Wing, Chairman and CEO

The year 2009 marked a landmark for the Group.

In light of the unfavourable market situation and the continuous decrease in trading profit margin for copper metal trading, the Board of Directors does not see either immediate or future profitable growth in the non ferrous metals business sector that could align with our high growth strategy. The Board has therefore decided that the Group will focus on the oil industry sector and dispose of and restructure the non ferrous metals business.

Our immediate and long term views on the oil and gas sectors are very positive. Oil is a scarce, strategic natural resource and we have full confidence to commit to developing investments and operations in this sector. Our investment strategy will remain to align with the development policy of the Chinese Government, which is encouraging the growth of the energy industry, including the oil sector.

Results and dividends

The Group's reported a net profit for the year of HK$20.31 million against a loss for the year of HK$7.83 million in 2008. The increase in profit attributable to the owners of the Company was mainly due to the HK$61.13 million gain on the disposal of Vision Tech and the gain on fair value changes on listed securities of HK$98.63 million during the year. The Group's turnover was HK$1,089.54 million, a decrease of 34.56% from HK$1,665.02 million for the year ended 31 December 2008. Gross profit was HK$8.18 million, a decrease of 91.55% from last year.

The Board of Directors does not recommend the payment of a dividend.

Focused on oil and gas

The year has been an extraordinarily active one for investment in the natural resource sector. Investors took the opportunity presented by the drastic slide in commodity prices – prompted by the collapse in global economic conditions that began in the fourth quarter of 2008 – to actively invest in resource assets worldwide.

During the year, we have realized our investment and focused all of our resources into oil and gas-related businesses, following the acquisition of 100% of Have Results, a company which holds 51% of operating rights to the Mendoza oilfield project in Argentina. As a result, EPI now has a 51% share of the oil output from this project. The Mendoza oilfield project has existing reserves together with a full infrastructure on site. This existing value in the project substantially minimizes our investment risks and capital investment requirements and will allow us to focus on further enhancement of the oil resource and operations.

In December 2009, we announced that the first two wells in the concession had commenced production and were delivering crude oil to the market in Argentina. We are particularly pleased that immediately prior to the completion of our acquisition in November, within only one month, we had two oil wells in production generating good cash flow that contributed to the Group's 2009 profit. In addition, the third well has commenced production on 9 March 2010 and exploratory work on the fourth and fifth wells is proceeding in line with our master development plan. We expect our first five wells to be in full production in the second quarter of 2010. The Mendoza oilfield project is aligned with our Group's core investment strategy and will deliver immediate production and revenue, at low cost and with controllable risks.

Restructuring approach

Another priority for the Group is our program to dispose of non core assets so as to focus our resources on operations that can contribute to the success of our oil business. Since the beginning of 2009, we have divested the majority of our shares in Vision Tech and disposed our business in smelting and production of copper anode. We believe it is only with dedication and focus that we can achieve our mission of becoming one of the leading producing oil corporations in the industry.

Outlook

For the coming year, we will devote our full energies to laying the foundation works that can widen the scope of our long term development plan for the Mendoza oil project, and build our oil operations into a sustainable business worldwide.

We will execute our production plan and continue to drill more wells. Our first priority is to obtain approval for the master development plan for 2010. This will involve extensive geological studies and assessment of the results in discussion with engineers. We have started to apply for a 10 year extensions within the concession area to ensure we can fully realize our investment return.

The two license blocks of the Mendoza Argentina oilfield encompass approximately 210 square kilometers and vast tracts remain undeveloped. Our master development plan to approve 140 oil wells only covers 40 square kilometers and we will therefore continue to explore other potential areas so as to increase our oil resources & reserves and maximize our investment returns. Through drilling wells, we will be collecting valuable geological data that will support our exploratory work, which we hope will lead to an increase in our oil resources & reserves.

To enhance the operations, we are strengthening our management in Argentina and exploring the lowest cost oil exploration methods, so as to maximize our profit margin. EPI has in the past followed a consistent and successful strategy to partner with major industrial companies in China. In 2010, we hope to finalize a master exploration contract with a major PRC oil company as an operational partner.

As long as it is beneficial and in line with our investment strategy, we will continue to look into other investment projects and grow through acquisition.

Our goal is to become a long term oil exploration group together with leading companies in the oil industry to generate shareholder value and returns for many years to come.

Our People

Mr. Cheng Hairong has resigned from executive director and Mr. Xu Mingshe has resigned from independent non-executive director in 2009. On behalf of the Board of Directors, I would like to thank Mr. Cheng and Mr. Xu for their dedication and contribution to the Group in the past years.

I would like to announce that we are delighted to have two experienced executives joining us with extensive oil industry backgrounds. We extend our warm welcome to Mr. Zhu Tiansheng, who joined as independent non-executive director on 2 November 2009 and Mr. Zhou Jacky, who joined as executive director on 1 January 2010.

I would also like to express my heartfelt thanks to all the shareholders and investors who have shown tremendous patience with us during the course of our business transition, especially given the volatile financial environment. All the staff and directors have shown dedication in their roles and I would like to thank them all for their trust and hard work.

Joseph Wong
Chairman and CEO, EPI (Holdings) Limited

Hong Kong, 10 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

The Group expects that the sourcing of scrap copper and copper anode production will remain difficult while the trading of non-ferrous metals is unlikely to generate a significant contribution to earnings in the near future. To pave the way for becoming a fast growing company, the Group has therefore restructured its existing business to focus on oil and gas operations.

In May 2009, the Group entered into a series of placing transactions to dispose its equity interest in Vision Tech International Holdings Limited ("Vision Tech"), whose shares are listed on the Stock Exchange of Hong Kong Limited:

1. 100,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share.

2. 200,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share pursuant to an option agreement at an option fee of HK$0.01 per option.

3. 250,000,000 ordinary shares of Vision Tech at a price of HK$0.20 per share.

Following the completion of the transactions, Vision Tech has ceased to be a subsidiary of the Company and the remaining Vision Tech shares held by the Group have since been accounted for as held-for-trading investments.

Vision Tech did not contribute significantly to the revenue and cash flows of the Group during the year other than contributing a loss of HK$42.28 million to the Group's profit for the period from 1 January 2009 up to the date of the disposal. The disposal realized a gain on disposal of HK$61.13 million.

On 10 July 2009, the Group entered into a placing agreement (as amended by the supplemental placing agreements dated 28 July 2009, 23 December 2009 and 22 January 2010) to place the remaining 200,000,000 Vision Tech shares to independent placees at a fixed price of HK$0.42 per share. 20,000,000 Vision Tech shares were placed by the placing agent during the period between 10 July 2009 and the year end date. As at 31 December 2009, the Group held 180,000,000 shares in Vision Tech, representing 9.11% of the issued capital of Vision Tech.

The period of placing will end on 23 March 2010. Since 1 January 2009 and up to the date of this announcement a further 20,000,000 Vision Tech shares to independent parties at a fixed price of HK$0.42 per share. As at the date of this announcement, the Group holds 160,000,000 shares in Vision Tech, representing 8.1% of the issued capital of Vision Tech.

On 19 August 2009, The Group acquired oil exploitation rights in Argentina through the acquisition of the entire issued share capital of Have Result Investments Limited ("Have Result") from City Smart International Investment Limited and TCL Peak Winner Investment Limited (the "Vendors"). The principal assets of Have Result are the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") of hydrocarbon exploitation in the Cuyana Basin, Mendoza Province, Argentina, covering total surface areas of approximately 169.4 square kilometers and 40 square kilometers respectively.

The Puesto Pozo Cercado Concession was awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated 26 June 1992, issued by the Ministry of Economy and Public Works of the National Government of Argentina, and approved by National Decree No. 1276, dated 21 July 1992. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

The "Chañares Herrados" Area was obtained by Chañares under an assignment agreement executed with YPF Sociedad Anónima ("YPF"). This area is one formerly owned by YPF before privatization and was converted into an exploitation concession at the time YPF became a private company in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated 19 April 1996, authorized the assignment of this hydrocarbon exploitation concession to Chañares. In accordance with Law No. 17,319 the term of this exploitation concession is also 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

Chañares entered into a joint venture agreement ("JV Agreement") with Maxipetrol – Petroleros de Occidente S.A. (formerly known as Oxipetrol – Petroleros de Occidente S.A., ("Maxipetrol")) on 14 November 2007 in connection with the "Puesto Pozo Cercado" Area and "Chañares Herrados" Area ("Areas"), for the purposes of the development of incremental production in the Areas, through the investments to be made by Maxipetrol, within the scope set forth in the JV Agreement.

Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploitation of the works performed thereunder, shall be distributed in the following proportion: 28% to Chañares and 72% to Maxipetrol. In the JV Agreement, Maxipetrol was expressly allowed to individually enter into agreements of technical and financial assistance with capital and technology investors in order to comply with the obligations undertaken by it under the JV Agreement, provided however that the capital and technology investors which enter into an agreement with Maxipetrol shall not become members of the Joint Venture created under the JV Agreement or parties thereto.

Have Result was incorporated in the British Virgin Islands on 12 September 2007. Have Result is principally engaged in the production of petroleum in the Concession pursuant to an Agreement for the Assignment of Rights, Investment and Technical Cooperation (the "Assignment Agreement") dated 24 November 2007 (as amended and supplemented on 12 December 2007, 28 December 2007 and 19 December 2008) between Maxipetrol and Have Result, pursuant to which Maxipetrol assigned to Have Result part of its rights under the JV Agreement on the future production as a consequence of new drillings in the Areas. Maxipetrol and Have Result then entered into a temporary union of enterprises agreement (the "UTE Agreement") dated 6 August 2009 in connection with the respective rights and obligations and the cooperation between the parties thereto in connection with the petroleum production in the Areas under the Assignment Agreement, pursuant to which the UTE is organised, Have Result has a 70.83% interest and Maxipetrol a 29.17% interest, for carrying out the operation of petroleum production in the Areas. Therefore, Have Result has a 51% working interest in new wells drilled in the Areas under those agreements.

According to the Assignment Agreement and the UTE Agreement, the UTE shall be in charge of defining all technical and financial aspects of the investment plans of the Areas. This includes drilling production wells or injection wells, making infrastructure works for the treatment and transportation of crude oil, geophysical or other studies, the treatment, transportation and final disposal of production water, and the use of hydrocarbons. Such investment plans must consist of the drilling of at least five production wells per calendar year, including 2009, together with the infrastructure works that are necessary for the incremental production that the wells to be drilled may generate. At least two of the wells to be drilled each calendar year must reach the deep reservoir formation in the Areas.

According to the Assessment of the Contingent and Prospective Oil Resources for Certain Shallow Reservoirs and Deep Reservoir Prospects in the Areas dated 1 January 2009 (the "Technical Report") issued by Netherland, Sewell & Associates Inc., the independent technical adviser, the contingent and prospective oil resources in certain shallow reservoirs in the Oilfield are as follows with net volumes reflect Have Result's 51% working interest and account for the 12% royalty payable to the Mendoza Province:

	Contingent Oil Resources (MMNBBL)	
Category	**Gross (100%)**	**Net**
Low Estimate (1C)	88.6	39.8
Best Estimate (2C)	146.9	65.9
High Estimate (3C)	245.5	110.2

	Unrisked Prospective Oil Resources (MMNBBL)	
Category	**Gross (100%)**	**Net**
Low Estimate	7.6	3.4
Best Estimate	13.5	6.1
High Estimate	22.8	10.2

Based on the information on the Technical Report, BMI Appraisals Limited, the independent qualified valuer, had estimated the market value of a 100% equity interest in Have Result as at 30 June 2009 was US$612 million (equivalent to HK$4,773.60 million).

The acquisition was completed on 3 November 2009 and the Group settled the initial consideration for the acquisition to the Vendors by the issuance of promissory notes with principal amount of HK$840 million, 1,000,000,000 new ordinary shares of the Company and 20-year maturity zero coupon convertible notes with par value of HK$2,311.52 million.

The acquisition symbolized the initial step of the Group into the oil and gas business. In the future the Group will continue to look for other merger and acquisition opportunities in the oil and gas industry.

The Group's copper anode production business has been severely hit by the financial crisis since the second half of 2008. On 19 November 2009, the Group entered into sale agreements to dispose the Group's 60% equity interest in Qingyuan JCCL EPI Copper Limited, which carried out the Group's copper anode production business, at a consideration of HK$37.80 million. The disposal was completed on 30 December 2009. The turnover for the year 2009 prior to the completion of the disposal was HK$223.29 million, a decrease of 74.67% from HK$881.51 million for the year ended 31 December 2008. The loss before taxation jumped from HK$44.49 million in 2008 to HK$98.97 million in 2009. The disposal realized a gain of HK$96.52 million and reduced the loss for the year shared by the owners of the Company to HK$2.45 million.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's turnover was HK$1,089.54 million, a decrease of 34.56% from HK$1,665.02 million for the year ended 31 December 2008. Gross profit for the year was HK$8.18 million, a decreased of 91.55% from last year. The Group recorded a profit for the year of HK$20.31 million, against a loss for the year of HK$7.83 million in 2008. The increase in profit attributable to the owners of the Company was mainly due to the HK$61.13 million gain on disposal of Vision Tech and the gain on fair value changes on listed securities of HK$98.63 million during the year.

OPERATIONS REVIEW

During the year, the Group's continuing operations comprised the sale of oil and gas, sourcing and trading of non-ferrous metals and consumer electronics business.

The Group discontinued its copper anode production business during the year.

Sales of oil and gas

During year 2009, Have Result started the drilling of five oil wells that has fulfilled the requirement of investment plan. Two are deep wells and the remaining three are shallow wells. The progress of oil well drilling up to the date of this announcement is shown in the table below.

Oil well	Status	Depth (m)
CH-1052	Development (in production)	3,697
CH-1053	Development (in production)	3,580
CH-1055	Development (in production)	3,600
CH-25 bis	Exploratory	4,685
CH-7 bis	Exploratory	3,000

In November and December 2009, Have Result completed drilling of CH-1052 and CH-1053, and started test production. The sales volume from test production in 2009 was 2,138m^3, which has been sold YPF Sociedad Anónima. The net proceeds from oil sales, after deducting direct oil field operating expenses and taxes, was HK$3.41 million. CH-1055 has commenced the production on 9 March 2010.

According to the drilling schedule, we expect that CH-25 bis will start production in mid March 2010 and CH-7 bis will start production during April 2010.

As of 31 December 2009, Have Result has incurred capital investment of HK$168.2 million on five oil wells. Of this amount HK$54.6 million relates to CH-1052 and CH-1053, which have been classified as oil & gas properties. The remaining HK$113.6 million relates to CH-1055, CH-25 bis and CH-7 bis, which are classified as construction in progress. During 2009, the depreciation of oil & gas properties charged to CH-1052 and CH-1053 was HK$1.44 million.

Future operation plans

Extension of hydrocarbons exploitation concession

The hydrocarbons exploitation concession of Puesto Pozo Cercado Area and the Chañares Herrados Area each have a term of 25 years commencing from 1992 and 1996 respectively, with the possibility of a 10-year extension. Have Result applied for these 10-year extensions in 2009 and expects to hear the result during second half of 2010. According to legal advice on Argentina law obtained by the

Company, the extension of the term of the concessions is subject to a number of factors, including the fulfillment by the concessionaire of its obligations under the documents granting the concessions and applicable laws and reaching an agreement between the concessionaire and the Mendoza Government on the terms of the extension such as the amount of investments to be made. The Board at present does not foresee any major difficulties in respect of the extension of the concessions.

Sub-contracting of oil drilling service

The Group is in the process of negotiating with one of the largest Chinese petroleum and chemical corporations to subcontract oil drilling services in Puesto Pozo Cercado Area and the Chañares Herrados Area. The Group expects the agreement to be finalised in second quarter of 2010.

Overall drilling plan

The Group is discussing with Chañares, the concession owner, the first draft of overall drilling plan in the concession, other than the five oil wells that began drilling in 2009. During the year, the Group made an application of the drilling plan for 2010, which is expected to be finalised in second quarter of 2010.

2. *Segment financial results*

	2009 HK$'000	2008 HK$'000	**% change**
Turnover	**3,406**	–	–
Segment Loss	**(7,572)**	–	–

The Group started its oil and gas operations in 2009 subsequent to the acquisition the entire share capital of Have Result on 3 November 2009.

The turnover represents sales of oil from two wells to our sole customer YPF SA net of direct oil field operating cost and taxes. The selling price was USD42 per barrel or USD 273.6 per m^3. The gross profit after deducting oil & gas properties depreciation was HK$1.87 million with gross profit margin 55%.

Operating expenses of HK$10.35 million mainly include professional and consultancy fee on oil drilling service, salary and travel expenses.

Non-ferrous metals sourcing and trading

Segment financial results

	2009 HK$'000	2008 HK$'000	**% change**
Turnover	**978,277**	1,316,396	-25.69%
Segment Profit/(Loss)	**(78,365)**	96,972	N/A

The trading of non-ferrous metals business faced a difficult 2009. In view of the unfavourable market situation and the decreasing profit margin, the Group has decreased its sourcing volume in purchasing scrap copper from overseas during the year.

The non-ferrous metals sourcing and trading business will remain difficult in the foreseeable future. The Group will continue to source and trade non-ferrous materials only when the market allows a reasonable margin for the transactions. Since the business will be done on a selective basis, the turnover for this business segment is expected to continue to drop in the year of 2010.

Consumer electronics

Segment financial results

	2009 HK$'000	2008 HK$'000	**% change**
Turnover	**143,610**	379,058	-62.11%
Segment Profit/(Loss)	**(3,129)**	5,220	N/A

The Group sells DVD Combo and home theatres to the United States and Latin American markets and outsources the production on an OEM and ODM basis to China manufacturers.

The turnover dropped significantly during the year because the Company's subsidiary Vision Tech did not contribute significant turnover to the Group up to the date of the disposal of shares in the company. Despite the decrease in business volume, the consumer electronics team successfully improved gross profit margin from 2.92% to 4.81% during the year.

FINANCIAL POSITION

As at 31 December 2009, the net asset value of the Group increased to HK$3,976.89 million from HK$814.37 million as at 31 December 2008 as a result of the acquisition of Have Result Investments Limited, a company holding Puesto Pozo Cercado Concession and Chañares Herrados Concession of hydrocarbon exploitation rights in the Cuyana Basin, Mendoza Province, Argentina during the year. As at 31 December 2009, the net asset value per share was HK$0.517 (2008: HK$0.197).

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet the financing needs for the general working capital requirements and future business development, the Group decided to raise additional capital via placement of shares during the year. On 14 October 2009, the Company raised net proceeds of approximately HK$177.50 million via a top up subscription placement of 820,000,000 shares at HK$0.225 per share.

As at 31 December 2009, the Group recorded current assets of HK$540.50 million, in which HK$93 million represented by cash on hand, a reduction of 55.06 % from HK$1,202.74 million as at 31 December 2008. The decrease was mainly attributable to the reduction of trade and other receivables from HK$930.25 million as at 31 December 2008 to HK$260.50 million as at 31 December 2009.

As at 31 December 2009, the Group had short term liabilities of HK$330 million, a reduction of 30.10% from HK$472.12 million as at 31 December 2008. The Group had HK$258.88 million long term liabilities as at year end, out of which HK$252.28 million was promissory notes issued on 3 November 2009 for the acquisition of the entire issued share capital of Have Result Investments Limited.

CHARGE ON ASSETS

As at 31 December 2009, the Group had pledged assets with an aggregate carrying value of HK$25.57 million (2008: HK$46.40 million) to secure bank loan facilities extended to the Group.

CAPITAL COMMITMENTS

As at 31 December 2009, the future capital expenditure for which the Group had contracted but not provided for amounted to HK$63.60 million (2008: NIL).

HEDGE AGAINST COMMODITIES PRICE FLUCTUATIONS

The Group continued to take a prudent approach to hedge the inventory position through appropriate copper forward contracts during the year. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and monitored to ensure that the Group is not exposed to undue market risk and the management did not allow entering into any commodities futures contract for speculation purposes.

The Group uses its future contracts traded on the LME and SHFE to hedge against fluctuations in copper price. For the year ended 31 December 2009, the Group recorded a loss on future contracts of HK$29.16 million (2008: a gain of HK$50.43 million). The Group did not enter into any commodities futures contracts non-related to the business operations during the year.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. WONG Chi Wing, Joseph, Chairman and CEO of EPI, aged 49

Mr. Wong joined the Group in September 2006. He has over 20 years of investment banking experience in the Greater China region, including experience in Capital Markets, Corporate Finance, M&A, and Corporate Restructuring.

In 1990 Mr. Wong joined CEF Holdings, a financial investment group 50% owned by Canadian Imperial Bank of Commerce (CIBC) and 50% by Cheung Kong (Holdings) Limited. Initially appointed as Assistant Director of CEF Capital Limited, he was later made Managing Director in 1995. He was also a Director of CEF (Capital Markets) Limited, and a member of CEF Holding's Undertaking Committee responsible for credit risk management. In 2002, he left CEF Holdings.

In 2004, Mr. Wong assumed the role of a "White Knight", rescuing Great Wall Cybertech Limited (HKSE stock code: 689) by entering into an escrow and exclusivity agreement that saved the company from the threat of liquidation. On 26 September 2006, after Great Wall Cybertech Limited had completed its restructuring, trading of its shares resumed on the Stock Exchange of Hong Kong Limited, and Mr. Wong was appointed as Chairman and CEO of the Group. The Group was then renamed EPI (Holdings) Limited.

Mr. Wong holds a Bachelor's Degree in Social Science from the Chinese University of Hong Kong, with a major in Economics.

Directors and Senior Management Profile

Mr. CHU Kwok Chi, Robert, Executive Director, aged 59

Mr. Chu has been a Sales Director for the Group since August 2004 and was appointed Executive Director for the Group in September 2006 heading the consumer electronics business. Mr. Chu has over 30 years of experience in the international trade and the electronics industry. Mr. Chu has been responsible for the marketing, sales, trading and production of various private and listed consumer electronics companies in Hong Kong. He was the Managing Director of Eltic Electronics Company Limited, a subsidiary of Great Wall Cybertech Limited (former name of EPI (Holdings) Limited), from 1990 to 2000.

Mr. Chu was appointed as the Executive Director of Vision Tech International Holdings Limited (HKSE stock code: 922) on 3 March 2008. He holds a Bachelor's Degree in Business Administration.

Mr. ZHOU Jacky, Executive Director, aged 48

Mr. Zhou has been a director of Have Result Investment Limited since July 2009, participating in the Mendoza oil project development, operation and development in Argentina and was appointed Executive Director for the Group in January 2010.

Prior to joining the Group, Mr. Zhou was the director and General Manager of TCL Industries (H.K.) Limited since June 2006, responsible for treasury investment, project development and management. Mr. Zhou was employed by Shenzhen Electric Appliances Industries Limited and Shenzhen ChangJiang HuiHai Industries Limited and has been in the position of Engineer, Minister and General Manager in the 90s. He moved to Canada in 2000 and studied Business Administration. He graduated from Canadian College of Professional Management and Canadian Institute of Management with the award of Chartered Manager (F.CIM) and Professional Manager (P.Mgr) qualifications. Since his graduation he worked in the field of finance and treasury investment.
Mr. Zhou graduated from the South China University of Technology in Guangzhou, major in radio technology. After his graduation he commenced his career in corporate management and investment project management.

NON-EXECUTIVE DIRECTOR

Mr. LEUNG Hon Chuen, David, aged 58

Mr. Leung joined the Group in October 2006 and is Chairman of the Remuneration Committee. Mr. Leung has had over 25 years of experience in the financial services industry in Canada and Asia. He worked for the Canadian Imperial Bank of Commerce in Canada and Asia for 15

years, where he held senior management positions in investment banking, retail & corporate banking, and private banking.

Mr. Leung has been appointed as the Independent Non-Executive Director of Maoye International Holdings Limited (HKSE stock code: 848) prior to her listing on the Stock Exchange of Hong Kong Limited on 5 May 2008. From 1994 to 1997, he was the Director & General Manager of Essential Enterprises Company Limited (HKSE code: 128). He is currently operating a financial and investment consultation company. He has a Bachelor of Arts degree with a major in Economics from the University of Western Ontario in Canada.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. POON Kwok Shin, Edmond, aged 57

Mr. Poon joined the Group in November 2005 and is the Chairman of the Audit Committee. Mr. Poon is a founder and Executive Director of Compass Technology Holdings Limited. He has over 30 years of experience in financial accounting and auditing. From 1990 to 1996 he served as an Executive Director of QPL International Holdings Limited, a Hong Kong-based manufacturer of lead frames and provider of semiconductor assembly and test services. Prior to this position he worked for 14 years with Kwan Wong Tan & Fong, which merged with Deloitte & Touche to form Deloitte Touche & Tohmatsu, an international accounting firm, and was a partner of that firm when he left.

Mr. Poon received a Higher Diploma in Electronic Engineering from Hong Kong Polytechnic University in 1976, and subsequently worked for international accounting firm Touche Ross & Co. while obtaining his professional qualifications in accounting and auditing. He is a Fellow Member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Mr. QIAN, Zhi Hui, aged 47

Mr. Qian joined the Group in September 2008. He joined China National Native Produce & Animal By-Products Import & Export Corporation, Guangdong Province, as chief legal advisor in 1988. He joined Guangzhou King Pound Law Firm as lawyer in 1993 and is currently a partner of Guangdong Justwin Law Firm.

From 2006 to 2008, he was the Independent Non-Executive Director of New Times Group Holdings Limited (HKSE stock code: 166). He has a Master degree in Procedural Law from Southwest University of Political Science and Law.

Mr. Zhu Tiansheng, aged 64

Mr. Zhu joined the Group in November 2009. He has over 39 years extensive experience in project management, operations, design and construction process of oil and natural gas transmission pipeline, exploration, production and transporting heavy oil, recycling of light hydrocarbon, design and construction of natural gas treatment plants in numerous oil field projects in China.

Mr. Zhu has been employed by China National Offshore Oil Corporation ("CNOOC") since 1986. Since 2005, he is the Senior Consultant and the Chief Project Officer for China Offshore Oil & Gas Development & Utilization Company of CNOOC, participating in the construction of asphalt plant. From 2004 to 2005, he was the Deputy Director of Coordination Office of CNOOC and Mr. Fu Chengyu, was the director and currently the General Manager of CNOOC. From 2001 to 2004, Mr Zhu was the General Manager of China Ocean Oilfields Services (Hong Kong) Limited.

During the period of 1997 to 2001, Mr. Zhu was the General Manager of the Construction Department of CNOOC. The Construction Department is responsible for the organization and investigation of concept design and plans of development, an immediate and final investigation of the basic design. The detailed designs, constructions and installations are managed by the Project Units, which are organized by the Construction Department. The Construction Department also organizes and co-operates with foreign companies for the development and construction of oil and gas fields.

From 1992 to 1997, Mr. Zhu was the Deputy Manager of Development and Production Department of CNOOC and he was responsible for construction development. During the period of 1986 to 1992, he was offered the position of Chief of Project Management Office of Construction Department of CNOOC.

In 1986, Mr. Zhu was transferred to CNOOC from Liaohe Oil Field, China where he had worked there for over 11 years in the 70s and his last position was the Chief of Oil and Gas Management Office of Liaohe Oil Field.

Mr. Zhu was graduated at the Beijing Petroleum Institute and was majoring in oil and gas storage and transportation engineering since 1969. During his work tenor, Mr. Zhu was trained in Japan for 3 months in recycling of light hydrocarbon and studied project management in EGT in United Kingdom during 1994.

MANAGEMENT PROFILE

Mr. HONG Kin Choy, Bryan, Chief Financial Officer & Company Secretary, aged 45

Mr. Hong joined the Group in October 2005. Mr. Hong oversees the Group's financials and carries out the role of Company Secretary. He is a practising certified public accountant in Hong Kong and a Fellow Member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 20 years of experience in the fields of audit, accountancy, business advisory services and corporate finance. Mr. Hong received a Professional Diploma in Accountancy from Hong Kong Polytechnic University in 1987, and subsequently worked for international accounting firm Deloitte Touche Tohmatsu for 5 years, where he had extensive experience in accountancy, auditing and taxation.

Mr. Hong has wide experience in the commercial sector and has held Financial Controller and General Manager positions for more than 10 years. Prior to joining the Group, Mr. Hong runs a CPA firm in his own name.

Mr. PAK, Ka Kei, Financial Controller, aged 39

Mr. Pak joined the Group in November 2009. Mr. Pak oversees the Group's financials and focus on the oil project. Mr. Pak has over 15 years experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Group, Mr. Pak has been working in TCL Multimedia Technology Holdings Limited over 10 years on the finance sections in Hong Kong, Emerging Markets and Europe and he has held the Deputy Internal Control Director and Deputy Financial Controller for Emerging Markets and Europe.

Mr. Pak graduated from City University of Hong Kong with a Bachelor of Arts degree in Accounting in year 1994 and has been worked for Ernst & Young for 5 years.

Mr. CHAN, Hon Wah, Joseph, Vice President, Operations, aged 58

Mr. Chan joined the Group as Vice President in August, 2007. In his present position, Mr. Chan oversees the Group's business operation, logistic and human resource management. Mr. Chan is a qualified accountant with associate membership of the Certified General Accountant of Canada, and holder of a MBA degree in Finance and Investment from the University of Hull, UK. Mr. Chan has over 30 years banking experience, working in Asia and Canada, with substantial expertise in operations, finance and human resources management.

Prior to joining the Group, Mr. Chan held an executive level position at The Bank of Nova Scotia, where he was the Vice President of its Pacific Regional Office in Hong Kong. In this role he directed the Bank's overall operational and administrative functions in the Asia-Pacific Region covering 10 countries and 26 branches and operating units in Asia. Mr. Chan also served as director of the Bank's subsidiaries in Hong Kong and Singapore.

Miss CHEUNG Siu Yuen, Rose, Vice President, aged 45

Miss Cheung joined the Group as Vice President in October 2006. She oversees for the Group's corporate development and capital markets.

Miss Cheung has over 20 years of experience in business and investment strategy, marketing and sales for listed companies involved in consumer electronics, telecommunications, and in financial institutions, in Asia Pacific and China markets. Prior to joining EPI (Holdings) Limited, Miss Cheung held executive position as the Director of Corporate Development for FE Global China Limited, General Manager of Investor Relations for Skyworth Digital Holdings Limited, and Director of Asia-Pacific Regional Marketing, Beenz, which oversees 9 countries in Asia-Pacific Region.

Miss Cheung graduated from York University in Toronto, Canada with a Bachelor of Arts degree in Mass Communication and Psychology. She was educated at Harvard University, Massachusetts, USA, gaining graduate credits in Banking, Finance and the Eurodollar.

CORPORATE GOVERNANCE REPORT

The Board recognizes the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") with deviations from the code provision A.2.1 and A.4.1 of the CG Code as summarized below.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the company. The Company recognizes the importance of segregating the duties of the Chairman the Chief Executive Officer and had tried the best in the past year to identify a high caliber executive to take up either one of these roles. Suitable candidate has not yet been identified but the Company would continue to look for the right person for the posts.

The code provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently the Non-executive Directors are not appointed for a specific term. However, all Non-executive Directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The types of decisions that are to be taken by the Board include:

1. Setting the Company's mission and values
2. Formulating strategic directions of the Company
3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance
4. Monitoring and managing potential conflicts of interest of management and Board members; and
5. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review these arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2009, the Board:–

1. reviewed and approved the annual results of the Group for the year ended 31 December 2008 and the interim results of the Group for the period ended 30 June 2009

2. reviewed and approved the general mandates to issue and repurchase shares of the Company

3. reviewed the internal controls of the Group

4. reviewed the performance of the Group and formulated the business strategy of the Group.

5. reviewed and approved the top-up subscription placement of 820,000,000 shares in the Company at HK$0.225 per share

6. reviewed and approved the disposal of Vision Tech International Holdings Limited (HKSE Stock no. 0922), the subsidiary of the Company, via placement of shares

7. reviewed and approved the disposal of the 60% equity interest in Qingyuan JCCL EPI Copper Limited

8. reviewed and approved the acquisition of 51% operating interests in oilfield in Argentina

9. reviewed and approved the termination of cooperation agreement with Shenzhen Jiangtong Southern Company Limited for the development of overseas scrap copper procurement business

10. reviewed and approved the price-sensitive transactions

Regular Board meetings are scheduled in advance to give all Directors an opportunity to attend. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2009. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

BOARD COMPOSITION

The Board currently comprises three Executive Directors, one Non-executive Director and three independent Non-executive Directors, whose biographical details are set out in the section headed "Directors and Senior Management Profile" on page 16. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

BOARD MEETING RECORDS

There were seven meetings held for the year ended 31 December 2009. The following is an attendance record of the Board Meetings held by the Board during the year:

Name of Directors	Number of Board meetings attended in 2009
Mr. Wong Chi Wing Joseph	8/8
Mr. Cheng Hairong (resigned on 7 September 2009)	2/8
Mr. Chu Kwok Chi Robert	8/8
Mr. Leung Hon Chuen	8/8
Mr. Poon Kwok Shin Edmond	8/8
Mr. Xu Mingshe (resigned on 4 September 2009)	2/8
Mr. Qian Zhi Hui	5/8
Mr. Zhu Tiansheng (appointed on 2 November 2009)	1/8

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The Chief Executive Officer is responsible for the day-today operation of the Company and implementation of the development strategy adopted by the Board. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the Company. The Company recognizes the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a capable executive can be identified, he will be invited to take up either one of these roles in the forthcoming year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. The Group's Independent non-executive Directors have been appointed to hold office until the next Annual General Meeting and shall retire and offer themselves for re-election according to the Company's Bye-laws.

All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries.

Each of the Independent Non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of the independence of directors.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Each Board Committee makes decisions on matters within its term of reference and applicable limit of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

1) Audit Committee

a) Composition of Audit Committee members

Mr. Poon Kwok Shin Edmond *(Chairman)*
Mr. Leung Hon Chuen
Mr. Xu Mingshe
(resigned on 4 September 2009)
Mr. Qian Zhi Hui
(appointed on 4 September 2009)

b) Role and function

The Audit Committee is mainly responsible for:

i. reviewing the financial statements and reports and considering any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

ii. reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendations to the Board on the appointment, re-appointment and removal of external auditors.

iii. reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures.

c) Meeting records

Two meetings were held for the year ended 31 December 2009 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2009
Mr. Poon Kwok Shin Edmond	2/2
Mr. Leung Hon Chuen	2/2
Mr. Xu Mingshe	2/2
Mr. Qian Zhi Hui	0/2

During the meeting, the Audit Committee discussed the following matters:–

i. Financial Reporting

The Audit Committee reviewed with the Chief Executive Officer, the Company Secretary and the Financial Controller of the Company the Final Results for the year ended 31 December 2008 and the Interim Results for the period ended 30 June 2009.

ii. External Auditors

The Audit Committee reviewed the audit fee for the year ended 31 December 2008 and recommended it to the Board.

The Audit Committee reviewed the Audit Committee Report prepared by Deloitte Touche Tohmatsu for the year ended 31 December 2008.

2) Remuneration Committee

a) Composition of Remuneration Committee members

Mr. Leung Hon Chuen *(Chairman)*
Mr. Poon Kwok Shin Edmond
Mr. Xu Mingshe
(resigned on 4 September 2009)
Mr. Qian Zhi Hui
(appointed on 4 September 2009)

b) Role and function

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with prevailing trends and business developments.

ii. making recommendations to the Board on the Company's policy and the structure of all remuneration of Directors and senior management as well as on the establishment of formal and transparent procedures for developing policy on such remuneration;

iii. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

iv. ensuring that no Director or any of his associates is involved in deciding his or her own remuneration.

c) Meeting Records

One meeting was held for the year ended 31 December 2009 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2009
Mr. Leung Hon Chuen	1/1
Mr. Poon Kwok Shin Edmond	1/1
Mr. Xu Mingshe	1/1
Mr. Qian Zhi Hui	0/1

During the year under review, the Remuneration Committee reviewed the policies for the remuneration of Directors and senior management of the Group, the staff costs and headcount of the Group. The Remuneration Committee also reviewed the remuneration package of the Directors and the senior management to ensure they are in line with the market

3) Nomination Committee

a) Composition of Nomination Committee members

Mr. Wong Chi Wing Joseph *(Chairman)*
Mr. Leung Hon Chuen
Mr. Poon Kwok Shin Edmond
Mr. Xu Mingshe
(resigned on 4 September 2009)

b) Role and function

The Nomination Committee is mainly responsible for:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;

ii. identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for Directorships;

iii. assessing the independence of Independent Non-executive Directors; and

iv. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

c) Meeting Records

One meeting was held for the year ended 31 December 2009 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2009
Mr. Wong Chi Wing Joseph *(Chairman)*	1/1
Mr. Leung Hon Chuen	1/1
Mr. Poon Kwok Shin Edmond	1/1
Mr. Xu Mingshe	1/1

During the meeting, the Nomination Committee discussed for the need of segregating the duties of Chairman and the Chief Executive Officer and unanimously agreed to identify a high caliber executive to take up either one of the roles. Suitable candidate has not yet been identified but the Nomination Committee members would continue to look for the right person for the posts and recommend to the Board.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 39-40.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control so as to maintain sound and effective controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

EXTERNAL AUDITORS

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies adopted for the preparation of financial statements of the Group, which have been consistently applied to all the years, are set out in note 3 to the financial statements.

It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

During the year under review, the remuneration paid to the Company's external auditors, Messrs Deloitte Touche Tohmatsu was as follows:

Nature of services	Fee paid/payable HK$'000
Audit services	2,500
Non-audit services	840
	3,340

COMMUNICATION WITH SHAREHOLDERS

The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of Shareholders to demand a poll were included in all circulars accompanying notices convening general meeting and the detailed procedures for conducting a poll had been read out by the Company Secretary at general meetings.

The annual general meeting provides a useful forum for Shareholders to exchange views with the Board. The Chairman, Directors, Board Committees' Chairman/ Members and external auditor are available to answer questions at the meeting.

To ensure all Shareholders timely access to important corporate information, the Company utilizes its corporate website to disseminate to the Shareholder information such as announcements, circulars, annual and interim reports.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are sourcing and trading of non-ferrous metals, sourcing and trading of consumer electronics products, and petroleum exploration and production. The principal activity of the Group's jointly controlled entity was engaged in the provision of copper smelting and production of copper anode which was disposed of in the current year (see note 12 to the consolidated financial statements). Particulars of the Company's principal subsidiaries are set out in note 53 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating and reportable segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 (the "Year") are set out in the consolidated statement of comprehensive income on page 41.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2009.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 123.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movement during the year in the share capital of the Company are set out in note 35 to the consolidated financial statements.

PURCHASE, SALES AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

In situations where several reserves are available for distribution to shareholders

The Company's reserves available for distribution to shareholders as at 31 December 2009 were as follows:

	2009 HK$'000	2008 HK$'000
Contributed surplus	**60,322**	60,322
Retained profits	**24,534**	9,955
	84,856	70,277

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors:

Mr. Wong Chi Wing Joseph
Mr. Cheng Hairong (resigned on 7 September 2009)
Mr. Chu Kwok Chi Robert
Mr. Zhou Jacky (appointed on 1 January 2010)

Non-executive Director:

Mr. Leung Hon Chuen

Independent Non-executive Directors:

Mr. Poon Kwok Shin Edmond
Mr. Qian Zhi Hui
Mr. Xu Mingshe (resigned on 4 September 2009)
Mr. Zhu Tiansheng (appointed on 2 November 2009)

Biographical details of Directors of the Company are set out on page 16 under the section titled "Directors and Senior Management Profile".

In accordance with Article 99(A) of the Company's Bye laws, all Directors, except the Managing Director, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company in accordance with the Company's Bye laws.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, or any of its subsidiaries, its holding company, or any subsidiaries of its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year.

COMPETING INTEREST

None of the Director or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Director	Number of Shares Beneficial owner	Controlled corporation (note 1)	Equity derivatives (note 2)	Total interests	Approximate percentage of the issued share capital of the company (note 3)
Wong Chi Wing, Joseph	9,000,000	1,211,477,277	–	1,220,477,277	15.86%
Chu Kwok Chi Robert	3,306,383	–	–	3,306,383	0.04%
Poon Kwok Shin, Edmond	2,000,000	–	–	2,000,000	0.03%

Notes

1. 3,331,277 shares are held by Rich Concept Worldwide Limited, a company beneficially wholly-owned by Mr. Wong Chi Wing Joseph, and 1,208,146,000 shares are held by Climax Associates Limited, a company which is owned as to 71.83% by Rich Concept Worldwide Limited and 28.17% by Mr. Chu Kwok Chi Robert.

2. These interests represent the interests in underlying shares in respect of share options granted by the Company. The details of which are set out in the Section "Details of options granted by the Company" below.

3. The calculation of percentages is based on 7,693,611,984 Shares of the Company in issue as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, no Directors or Chief Executive have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, according to the register of interests maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

Name of Shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the Company (v)
City Smart International Investment Limited (i)	Beneficial owner	9,358,421,739	121.64%
Mr. Wu Shaozhang (i)	Interest of a controlled corporation	9,358,421,739	121.64%
TCL Peak Winner Investment Limited (ii)	Beneficial owner	6,077,451,707	78.99%
T.C.L. Industries Holdings (H.K.) Limited (ii)	Interest of a controlled corporation	6,077,451,707	78.99%
TCL Corporation (ii)	Interest of a controlled corporation	6,077,451,707	78.99%
Climax Associates Limited (iii)	Beneficial owner	1,208,146,000	15.70%
Rich Concept Worldwide Limited (iii)	Beneficial owner	3,331,277	0.04%
Rich Concept Worldwide Limited (iii)	Interest of a controlled corporation	1,208,146,000	15.70%
Creative Honor Overseas Limited (iv)	Beneficial owner	731,707,317	9.51%
Mr. Chan Kong Po (iv)	Interest of a controlled corporation	731,707,317	9.51%

Notes:

(i) Such interest comprised 584,068,568 shares and 8,774,353,171 underlying shares (may be converted into ordinary share of the Company upon exercise of conversion right under the convertible notes for the principal amount of HK$1,798,742,400 at HK$0.205 per share). So far is known to the Directors, City Smart International Investment Limited is wholly-owned by Mr. Wu Shaozhang.

(ii) Such interest comprised 1,171,219,512 shares and 4,906,232,195 underlying shares (may be converted into ordinary share of the Company upon exercise of conversion right under the convertible notes for the principal amount of HK$1,005,777,600 at HK$0.205 per share). So far is known to the Directors, TCL Peak Winner Investment Limited is wholly-owned by T.C.L. Industries Holdings (H.K.) Limited, which is wholly-owned by TCL Corporation.

(iii) So far is known to the Directors, Climax Associates Limited is 71.83% owned by Rich Concept Worldwide Limited and 28.17% by Mr. Chu Kwok Chi Robert, the executive director of the Company. Rich Concept Worldwide Limited is beneficially wholly-owned by Mr. Wong Chi Wing Joseph, the Chairman and CEO of the Company.

(iv) Such interest comprised 731,707,317 underlying shares (may be converted into ordinary share of the Company upon exercise of conversion right under the convertible notes for the principal amount of HK$150,000,000 at HK$0.205 per share). So far is known to the Directors, Creative Honor Overseas Limited is wholly-owned by Mr. Chan Kong Po.

(v) The calculation of percentages is based on 7,693,611,984 Shares of the Company in issue as at 31 December 2009.

Saved as disclosed above, as at 31 December 2009, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or has any options in respect of such capital.

EMOLUMENT POLICY

The emolument of the employees of the Group is set up by the human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.
The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits schemes of the Group are set out in note 48 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an Ordinary Resolution passed at the Special General Meeting of the Shareholders held on 6 November 2006 for he purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

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

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

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

As at 31 December 2009, options to subscribe for an aggregate of 3,000,000 shares of the Company granted to the Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

	Number of share options								
Name of Director	At 1 January 2009	Grant during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2009	Date of Grant	Exercisable period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Mr. Wong Chi Wing Joseph	8,380,000	–	–	(8,380,000)	–	31 January 2007	21 February 2007 to 31 December 2009	0.205	0.205
	8,000,000	–	–	(8,000,000)	–	31 January 2007	1 January 2008 to 31 December 2009	0.205	0.205
	8,000,000	–	–	(8,000,000)	–	31 January 2007	1 January 2009 to 31 December 2009	0.205	0.205
Mr. Cheng Hairong (Former Director)	8,380,000	–	–	(8,380,000)	–	31 January 2007	21 February 2007 to 31 December 2009	0.205	0.205
	8,000,000	–	–	(8,000,000)	–	31 January 2007	1 January 2008 to 31 December 2009	0.205	0.205
	8,000,000	–	–	(8,000,000)	–	31 January 2007	1 January 2009 to 31 December 2009	0.205	0.205
Mr. Chu Kwok Chi Robert	680,000	–	–	(680,000)	–	21 February 2007	1 January 2008 to 31 December 2009	0.30	0.27
	1,320,000	–	–	(1,320,000)	–	21 February 2007	1 January 2009 to 31 December 2009	0.30	0.27
Mr. Leung Hon Chuen	800,000	–	–	(800,000)	–	31 January 2007	1 January 2008 to 31 December 2009	0.205	0.205
	400,000	–	–	(400,000)	–	21 February 2007	1 January 2008 to 31 December 2009	0.30	0.27
	1,180,000	–	–	(1,180,000)	–	21 February 2007	1 January 2009 to 31 December 2009	0.30	0.27
Mr. Poon Kwok Shin, Edmond	800,000	–	(800,000)	–	–	31 January 2007	1 January 2008 to 31 December 2009	0.205	0.205
	400,000	–	–	(400,000)	–	21 February 2007	1 January 2008 to 31 December 2009	0.30	0.27
	1,180,000	–	–	(1,180,000)	–	21 February 2007	1 January 2009 to 31 December 2009	0.30	0.27
Mr. Xu Mingshe	680,000	–	–	(680,000)	–	21 February 2007	28 February 2007 to 31 December 2009	0.30	0.27
	660,000	–	–	(660,000)	–	21 February 2007	1 January 2008 to 31 December 2009	0.30	0.27
	660,000	–	–	(660,000)	–	21 February 2007	1 January 2009 to 31 December 2009	0.30	0.27
Employees	44,440,000	–	–	(44,440,000)	–	31 January 2007	21 February 2007 to 31 December 2009	0.205	0.205
	47,440,000	–	–	(47,440,000)	–	31 January 2007	1 January 2008 to 31 December 2009	0.205	0.205
	45,260,000	–	–	(45,260,000)	–	31 January 2007	1 January 2009 to 31 December 2009	0.205	0.205
	4,700,000	–	–	(4,700,000)	–	21 February 2007	1 January 2008 to 31 December 2009	0.30	0.27
	7,700,000	–	–	(7,700,000)	–	21 February 2007	1 January 2009 to 31 December 2009	0.30	0.27
	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2008 to 15 August 2011	0.642	0.64
	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2009 to 15 August 2011	0.642	0.64
	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2010 to 15 August 2011	0.642	0.64
Total	210,060,000	–	(800,000)	(206,260,000)	3,000,000				

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	42%
– five largest customers combined	93%
Purchases	
– the largest supplier	51%
– five largest customers combined	88%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

CONNECTED TRANSACTIONS

JCCL EPI's Sales of Copper Materials and Use of Logistics Services (Continuing Connected Transactions)

On 22 May 2007, Qingyuan JCCL EPI Copper Limited ("JCCL EPI"), a 51% indirectly owned subsidiary of the Company at that time , entered into (i) the Supply Framework Agreement with Jiangxi Copper Limited ("JCCL"), pursuant to which JCCL EPI conditionally agreed to sell and JCCL conditionally agreed to purchase all the Copper Materials produced/processed by JCCL EPI during the three years ending 31 December 2009; and (ii) the Logistics Services Agreement, pursuant to which JCCL EPI has the right, but not the obligation to use the Logistics Services to be provided by JCC Logistics Limited ("JCC Logistics") for the three years ending 31 December 2009.

By virtue of JCCL's interest in 40% of JCCL EPI's registered capital, JCCL and JCC Logistics (being 64% owned indirect subsidiary of JCCL) are connected persons of the group and the transactions contemplated under the Supply Framework Agreement and Logistics Services Agreement therefore constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

During the year, JCCL EPI sold a total of RMB$326 million copper materials to JCCL. The copper materials annual cap for the sales of copper materials by JCCL EPI to JCCL under the Supply Framework Agreement is set at RMB$3,150 million, RMB$6,300 million and RMB$7,560 million for the three years ending 31 December 2007, 2008 and 2009 respectively. If the amount to be paid by JCCL exceeds the said cap, independent shareholders' approval would be required. The total sales under the Supply Framework Agreement were within the annual cap of HK$6,300 million as stipulated in the Company's announcement on 12 June 2007.

During the year, no Services fees were paid to JCC Logistics. The annual cap for the use of logistic services of JCC Logistics by JCCL EPI under the Logistics Services Agreement is set at RMB$11.5 million, RMB$23 million and RMB$27.6 million for the three years ending 31 December 2007, 2008 and 2009 respectively. If the amount to be paid by JCCL EPI exceeds the said cap, independent shareholders' approval would be required. The total logistics services fee paid to JCC Logistics during the year under the Logistics Services Agreement was within the annual cap of HK$23 million as stipulated in the Company's announcement on 12 June 2007.

Save as disclosed above and in note 49 to the consolidated financial statements, there were no other connected transactions, which were discloseable under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business, on normal commercial terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EMPLOYEES

As at 31 December 2009, the Group had a total of about 31 employees in Hong Kong, 16 employees in Argentina and 18 employees in PRC. Employee's cost (excluding directors' emoluments) amounted to approximately HK$17.09 million (2008: HK$25.83 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the Public as of the date of this report.

CONTINGENT LIABILITIES

At 31 December 2009, the Group had no material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 52 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to reappoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Wong Chi Wong Joseph
Chairman

10 March 2010

Deloitte.
德勤

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 122, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED – continued

(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Continuing operations:			
Revenue	5	**1,089,539**	1,665,018
Cost of sales	6	**(1,081,363)**	(1,568,193)
Gross profit		**8,176**	96,825
Other gains and losses	7	**73,470**	62,740
Gain (loss) on disposal of a subsidiary	42	**61,129**	(289)
Distribution and selling expenses		**(11,639)**	(31,296)
Administrative expenses		**(70,490)**	(76,553)
Other expenses	8	**(35,224)**	(5,935)
Finance costs	9	**(2,954)**	(123)
Profit before taxation		**22,468**	45,369
Taxation credit (charge)	10	**291**	(8,714)
Profit for the year from continuing operations	11	**22,759**	36,655
Discontinued operation:			
Loss for the year from discontinued operation	12	**(2,445)**	(44,488)
Profit (loss) for the year		**20,314**	(7,833)
Other comprehensive income			
Transfer to profit and loss on disposal of foreign operation		**(6,987)**	–
Exchange differences arising on translation of foreign operation		**401**	3,011
Other comprehensive (expenses) income for the year		**(6,586)**	3,011
Total comprehensive income (expenses) for the year		**13,728**	(4,822)
Profit (loss) for the year attributable to:			
Owners of the Company		**38,001**	(3,993)
Minority interests		**(17,687)**	(3,840)
		20,314	(7,833)
Total comprehensive income (expenses) attributable to:			
Owners of the Company		**31,415**	(982)
Minority interests		**(17,687)**	(3,840)
		13,728	(4,822)
Earnings (loss) per share	16		
From continuing and discontinued operations:			
– basic		**0.82 HK cent**	(0.10) HK cent
– diluted		**0.61 HK cent**	N/A
From continuing operations:			
– basic		**0.88 HK cent**	0.98 HK cent
– diluted		**0.65 HK cent**	0.98 HK cent

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Exploration and evaluation assets	17	**3,810,136**	–
Property, plant and equipment	18	**171,978**	43,334
Goodwill	19	**–**	14,996
Prepaid lease payments	20	**–**	22,729
Financial assets at fair value through profit or loss	21	**2,947**	2,684
Deferred tax assets	22	**295**	–
Other tax recoverable	23	**39,912**	–
		4,025,268	83,743
Current assets			
Inventories	24	**–**	47,785
Loan receivables	25	**15,962**	30,000
Trade and other receivables	26	**260,504**	930,253
Trade receivable from a joint venture partner	27	**–**	1,024
Held-for-trading investments	28	**148,412**	24,836
Derivative financial instruments	29	**–**	25,205
Prepaid lease payments	20	**–**	538
Pledged bank deposits	30	**22,624**	43,711
Bank balances and cash	30	**93,002**	99,388
		540,504	1,202,740
Current liabilities			
Trade and other payables	31	**221,733**	140,940
Derivative financial instruments	29	**8,009**	22
Bank borrowings – amounts due within one year	32	**99,962**	307,338
Taxation payable		**300**	23,816
		330,004	472,116
Net current assets		**210,500**	730,624
Total assets less current liabilities		**4,235,768**	814,367
Non-current liabilities			
Promissory notes	33	**252,280**	–
Bank borrowings – amounts due after one year	32	**3,453**	–
Assets retirement obligation	34	**3,150**	–
		258,883	–
		3,976,885	814,367

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Capital and reserves			
Share capital	35	**76,936**	41,313
Reserves		**3,899,949**	731,062
Equity attributable to owners of the Company		**3,976,885**	772,375
Share options reserve of a subsidiary		**–**	2,238
Minority interests		**–**	39,754
Total equity		**3,976,885**	814,367

The consolidated financial statements on pages 41 to 122 were approved and authorised for issue by the Board of Directors on 10 March 2010 and are signed on its behalf by:

Wong Chi Wing, Joseph	**Chu Kwok Chi, Robert**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve (Note) HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Convertible notes reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Share options reserve of a subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	41,350	591,793	60,322	3,552	12,293	10,832	–	61,710	781,852	–	–	781,852
Exchange differences arising on translation	–	–	–	3,011	–	–	–	–	3,011	–	–	3,011
Loss for the year	–	–	–	–	–	–	–	(3,993)	(3,993)	–	(3,840)	(7,833)
Total comprehensive income and expense for the year	–	–	–	3,011	–	–	–	(3,993)	(982)	–	(3,840)	(4,822)
Shares repurchased and cancelled	(77)	(2,361)	–	–	–	–	–	–	(2,438)	–	–	(2,438)
Recognition of share-based payment expense	–	–	–	–	3,356	–	–	–	3,356	2,238	–	5,594
Exercise of share options	40	1,115	–	–	(240)	–	–	–	915	–	–	915
Lapse of warrants	–	–	–	–	–	(10,832)	–	10,832	–	–	–	–
Dividend paid	–	–	–	–	–	–	–	(10,328)	(10,328)	–	–	(10,328)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	43,594	43,594
At 31 December 2008 and 1 January 2009	41,313	590,547	60,322	6,563	15,409	–	–	58,221	772,375	2,238	39,754	814,367
Exchange differences arising on translation	–	–	–	401	–	–	–	–	401	–	–	401
Transfer to profit and loss on disposal of foreign operation	–	–	–	(6,987)	–	–	–	–	(6,987)	–	–	(6,987)
Profit for the year	–	–	–	–	–	–	–	38,001	38,001	–	(17,687)	20,314
Total comprehensive income and expense for the year	–	–	–	(6,586)	–	–	–	38,001	31,415	–	(17,687)	13,728
Recognition of share-based payment expense	–	–	–	–	157	–	–	–	157	–	–	157
Exercise of share options	8	204	–	–	(48)	–	–	–	164	–	–	164
Issue of new shares	8,200	176,300	–	–	–	–	–	–	184,500	–	–	184,500
Transaction costs attributable to issue of new shares	–	(6,999)	–	–	–	–	–	–	(6,999)	–	–	(6,999)
Issue of shares for acquisition of a subsidiary	10,000	234,000	–	–	–	–	–	–	244,000	–	–	244,000
Issue of convertible notes for acquisition of a subsidiary	–	–	–	–	–	–	2,751,273	–	2,751,273	–	–	2,751,273
Conversion of convertible notes	17,415	407,502	–	–	–	–	(424,917)	–	–	–	–	–
Released on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(2,238)	(22,067)	(24,305)
At 31 December 2009	**76,936**	**1,401,554**	**60,322**	**(23)**	**15,518**	**–**	**2,326,356**	**96,222**	**3,976,885**	**–**	**–**	**3,976,885**

Note: The contributed surplus reserve represents the credit arising from the capital reduction in 2006.

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
Profit (loss) for the year		**20,314**	(7,833)
Adjustments for:			
Income tax (credit) charge recognised in profit or loss		**(291)**	8,714
Depreciation of property, plant and equipment		**5,704**	3,747
Loss on disposal of property, plant and equipment		**162**	85
Impairment loss recognised in respect of property, plant and equipment		**–**	715
Impairment loss recognised in respect of goodwill		**–**	14,251
(Gain) loss on disposal of a subsidiary		**(61,129)**	289
Gain on disposal of a jointly controlled entity		**(96,524)**	–
Share-based payment expense		**157**	5,594
Amortisation of prepaid lease payments		**536**	570
Write-down of inventories		**6,347**	3,116
Allowance for bad and doubtful debts		**27,203**	–
Gain on fair value change of index-linked note		**(263)**	(344)
Interest income		**(2,635)**	(4,246)
Interest expense		**2,954**	7,988
Operating cash flows before movements in working capital		**(97,465)**	32,646
(Increase) decrease in inventories		**(62,564)**	109,706
Decrease (increase) in trade and other receivables		**619,129**	(219,867)
Increase in other tax recoverable		**(19,838)**	–
Decrease in trade receivable from a joint venture partner		**1,024**	17,227
Increase in held-for-trading financial assets		**(103,576)**	(15,163)
Increase (decrease) in trade and other payables		**219,688**	(26,665)
Decrease (increase) in derivative financial instruments		**32,251**	(24,310)
Cash from (used in) operations		**588,649**	(126,426)
Hong Kong Profits Tax paid		**(23,482)**	(2,277)
Net cash from (used in) operating activities		**565,167**	(128,703)
Investing activities			
Purchases of property, plant and equipment		**(79,690)**	(9,108)
Proceeds from disposal of property, plant and equipment		**107**	3
Interest received		**3,451**	2,982
Acquisition of subsidiaries	40	**6,588**	53,358
Acquisition of additional interest in a jointly controlled entity through purchase of a subsidiary	41	**–**	(20,818)
Disposal of a subsidiary	42	**77,919**	(6)
Disposal of a jointly controlled entity	43	**(5,498)**	–
Loan advanced		**–**	(26,000)
Receipts from repayment of loan receivables		**14,038**	44,933
Decrease (increase) in pledged bank deposits		**17,760**	(16,793)
Net cash from investing activities		**34,675**	28,551

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Financing activities			
New bank borrowings raised		**189,866**	532,320
Proceeds from issue of shares upon exercise of share options		**164**	915
Repayment of bank borrowings		**(384,897)**	(459,931)
Repayment of promissory notes		**(587,720)**	–
Dividend paid		**–**	(10,328)
Interest paid		**(1,542)**	(7,988)
Payment on repurchase of shares		**–**	(2,438)
Proceeds from issue of new shares		**184,500**	–
Expenses on issue of new shares		**(6,999)**	–
Net cash (used in) from financing activities		**(606,628)**	52,550
Net decrease in cash and cash equivalents		**(6,786)**	(47,602)
Cash and cash equivalents at beginning of the year		**99,388**	145,047
Effect of foreign exchange rate changes		**400**	1,943
Cash and cash equivalents at end of the year, representing bank balances and cash		**93,002**	99,388

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Suite 6303-4 on 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and trading of non-ferrous metals, sourcing and trading of consumer electronics products, and petroleum exploration and production. The Group's jointly controlled entity was engaged in the provision of copper smelting and production of copper anode which was disposed of in the current year (see note 12).

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of financial statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 "Operating segments"

HKFRS 8 is a disclosure standard that has changed the basis of measurement of segment profit or loss (see note 5). However, the adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 5).

Improving disclosures about financial instruments
(Amendments to HKFRS 7 Financial instruments: disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first–time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK (IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK (IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Joint ventures – continued

Jointly controlled entities – continued

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

On acquisition of additional interest in a jointly controlled entity which do not fall within the definition of business combination under HKFRS 3, goodwill arising on the purchase of the additional interest is calculated as the difference between the additional cost of the interest acquired and the increase in the Group's interest, based on the carrying amount of all identifiable assets and liabilities of the jointly controlled entity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Oil and gas properties

Oil and gas properties are stated at cost less subsequent accumulated depletion, depreciation and amortisation and any accumulated impairment losses. The successful efforts method of accounting is used for oil and gas properties. Under this method, all costs for developed wells, support equipment and facilities, and for acquiring proven mineral interests in oil and gas properties are capitalised. Proven oil and gas reserves are the estimated quantities of crude oil, natural gas and condensate oil, with geological and engineering data to demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Depletion, depreciation and amortisation of capitalised costs of oil and gas properties is calculated on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for depletion, depreciation and amortisation of oil and gas properties, also takes into account the expenditure incurred to date, together with projected future development expenditure and the volume of oil and gas produced in the current year.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment – continued

Construction in progress

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than oil and gas properties and construction in progress over their estimated useful lives after taking into account their estimated residual value, using the straight–line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploratory wells (pipelines, drilling cost and others) are capitalised pending the determination of whether sufficient quantities of potentially economic oil and gas reserves have been discovered. The related well costs are expensed if it is determined that such economic viability is not attained within one year of completion of drilling.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for natural resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as oil and gas properties. These assets are assessed for impairment before reclassification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Exploration and evaluation assets – continued

Impairment of exploration and evaluation assets

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

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

Prepaid lease payments

Payments for obtaining land use rights is considered as operating lease payment and charged to profit or loss over the period of land use right using the straight-line method.

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

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise of financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is excluded from net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Index-linked note is a hybrid instrument that contains embedded derivatives. The Group has designated index-linked notes as "financial assets at fair value through profit or loss" upon initial recognition in accordance with HKAS 39. The notes are carried at fair value, with changes in fair value recognised in profit or loss.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loan receivables, trade and other receivables, trade receivable from a joint venture partner, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re–organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

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

Embedded derivatives

Derivatives embedded in non–derivative host contracts are treated as separate derivative when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Other financial liabilities

Financial liabilities including trade and other payables, promissory notes and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company, including convertible notes which will be settled by the exchange of a fixed amount of convertible notes for a fixed number of the Company's own equity instruments, are recorded at the proceeds received/fair values, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight–line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

Share options granted to other suppliers of goods and services

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair value of the goods or services are recognised as expenses with a corresponding increase in equity, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements in Hong Kong dollars, the assets and liabilities of the group entities are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve). Translation differences relating to a foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets retirement obligation

The Group is required to make payments for restoration and rehabilitation of the land at the end of the productive life of oil and gas fields. Provision for restoration cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the relevant jurisdictions at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is recorded in the period in which the obligation is identified and is capitalised to the costs of oil and gas properties. This cost is charged to profit or loss through amortisation of the assets, which are amortised using the unit–of–production method based on the actual production volume over the estimated total proved and probable reserves of the developed wells.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of trade and other receivables

Allowance for trade and other receivables is made based on the evaluation of collectability and ageing analysis of accounts. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade and other receivables is HK$260,504,000 (2008: HK$930,253,000).

Estimation of petroleum reserves

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Impairment of exploration and evaluation assets

The carrying amounts of the exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amounts of the exploration and evaluation assets may exceed their recoverable amounts. The Group's determination as to whether oil exploration rights are impaired requires an estimation of the recoverable amount of the assets. The Group relied on experts to assess the geological prospects for the discovery of oil and gas in the oil field and estimated the value of oil and gas to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling cost and other exploration and evaluation assets, the Group determined whether the related well costs are expensed if it is determined that such economic viability is not attained after performing further feasibility studies that is usually completed within one year of completion of drilling. The Group's carrying value of exploration and evaluation assets as at 31 December 2009 was HK$3,810,136,000 (2008: nil).

Renewal of oil exploration rights

As disclosed in note 17, the Concessions (as defined in note 17) issued by the Argentina government will expire in December 2016 with the possibility of obtaining a 10-year extension under certain conditions. The management of the Group expects that the Concessions will be permitted for the extension of another ten years of exploitation and production period. Up to the date of this report, the success of the application to extend the Concessions has not yet been confirmed. If the Group fails in its application for the extension, the evaluation and exploration assets and oil and gas properties may be impaired and this would reduce profit.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to customers, less return, discounts and sales related taxes. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2009 **HK$'000**	2008 HK$'000
Sales of goods		
– oil and gas	**3,406**	–
– metals	**942,523**	1,285,960
– consumer electronics	**143,610**	379,058
	1,089,539	1,665,018

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Application of HKFRS 8 "Operating segments"

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into three operating divisions namely petroleum exploration and production, metals sourcing and trading and consumer electronics. The petroleum exploration and production segment is a new segment during the year ended 31 December 2009 since the acquisition of a subsidiary as set out in note 40(i).

The Group's operating and reportable segments under HKFRS 8 are as follows:

Petroleum exploration and production	– exploration and production of oil and gas
Metals sourcing and trading	– sourcing and trading of non-ferrous metals
Consumer electronics	– sourcing and trading of consumer electronics products

The Group was involved in the production of copper anode in prior year, which was reported as a separate business segment under HKAS 14. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 12.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment revenue and results

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

Year ended 31 December 2009

Continuing operations:

	Petroleum exploration and production HK$'000	Metals sourcing and trading HK$'000	Consumer electronics HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue					
External sales	3,406	942,523	143,610	–	1,089,539
Inter-segment sales	–	35,754	–	(35,754)	–
Total	3,406	978,277	143,610	(35,754)	1,089,539
Result					
Segment results	(7,572)	(78,365)	(3,129)	–	(89,066)
Unallocated other gains and losses					101,282
Gain on disposal of a subsidiary					61,129
Unallocated corporate expenses					(47,923)
Finance costs					(2,954)
Profit before taxation (continuing operations)					22,468

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Year ended 31 December 2008

Continuing operations:

	Metals sourcing and trading HK$'000	Consumer electronics HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue				
External sales	1,285,960	379,058	–	1,665,018
Inter-segment sales	30,436	–	(30,436)	–
Total	1,316,396	379,058	(30,436)	1,665,018
Result				
Segment results	96,972	5,220	–	102,192
Unallocated other gains and losses				10,140
Loss on disposal of a subsidiary				(289)
Unallocated corporate expenses				(66,551)
Finance costs				(123)
Profit before taxation (continuing operations)				45,369

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of other gains and losses (excluding change in fair value of financial assets/liabilities classified as derivative financial instruments), gain/loss on disposal of a subsidiary, central administrative expenses and finance costs. This is the measure reported to the Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter–segment sales are charged at prevailing market price.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

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

	2009 HK$'000	2008 HK$'000
Segment assets		
Continuing operations:		
Petroleum exploration and production	4,018,731	–
Metals sourcing and trading	257,460	792,189
Consumer electronics	26,074	30,743
Total segment assets	4,302,265	822,932
Assets relating to discontinued operation	–	218,169
Unallocated	263,507	245,382
Consolidated assets	4,565,772	1,286,483
Segment liabilities		
Continuing operations:		
Petroleum exploration and production	156,378	–
Metals sourcing and trading	138,184	140,780
Consumer electronics	19,490	9,091
Total segment liabilities	314,052	149,871
Liabilities relating to discontinued operation	–	67,893
Unallocated	274,835	254,352
Consolidated liabilities	588,887	472,116

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

– all assets are allocated to reportable segments other than deferred tax assets, other tax recoverable, loan receivables, held-for-trading investments and financial assets at fair value through profit or loss and assets used jointly by reportable segments.

– all liabilities are allocated to reportable segments other than promissory notes and liabilities for which reportable segments are jointly liable.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Other segment information

Year ended 31 December 2009

Continuing operations:

	Petroleum exploration and production HK$'000	Metals sourcing and trading HK$'000	Consumer electronics HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	**82,147**	**5**	**2**	**73**	**82,227**
Depreciation	**1,578**	**75**	**174**	**1,794**	**3,621**
Allowance for bad and doubtful debts	**–**	**27,203**	**–**	**–**	**27,203**
Write-down of inventories	**–**	**6,347**	**–**	**–**	**6,347**
Loss on change in fair value of derivative financial instruments	**–**	**27,812**	**–**	**1,348**	**29,160**

Year ended 31 December 2008

Continuing operations:

	Metals sourcing and trading HK$'000	Consumer electronics HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	55	22	7,753	7,830
Depreciation	96	183	1,685	1,964
Impairment loss recognised in respect of property, plant and equipment	–	–	715	715
(Gain) loss on change in fair value of derivative financial instruments	(52,600)	–	2,174	(50,426)

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

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

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

	Revenue from external customers		Non–current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**1,086,133**	1,665,018	**3,730**	9,927
Argentina	**3,406**	–	**3,978,384**	–
	1,089,539	1,665,018	**3,982,114**	9,927

Non–current assets excluded those relating to production of copper anode i.e. the discontinued operation, and financial assets at fair value through profit or loss, deferred tax assets and other tax recoverable.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009	2008
	HK$'000	HK$'000
Customer A[1]	**461,131**	215,705
Customer B[1]	**337,834**	N/A[3]
Customer C[1]	**N/A[3]**	412,218
Customer D[1]	**N/A[3]**	367,533
Customer E[2]	**N/A[3]**	172,484

1 Revenue from metals sourcing and trading operation.
2 Revenue from consumer electronics operation.
3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

6. COST OF SALES

Cost of sales during both years represented cost of inventories recognised as expenses.

7. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	HK$'000
Continuing operations:		
Bank interest income	**199**	1,081
Interest income from loan receivables	**2,436**	2,848
Total interest income	**2,635**	3,929
Change in fair value of financial assets/liabilities classified as		
– held-for-trading	**98,633**	4,355
– derivative financial instruments	**(29,160)**	50,426
– designated as at FVTPL	**263**	344
	69,736	55,125
Others	**1,099**	3,686
	73,470	62,740

8. OTHER EXPENSES

	2009	2008
	HK$'000	HK$'000
Continuing operations:		
Allowance for bad and doubtful debts	**27,203**	–
Expenses incurred in exploring potential investment opportunities	**7,859**	5,135
Impairment loss recognised in respect of property, plant and equipment	**–**	715
Loss on disposal of property, plant and equipment	**162**	85
	35,224	5,935

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	**1,542**	123
Promissory notes	**1,412**	–
	2,954	123

10. TAXATION CREDIT (CHARGE)

	2009 HK$'000	2008 HK$'000
Continuing operations:		
Current tax:		
Hong Kong	**–**	(10,301)
Other jurisdictions	**(216)**	–
	(216)	(10,301)
Overprovision in prior years		
Hong Kong	**212**	1,587
Deferred tax (note 22)		
Current year	**295**	–
	291	(8,714)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made during the year ended 31 December 2009 as there is no assessable profit arising in Hong Kong.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. TAXATION CREDIT (CHARGE) – CONTINUED

The tax credit (charge) for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation (from continuing operations)	**22,468**	45,369
Tax at the applicable rates of 16.5% (2008: 16.5%)	**(3,707)**	(7,486)
Tax effect of income not taxable for tax purpose	**26,855**	1,817
Tax effect of expenses not deductible for tax purpose	**(5,104)**	(1,510)
Tax effect of tax losses not recognised as deferred tax asset	**(17,956)**	(3,538)
Overprovision in prior years	**212**	1,587
Effect of different tax rates of subsidiaries operating in other jurisdictions	**61**	–
Others	**(70)**	416
Tax credit (charge) for the year	**291**	(8,714)

At 31 December 2009, the Group had unused tax losses of HK$67,684,000 (2008: HK$1,135,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit. All tax losses may be carried forward indefinitely.

11. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2009 HK$'000	2008 HK$'000
Profit for the year from continuing operations attributable to:		
Owners of the Company	**40,446**	40,495
Minority interests	**(17,687)**	(3,840)
	22,759	36,655
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration (note 13)	**6,063**	8,215
Other staff's retirement benefits costs	**273**	345
Other staff share-based payment expense	**157**	4,254
Other staff costs	**16,662**	21,229
Total staff costs	**23,155**	34,043
Auditor's remuneration	**2,500**	2,050
Depreciation of property, plant and equipment	**3,621**	1,964
Exchange (gain) loss, net	**(864)**	1,008
Minimum lease payments under operating leases in respect of		
– office properties and buildings	**5,078**	7,186
– machinery	**–**	560
Write–down of inventories	**6,347**	–

12. DISCONTINUED OPERATION

On 19 November 2009, the Group entered into two agreements to dispose of the Group's jointly controlled entity, Qingyuan JCCL EPI Copper Limited ("JCCL EPI"), which carried out all of the Group's production of copper anode operation. The disposal of the production of copper anode operation represented opportunities for the Group to realise its investment in the original core business of production of copper anode operation on reasonable terms and to allow the Group to better utilising its resources and focusing on the development of its investment in the resource sector. The disposal was completed on 30 December 2009, on which date the Group ceased to have the joint control over JCCL EPI. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 43.

The results of the discontinued operation included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operation have been re-presented to include operation classified as discontinued in the current year. The re-presentation in the consolidated statement of comprehensive income for the prior year has had no impact on the consolidated statement of financial position at the beginning of the earliest comparative period and hence the consolidated statement of financial position at the beginning of the earliest comparative period is not presented.

	2009 **HK$'000**	2008 HK$'000
Loss for the year from discontinued operation		
Revenue	**223,290**	881,514
Cost of sales	**(316,941)**	(890,284)
Gross loss	**(93,651)**	(8,770)
Other gains and losses	**7,361**	45
Distribution and selling expenses	**(872)**	(5,801)
Administrative expenses	**(6,094)**	(7,846)
Other expenses	**–**	(14,251)
Finance costs	**(5,713)**	(7,865)
Loss before taxation	**(98,969)**	(44,488)
Gain on disposal of operation (including HK$6,987,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operation) (note 43)	**96,524**	–
Loss for the year from discontinued operation (attributable to owners of the Company)	**(2,445)**	(44,488)
Loss for the year from discontinued operation includes the following:		
Other staff's retirement benefits costs	**109**	220
Other staff costs	**2,543**	1,628
	2,652	1,848
Amortisation of prepaid lease payments	**536**	570
Auditor's remuneration	**–**	–
Depreciation of property, plant and equipment	**2,083**	1,783
Impairment loss recognised in respect of goodwill	**–**	14,251
Write-down of inventories	**–**	3,116

12. DISCONTINUED OPERATION – CONTINUED

	2009 HK$'000	2008 HK$'000
Other information:		
Capital additions	**613**	2,093
Cash flows from discontinued operation		
Net cash flows from (used in) operating activities	**130,033**	(44,391)
Net cash flows from (used in) investing activities	**34,598**	(14,313)
Net cash flows (used in) from financing activities	**(168,814)**	50,152
Net cash outflows	**(4,183)**	(8,552)

The carrying amounts of the assets and liabilities of JCCL EPI at the date of disposal are disclosed in note 43.

13. DIRECTORS' EMOLUMENTS

	2009 HK$'000	2008 HK$'000
Fees	**575**	488
Other emoluments		
Salaries and other benefits	**5,446**	7,671
Retirement benefits scheme contributions	**42**	56
	6,063	8,215

13. DIRECTORS' EMOLUMENTS – CONTINUED

The emoluments paid or payable to each of eight (2008: seven) directors were as follows:

2009

		Other emoluments			
Name	Fees	Salaries, and other benefits	Share-based payment	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Wong Chi Wing, Joseph	–	2,506	–	12	2,518
Chu Kwok Chi, Robert	–	910	–	17	927
Cheng Hai Rong (note a)	–	2,030	–	13	2,043
Non-executive director					
Leung Hon Chuen	150	–	–	–	150
Independent non-executive directors					
Poon Kwok Shin	150	–	–	–	150
Qian Zhi Hui	150	–	–	–	150
Xu Mingshe (note b)	100	–	–	–	100
Zhu Tiansheng (note c)	25	–	–	–	25
Total emoluments	575	5,446	–	42	6,063

Notes:

(a) Resigned on 7 September 2009.
(b) Resigned on 4 September 2009.
(c) Appointed on 2 November 2009.

13. DIRECTORS' EMOLUMENTS – CONTINUED

2008

Name	Fees	Other emoluments: Salaries, and other benefits	Other emoluments: Share-based payment	Other emoluments: Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Wong Chi Wing, Joseph	–	2,190	277	12	2,479
Chu Kwok Chi, Robert	–	1,210	172	22	1,404
Cheng Hai Rong	–	2,931	768	22	3,721
Non-executive director					
Leung Hon Chuen	150	–	48	–	198
Independent non-executive directors					
Poon Kwok Shin	150	–	48	–	198
Qian Zhi Hui (note)	38	–	–	–	38
Xu Mingshe	150	–	27	–	177
Total emoluments	488	6,331	1,340	56	8,215

Note: Appointed on 19 September 2008.

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

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2008: two) were directors of the Company whose emoluments are included in the disclosures in note 13. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**4,030**	5,072
Retirement benefits scheme contributions	**36**	36
	4,066	5,108

Their emoluments were within the following bands:

	2009 **No. of employees**	2008 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	2

15. DIVIDENDS

Dividend recognised as distribution during the year:

	2009 **HK$'000**	2008 HK$'000
2008 final dividend – nil (2008: 2007 final dividend – 0.25 HK cent per share)	**–**	10,328

No dividend was proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

16. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations:

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

	2009 HK$'000	2008 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**38,001**	(3,993)

	2009 '000	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,606,917**	4,130,188
Effect of dilutive potential ordinary shares:		
Options	**–**	–
Convertible notes (note)	**1,630,380**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**6,237,297**	4,130,188

The computation of diluted earnings per share in 2009 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in 2009.

The diluted loss per share for the year ended 31 December 2008 does not assume the exercise of the share options since their exercise would result in a decrease in loss per share.

From continuing operations:

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Profit figures are calculated as follows:

	2009 HK$'000	2008 HK$'000
Profit (loss) for the year attributable to owners of the Company	**38,001**	(3,993)
Add: Loss for the year from discontinued operation	**2,445**	44,488
Profit for the purposes of basic and diluted earnings per share from continuing operations	**40,446**	40,495

16. EARNINGS (LOSS) PER SHARE – CONTINUED

	2009 **'000**	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,606,917**	4,130,188
Effect of dilutive potential ordinary shares:		
Options	**–**	9,807
Convertible notes (note)	**1,630,380**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,237,297**	4,139,995

The computation of diluted earnings per share in 2009 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in 2009.

The computation of diluted earnings per share in 2008 does not assume the exercise of certain of the Company's share options because the exercise price of those options was higher than the average market price for shares in 2008.

From discontinued operation:

Basic loss per share for the discontinued operation is 0.05 HK cent per share (2008: 1.08 HK cents per share), based on the loss for the year from discontinued operation of HK$2,445,000 (2008: HK$44,488,000) and the denominators detailed above for basic earnings per share.

The computation of diluted loss per share from discontinued operation does not assume the conversion of the Company's outstanding convertible notes and the exercise of the Company's share options since their conversion or exercise would result in a decrease in loss per share.

Note: The effect of dilutive potential ordinary share of convertible notes does not take into account the conversion restriction as disclosed in note 36.

17. EXPLORATION AND EVALUATION ASSETS

	Oil exploration rights HK$'000
Cost and carrying values	
At 1 January 2009	–
Arising on acquisition of a subsidiary (note 40(i))	3,810,136
At 31 December 2009	3,810,136

The amount relates to exploration and evaluation assets in respect of oil exploration rights in Argentina which were acquired during the year through the acquisition of a subsidiary (note 40(i)).

17. EXPLORATION AND EVALUATION ASSETS – CONTINUED

On 19 August 2009, the Group as the purchaser, and City Smart International Investment Limited ("City Smart") and TCL Peak Winner Investment Limited ("TCL") as the vendors, entered into a sale and purchase agreement pursuant to which the Group conditionally agreed to acquire from the vendors the entire issued share capital of Have Result Investments Limited ("Have Result"). Both TCL and City Smart were independent third parties of the Company.

The principal assets of Have Result are the oil exploration rights through the participating interest (see note 39(a) for detail) in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") as the concession of hydrocarbon exploitation concession in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively.

The Puesto Pozo Cercado Concession was awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated 26 June 1992, issued by the Ministry of Economy and Public Works of the National Government, and approved by National Decree No. 1276, dated 21 July 1992. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years starting from 21 July 1992, with the possibility of obtaining a 10-year extension under certain conditions.

The Chañares Herrados Concession was obtained by Chañares under an assignment agreement executed with YPF Sociedad Anonima. This area is one of the areas that was formerly owned by YPF S.E. (i.e., when it was a state-owned company), and was converted into an exploitation concession at the time YPF S.E. became a private company (YPF Sociedad Anonima) in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated 19 April 1996, authorised the assignment of this hydrocarbon exploitation concession to Chañares. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

The acquisition was completed on 3 November 2009 and the Group settled the initial consideration for the acquisition to the vendors by the issuance of: (1) promissory notes with principal amount of HK$840,000,000; (2) 1,000,000,000 new ordinary shares of the Company and (3) zero coupon convertible notes with par value of HK$2,311,520,000 and a 20-year maturity. Details of the acquisition are set out in note 40(i) and details of the convertible notes, consideration shares and promissory note issued are set out in notes 36, 35 (f) and 33 respectively.

Pursuant to the sale and purchase agreement, the total consideration for the acquisition is subject to adjustment within 24 months following the completion and shall be determined by reference to the technical assessment prepared by a technical adviser (the "Updated Technical Report"). If the Updated Technical Report shows that the proved reserves (as defined in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers ("PRMS")) of oil in the areas are not less than 290 million barrels, the Group shall within 14 days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$500 million; or (ii) if the Updated Technical Report shows that proved reserves of oil in the areas are not less than 507.5 million barrels, the Group shall within 14 business days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$1,000 million.

The above contingent consideration is a derivative in accordance with HKAS 39 "Financial instruments: recognition and measurement". At the date of acquisition, the estimated reserves are classified as contingent resources (as defined in PRMS) by reference to the technical assessment prepared by a technical advisor. Having considered the technical assessment and the fact that the oil field is still at the exploration stage, the directors of the Company does not expect that the proved reserves in the areas will exceed 290 million barrels. Hence, in the opinion of the directors of the Company, the fair value of the contingent consideration at the date of acquisition and at the end of the reporting period is not significant.

18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK$'000	Buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2008	–	7,683	3,401	4,591	9,580	6,575	31,830
Exchange realignment	–	598	99	250	830	257	2,034
Acquired on acquisition of subsidiaries	–	–	–	735	–	–	735
Acquired on acquisition of additional interest in a jointly controlled entity	–	1,799	145	59	2,566	221	4,790
Derecognised on disposal of a subsidiary	–	–	–	(735)	–	–	(735)
Additions	–	564	3,068	3,431	909	1,951	9,923
Transfer	–	2,032	–	–	4,693	(6,725)	–
Disposals	–	–	–	(95)	–	–	(95)
At 31 December 2008	–	12,676	6,713	8,236	18,578	2,279	48,482
Exchange realignment	–	64	28	16	215	–	323
Acquired on acquisition of a subsidiary	–	–	933	486	–	86,515	87,934
Derecognised on disposal of a jointly controlled entity	–	(15,401)	(1,142)	(1,099)	(18,864)	–	(36,506)
Derecognised on disposal of a subsidiary	–	–	(3,057)	(2,115)	–	–	(5,172)
Additions	–	380	276	245	195	81,744	82,840
Transfer	54,558	2,281	–	–	–	(56,839)	–
Disposals	–	–	(5)	(306)	(124)	–	(435)
At 31 December 2009	54,558	–	3,746	5,463	–	113,699	177,466
DEPLETION, DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2008	–	78	462	485	264	–	1,289
Exchange realignment	–	18	16	43	62	–	139
Provided for the year	–	371	759	1,398	1,219	–	3,747
Impairment loss recognised	–	–	–	715	–	–	715
Eliminated on disposal of a subsidiary	–	–	–	(735)	–	–	(735)
Eliminated on disposals	–	–	–	(7)	–	–	(7)
At 31 December 2008	–	467	1,237	1,899	1,545	–	5,148
Exchange realignment	–	64	26	17	215	–	322
Provided for the year	1,442	438	986	1,516	1,322	–	5,704
Eliminated on disposal of a jointly controlled entity	–	(969)	(339)	(321)	(3,047)	–	(4,676)
Eliminated on disposal of a subsidiary	–	–	(402)	(442)	–	–	(844)
Eliminated on disposals	–	–	(1)	(130)	(35)	–	(166)
At 31 December 2009	1,442	–	1,507	2,539	–	–	5,488
CARRYING VALUES							
At 31 December 2009	53,116	–	2,239	2,924	–	113,699	171,978
At 31 December 2008	–	12,209	5,476	6,337	17,033	2,279	43,334

18. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

Buildings	Over the shorter of the term of the lease or 45 years
Motor vehicles	20%
Furniture, fixtures and equipment	20%-33$^1/_3$%
Plant and machinery	12$^1/_2$%

During the year ended 31 December 2008, certain furniture, fixtures and equipment were impaired due to physical damage as a result of relocation of office by a subsidiary. Accordingly, impairment loss of HK$715,000 (2009: nil) was recognised.

19. GOODWILL

	HK$'000
COST	
At 1 January 2008	–
Acquired on acquisition of subsidiaries	14,996
Acquired on acquisition of additional interest in a jointly controlled entity	14,251
At 31 December 2008	29,247
Derecognised on disposal of a subsidiary	(14,996)
Derecognised on disposal of a jointly controlled entity	(14,251)
At 31 December 2009	–
IMPAIRMENT	
At 1 January 2008	–
Impairment loss recognised	14,251
At 31 December 2008	14,251
Derecognised on disposal of a jointly controlled entity	(14,251)
At 31 December 2009	–
CARRYING AMOUNTS	
At 31 December 2009	–
At 31 December 2008	14,996

Impairment testing of goodwill

For the purposes of impairment testing during the year ended 31 December 2008, goodwill set out above has been allocated to two individual cash-generating units ("CGU"s), including (a) Vision Tech International Holdings Limited ("Vision Tech") in the consumer electronics segment, and (b) one jointly controlled entity, JCCL EPI, in the production of copper anode segment.

19. GOODWILL – CONTINUED

Impairment testing of goodwill – continued

The carrying amount of goodwill (net of accumulated impairment losses) as at 31 December 2008 allocated to these CGUs was as follows:

	2008 HK$'000
Consumer electronics – Vision Tech ("CGU A")	14,996
Production of copper anode – JCCL EPI ("CGU B")	–
	14,996

During the year ended 31 December 2008, management of the Group determined that there was no impairment of goodwill allocated to CGU A and the Group recognised an impairment loss of HK$14,251,000 in relation to goodwill arising on acquisition of additional interest in JCCL EPI. The impairment loss recognised was due to the prolonged and substantial decline in the price of copper anode since the last quarter of 2008 which resulted in the production cost of copper anode being higher than the selling price. No write-down of the carrying amounts of other assets in CGU B was necessary.

The bases of the recoverable amounts of the above CGUs and their major underlying assumptions were summarised below:

CGU A

The recoverable amount of this unit has been determined based on a value in use calculation. The calculation is based on financial budgets approved by management covering a five-year period and CGU A's cash flows beyond the five-year period are extrapolated using a stable growth rate of 2%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is that the budgeted growth rate decreased by 10% in the first year, increased by 5% each year for the next two years and increased by 2% from the forth years onwards. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and gross margin which is determined based on past performance and management's expectations for the market development. The discount rate applied to the cash flow projection is 7% and it reflects specific risks relating to the relevant operating unit. Management believes that any reasonably possible change in any of these assumptions will not cause the aggregate carrying amount of CGU A to exceed the aggregate recoverable amount of CGU A. If the discount rate applied in the impairment review for goodwill had been 2% higher, the value in use calculated by using the revised discount rate would still be higher than the carrying amount of CGU A, and there would be no impairment for CGU A.

CGU B

The recoverable amount of this unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management and cash flows beyond the five-year period are extrapolated using a growth rate of 5% which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is that the budgeted growth rate increase by 5% for the next five years. The discount rate applied to cash flow projections is 8%.

19. GOODWILL – CONTINUED

CGU B – continued

Other key assumptions used in the value in use calculation of CGU B for 31 December 2008 are as follows:

Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year. The values assigned to key assumptions are consistent with external information sources.

Commodity price inflation

The basis used to determine the value assigned to commodity price inflation is the expectations of future changes in the market. The values assigned to key assumptions are based on external information sources.

20. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
CARRYING AMOUNT		
At beginning of the year	**23,267**	19,098
Currency realignment	**–**	1,229
Acquired on acquisition of additional interest in a jointly controlled entity	**–**	3,510
Charged to profit or loss	**(536)**	(570)
Derecognised on disposal of a jointly controlled entity	**(22,731)**	–
At end of the year	**–**	23,267
Analysed as:		
Current	**–**	538
Non-current	**–**	22,729
	–	23,267

The prepaid lease payments represented leasehold interest in the PRC with rights to use the land under medium term leases and were amortised over 45 years on a straight-line basis.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 **HK$'000**	2008 HK$'000
Index-linked note	**2,947**	2,684

The index-linked note is denominated in United States dollars ("USD" or "US$") with principal amount of USD300,000 (HK$2,340,000). The note does not bear any interest and the Group is entitled to a 100% principal protection level ("Principal Protection Clause") if the note is not redeemed before its maturity date. The Group has an option to require the issuer to redeem the note on or before maturity, settled at the valuation amount provided by the counterparty bank which will be determined based on the exchange rate movements on certain specified currencies at the redemption date. Early redemption is not covered by the Principal Protection Clause.

The index-linked note is designated as financial asset at fair value through profit or loss upon initial recognition as it contains an embedded derivative. Since index-linked note will mature in July 2012 and the management has no intention to redeem the note in advance of the maturity date, the index-linked note is classified as non-current. At 31 December 2009 and 2008, the fair value of the index-linked note was determined based on the exchange rate movements on certain specified currencies as valuation amount provided by the counterparty bank.

The index-linked note has been pledged to secure banking facilities granted to the Group.

22. DEFERRED TAX ASSETS

	2009 **HK$'000**	2008 HK$'000
Deferred tax assets	**295**	–

The following are the deferred tax assets recognised and movements thereon during the current and prior years:

	Accrued expenses HK$'000
At 1 January 2008, 31 December 2008 and 1 January 2009	–
Credit to profit or loss	295
At 31 December 2009	295

23. OTHER TAX RECOVERABLE

The amount represents value added tax recoverable arising from the drilling costs incurred and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina. The utilisation of the tax recoverable depends on the future revenue generated from sales of oil and gas. By reference to the current exploration and evaluation stages of the oil field, the directors of the Company considered that the amount of HK$39,912,000 is expected to be recovered from the sales of oil and gas after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

24. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Raw materials and consumables	**–**	33,123
Work in progress	**–**	9,650
Finished goods	**–**	5,012
	–	47,785

25. LOAN RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Loan receivables comprise:		
Interest-bearing loan receivables	**15,962**	30,000

The loan represents the amount drawn down and remained outstanding as at 31 December 2009 and 2008 from a HK$30 million facility granted by the Group to an independent third party ("ITP") during the year ended 31 December 2007. The loan is secured and bears interest at the Hong Kong prime rate offered by The Hong Kong and Shanghai Banking Corporation plus 5% and is originally repayable after 6 months from the loan agreement dated 3 December 2007. During the year ended 31 December 2008, the Group entered into two extension agreements with ITP and the maturity date of the facility is extended to 28 May 2009. During the year ended 31 December 2009, principal amount of HK$14,038,000 (2008: nil) and interest of HK$2,952,000 (2008: HK$1,583,000) have been repaid and the maturity date of the facility was further extended to 28 November 2009. The remaining amount of HK$15,962,000 has been settled in full in January 2010.

The loan as at 31 December 2009 and 2008 continues to be secured by certain equity securities listed on the Stock Exchange and a note of convertible bond issued by a company on the Stock Exchange held by ITP.

26. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**47,850**	738,299
Bills receivables	**28,979**	30,912
	76,829	769,211
Other tax recoverable	**289**	9,185
Prepayments to an associate of a joint venture partner (note a)	**–**	67,129
Prepayments to other suppliers (note b)	**109,418**	35,140
Margin deposits to financial institutions	**–**	34,468
Consideration receivable on disposal of a jointly controlled entity (note c)	**37,800**	–
Amount due from a former jointly controlled entity (note d)	**4,700**	–
Amount due from a shareholder (note d)	**601**	–
Other receivables and deposits	**30,867**	15,120
Total trade and other receivables	**260,504**	930,253

Notes:

(a) As at 31 December 2008, prepayment to an associate of a joint venture partner represented the prepayments for purchase of scrap copper.

(b) The prepayments to other suppliers represent the prepayments for purchase of scrap copper in metals sourcing and trading operation.

(c) As at 31 December 2009, consideration receivable on disposal of a jointly controlled entity was not yet settled by the purchaser (see note 43) and the management of the Group expects that it will be settled within one year.

(d) The amounts are unsecured, interest-free and repayable on demand.

The Group allows on average credit period of 90 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0-30 days	**68,276**	204,854
31-60 days	**6,401**	105,298
61-90 days	**2,145**	165,497
91-120 days	**7**	293,562
	76,829	769,211

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. No allowance has been made for each of the years ended 31 December 2009 and 2008.

26. TRADE AND OTHER RECEIVABLES – CONTINUED

As at 31 December 2008, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$10,915,000 (2009: nil) which are past due at the reporting date for which the Group had not provided for impairment loss, as there has not been significant changes in credit quality and the amounts are still considered recoverable based on the relationship and repayment history from the debtors. The Group does not hold any collateral over these balances. The average age of these receivables is 103 days in 2008 (2009: nil).

Ageing of trade and bills receivables which are past due but not impaired

	2009 **HK$'000**	2008 HK$'000
91-120 days	**–**	10,915

Movement in the allowance for bad and doubtful debts

	2009 **HK$'000**	2008 HK$'000
At beginning of the year	**–**	–
Impairment losses recognised	**27,203**	–
Derecognised on disposal of a subsidiary	**(27,203)**	–
At end of the year	**–**	–

Included in the allowance for doubtful debts are individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties.

Included in trade and bills receivables are the following amount denominated in currency other than functional currency of the relevant group entities:

	2009 **HK$'000** **Equivalent**	2008 HK$'000 Equivalent
USD	**74,353**	231,882

27. TRADE RECEIVABLE FROM A JOINT VENTURE PARTNER

Trade receivable from a joint venture partner was unsecured, interest-free and aged within 90 days as at 31 December 2008. The balance was not past due at the reporting date and the Group did not hold any collateral over this balance.

28. HELD-FOR-TRADING INVESTMENTS

	2009 HK$'000	2008 HK$'000
Held-for-trading investments include:		
Listed securities		
– Equity securities listed in Hong Kong	**148,412**	24,836

The investments represent investments in listed equity securities in Hong Kong. The fair values of these securities at 31 December 2009 and 2008 are based on bid prices quoted on the Hong Kong Stock Exchange.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Commodity forward contracts – Copper cathode (note a)		
– Derivative financial assets	**–**	25,205
– Derivative financial liabilities	**(8,009)**	(22)
Foreign currency swap contracts not under hedge accounting (note b)	**–**	–
	(8,009)	25,183

Notes:

(a) The Group utilises commodity forward contracts to hedge forecasted purchase and sale of copper concentrate and/or related materials. These arrangements are designed to address significant fluctuation in the price of copper concentrate and/or related materials which move in line with the price of copper cathode. However, the Group does not designate these forward contracts as hedging instruments according to HKAS 39 "Financial instruments: recognition and measurement". Accordingly, they are treated as financial assets or financial liabilities held for trading and included in fair value through profit or loss. The respective unrealised gain/loss is recognised in profit or loss in the consolidated statement of comprehensive income and the respective balance is recognised under current assets and current liabilities.

Fair values of commodity forward contracts were determined by reference to the market forward price of related metals quoted from the London Metal Exchange and the Shanghai Futures Exchange as at year end.

The major terms of these contracts (with net settlement option) at 31 December 2009 and 2008 are as follows:

	2009	2008
Position: Sell forward contracts quantities (in tonnes)	**8,000**	5,857
Price per tonne (HK$)	**46,979-55,029**	22,331-36,504
Delivery period	**Jan 2010-Mar 2010**	Jan 2009-Nov 2009
Position: Buy forward contracts quantities (in tonnes)	**4,700**	4,880
Price per tonne (HK$)	**47,970-53,110**	23,821-40,279
Delivery period	**Jan 2010-Mar 2010**	Jan 2009-Nov 2009

29. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

Notes: continued

(b) Major terms of the foreign currency swap contracts with net settlement option at 31 December 2009 and 2008 are as follows:

Notional amount	Maturity date	Swaps
USD1,000,000/ USD3,000,000	January 2010 (2008: January 2009 to January 2010)	(i) the Group will receive USD1,000,000 while paying HK$ at forward rate of 7.7490 if the expiry reference rate* is greater than or equal to 7.7490. (ii) the Group will receive USD3,000,000 while paying HK$ at forward rate of 7.7490 if the expiry reference rate* is less than 7.7490.

* Expiry reference rate is determined by the counterparty bank by reference to the USD/HK$ mid rate which is publicly available on the expiry date.

As at 31 December 2009 and 2008, the fair value of the foreign currency swap contracts which is estimated using valuation provided by the counterparty bank was insignificant.

30. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2009 HK$'000	2008 HK$'000
Cash at banks and in hand	**93,002**	99,388
Pledged bank deposits	**22,624**	43,711
	115,626	143,099

Bank balances carry interest at market rates which range from 0.3% to 1.2% (2008: 0.4% to 1.0%) per annum. The pledged deposits carry fixed interest at rate of 0.1% to 1.2% (2008: 0.6% to 4.0%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$22,624,000 (2008: HK$43,711,000) have been pledged to secure short term trade financing from banks and are therefore classified as current assets.

Included in pledge bank deposits and cash at banks of HK$nil (2008: HK$8,983,000) and HK$231,000 (2008: HK$14,375,000) respectively are kept in banks registered in the PRC and denominated in Renminbi.

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

	2009 HK$'000 Equivalent	2008 HK$'000 Equivalent
USD	**37,009**	44,523
Argentina Peso ("ARS")	**14,822**	–

31. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	**114,965**	41,972
Bills payables	**27,636**	44,916
	142,601	86,888
Deposits received from a former jointly controlled entity/jointly controlled entity (note a)	**13,052**	40,561
Payables for assignment of oil concession rights (note b)	**50,700**	–
Interest payable on promissory notes	**1,412**	–
Other payables and accruals	**13,968**	13,491
	221,733	140,940

Notes:

(a) As at 31 December 2009 and 2008, deposits received from a former jointly controlled entity/jointly controlled entity represent the deposits for sales of scrap copper in metal sourcing and trading operation.

(b) Pursuant to the assignment agreement dated 24 November 2007 as amended/supplemented by the "Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation" dated 19 December 2008 executed by and between Maxipetrol (as defined in note 39(a)) and Have Result, Have Result is obliged to pay to Maxipetrol US$20,000,000 (approximately HK$156,000,000) in consideration of Maxipetrol's assignment of 51% rights on the future production as a consequence of new drillings and the operation of new wells in the Areas (as defined in note 39(a)). As at 31 December 2009, the Group had a balance of US$6,500,000 (approximately HK$50,700,000) (2008: nil) to be paid on or before 30 November 2010.

The following is an aged analysis by invoice date (bills issued date for bills payable) of trade and bills payables at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0-30 days	**132,668**	35,280
31-60 days	**7,830**	–
61-90 days	**2,103**	4,439
91-180 days	**–**	44,916
Over 180 days	**–**	2,253
	142,601	86,888

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

Included in bills payables at 31 December 2008 is an amount of HK$17,100,000 (2009: nil) which is for settlement of a trade payable due to an associated company of a joint venture partner.

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

31. TRADE AND OTHER PAYABLES – CONTINUED

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

	2009 HK$'000 Equivalent	2008 HK$'000 Equivalent
USD	**136,522**	21,104
ARS	**6,079**	–

32. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank borrowings comprise the following:		
Bank loans (note)	**8,370**	213,753
Trust receipts loans	**80,413**	93,585
Bank overdrafts	**14,632**	–
	103,415	307,338
Analysed as:		
Secured	**80,413**	93,585
Unsecured	**23,002**	213,753
	103,415	307,338
Carrying amount repayable:		
On demand or within one year	**99,962**	307,338
More than one year, but not exceeding two years	**3,453**	–
	103,415	307,338
Less: Amounts due within one year shown under current liabilities	**(99,962)**	(307,338)
	3,453	–

Note: As at 31 December 2008, the Group factored bills receivables of HK$28,080,000 (2009: HK$nil) to a bank will full recourse. The finance charge in relation to factorisation of the bills receivables was borne by the Group. The related bank loan of HK$28,080,000 was fully settled in March 2009 and was classified as current liability.

32. BANK BORROWINGS – CONTINUED

The Group's borrowings are classified as follows:

	2009 HK$'000	2008 HK$'000
Fixed-rate borrowings	–	138,618
Variable-rate borrowings	103,415	168,720
	103,415	307,338

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

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	N/A	6.12% to 10.48%
Variable-rate borrowings	2.55% to 4.90%	2.50% to 10.48%

The interest rates of variable-rate borrowings are based on Hong Kong Interbank Offer Rate ("HIBOR") + 2.5% per annum (2008: the rates quoted by the People's Bank of China). The trust receipt loans and bank overdrafts carry interest at prevailing market rates.

The Group's borrowings are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2009 HK$'000 Equivalent	2008 HK$'000 Equivalent
USD	80,413	185,884

33. PROMISSORY NOTES

The promissory notes with an aggregate principal amount of HK$840,000,000 were issued as partial consideration for the acquisition of the entire issued share capital of Have Result as disclosed in note 40(i). The promissory notes are unsecured, bearing interest at 1% plus 6-month HIBOR or the prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited, whichever is the lower. The promissory notes can be repaid before maturity at the discretion of the Company.

The promissory notes are denominated in Hong Kong dollars and shall be repaid in full on 2 November 2012. Repayment of HK$587,720,000 was made during the year ended 31 December 2009.

34. ASSETS RETIREMENT OBLIGATION

	HK$'000
At 1 January 2009	–
Capitalised in property, plant and equipment	3,150
At 31 December 2009	3,150

In accordance with the relevant rules and regulations in Argentina, the Group is obliged to accrue the cost for land reclamation and site closures for the Group's existing developed oil and gas fields. The provision for asset retirement obligation has been determined by the directors based on their best estimates in accordance with the relevant rules and regulations.

35. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 1 January 2009	25,000,000,000	250,000
Increase during the year (note a)	75,000,000,000	750,000
At 31 December 2009	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2008	4,135,028,570	41,350
Exercise of share options (note b)	4,000,000	40
Shares repurchased (note c)	(7,680,000)	(77)
At 31 December 2008 and 1 January 2009	4,131,348,570	41,313
Exercise of share options (note d)	800,000	8
Issue of new shares (note e)	820,000,000	8,200
Issue of shares for acquisition of a subsidiary (note f)	1,000,000,000	10,000
Conversion of convertible notes (note g)	1,741,463,414	17,415
At 31 December 2009	7,693,611,984	76,936

Notes:

(a) On 9 October 2009, the Board of Directors proposed an increase in the authorised share capital of the Company from HK$250,000,000 to HK$1,000,000,000 by the creation of 75,000,000,000 new ordinary shares of HK$0.01 each. The increase in authorised share capital of the Company became effective on 28 October 2009 after the approval by the shareholders at a special general meeting.

(b) During the year ended 31 December 2008, Mr. Chu Kwok Chi, Robert and an employee exercised share options amounting to 4,000,000 shares at a subscription price ranging from HK$0.205 to HK$0.300 per share.

35. SHARE CAPITAL – CONTINUED

Notes: continued

(c) During the year ended 31 December 2008, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest	Lowest	Aggregate consideration paid
January 2008	7,680,000	HK$0.375	HK$0.290	HK$2,437,978

(d) During the year ended 31 December 2009, Mr. Poon Kwok Shin, the director of the Company, exercised share options amounting to 800,000 shares at a subscription price of HK$0.205 per share.

(e) On 12 October 2009, the Company entered into a subscription with Climax Associates Limited ("CA Ltd"), the controlling shareholder of the Company to allot and issue 820,000,000 ordinary shares of HK$0.01 each at (the "Subscription Shares") a subscription price of HK$ 0.225 per share. The subscription agreement is conditional upon completion of the placing of 820,000,000 ordinary shares of the Company made by the placing agent on behalf of CA Ltd. On 23 October 2009, following the completion of the placing, the Subscription Shares were issued under the general mandate granted to the directors of the Company on 6 July 2009. The net proceeds of approximately HK$177.5 million shall be used as general working capital and for future business development of the Group.

Wong Chi Wing, Joseph and Chu Kwok Chi, Robert, directors of the Company, have beneficial interests in CA Ltd.

Further details of the above are set out in the Company's announcement dated 14 October 2009.

The Subscription Shares of HK$ 0.01 were issued to CA Ltd pursuant to the subscription agreement.

(f) As part of the consideration for the acquisition of a subsidiary as detailed in note 40(i), 1,000,000,000 shares of HK$0.01 each were issued and allotted to the vendors on 3 November 2009. The fair value of the ordinary shares of the Company, determined by the published price available at the date of completion, was HK$0.244 per share.

(g) During the year ended 31 December 2009, 1,741,463,414 shares of the Company of HK$0.01 each were issued upon conversion of convertible notes with an aggregate principal amount of HK$424,917,000.

The shares repurchased by the Company during the year ended 31 December 2008 were cancelled. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

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

36. CONVERTIBLE NOTES

As part of the consideration for the acquisition of a subsidiary as detailed in note 40(i), the Company issued unsecured zero coupon convertible notes ("CN") of an aggregate par value of HK$2,311,520,000 to the vendors at an initial conversion price of HK$0.205 per share (subject to anti-dilutive adjustments). The CN have a maturity of twenty years from the issue date.

The holders of the CN have the right to convert the whole or any part of the outstanding principal amount of the CN into shares of HK$0.01 each in the share capital of the Company at any time during the period commencing from the date immediately following the date of issue of the CN up to the date immediately prior to and exclusive of the maturity date at the conversion price of HK$0.205 per share. The CN may not be converted to the extent that, following such conversion, the CN holder(s) would directly or indirectly control or be interested in an aggregate of 30% or more of the issued shares of the Company as enlarged by the issue of the conversion shares (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer).

The CN are denominated in Hong Kong dollars. The Company has no obligation to repay any outstanding principal amount of the CN but has the right at its discretion to redeem any principal amount of the CN at its face value. The CN may be assigned or transferred to any third party, but may not be assigned or transferred to any company or other person which is a connected person of the Company without the prior written consent of the Company. The CN meet the definition of equity under HKAS 32 "Financial instruments: presentation" and therefore are accounted for as equity of the Company (convertible notes reserve).

The fair value of the conversion shares as at the date of issue of the CN is HK$0.244 per conversion share which represents the fair value of the ordinary shares as at 3 November 2009.

36. CONVERTIBLE NOTES – CONTINUED

CN with an aggregate carrying amount of approximately HK$424,917,000 were converted into 1,741,463,414 ordinary shares of HK$0.01 each of the Company during the year ended 31 December 2009 as follows:

Date of conversion	**Carrying amount of CN** HK$'000	**Number of ordinary shares of HK$0.01 each**
19 November 2009	244,000	1,000,000,000
8 December 2009	46,420	190,243,902
17 December 2009	134,497	551,219,512
	424,917	1,741,463,414

At 31 December 2009, the Company had outstanding CN with the aggregate par value of HK$1,954,520,000 and their conversion in full would result in the issuance of 9,534,243,903 new ordinary shares of the Company.

37. WARRANTS

On 14 June 2007, the Company entered into a warrant placing agreement with the placing agent pursuant to which the placing agent agreed to place warrants attaching the rights to subscribe for 143,380,000 shares of the Company on the bases of an initial exercise price of HK$0.94 per warrant share, on behalf of the Company, to placees who are independent of the Company and its connected persons, at the issue price of HK$0.08 per warrant. The warrants were exercisable from 29 June 2007 to 28 June 2008.

During the year ended 31 December 2007, 7,976,000 new ordinary shares of the Company were issued on exercise of the warrants.

No warrants were exercised during the year ended 31 December 2008 before the expiry of the warrants on 28 June 2008. The remaining balance of the warrant reserve amounting to HK$10,832,000 was transferred to retained profits during the year ended 31 December 2008.

38. SHARE OPTIONS

THE COMPANY

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

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

38. SHARE OPTIONS – CONTINUED

THE COMPANY – continued

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

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

As at 31 December 2009, options to subscribe for an aggregate of 3,000,000 shares (2008: 210,060,000 shares) of the Company granted to the directors and certain employees pursuant to the Scheme remained outstanding.

Details of the movements in the number of share options during both years under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$	Outstanding at 1.1.2008	Exercise during the year	Forfeited during the year	Outstanding at 1.1.2009	Exercise during the year	Lapsed during the year	Outstanding at 31.12.2009
	Directors:									
A	31 January 2007	21 February 2007- 31 December 2009	0.205	18,100,000	(1,340,000)	–	16,760,000	–	(16,760,000)	–
B	31 January 2007	1 January 2008- 31 December 2009	0.205	18,260,000	(660,000)	–	17,600,000	(800,000)	(16,800,000)	–
C	31 January 2007	1 January 2009- 31 December 2009	0.205	16,000,000	–	–	16,000,000	–	(16,000,000)	–
D	21 February 2007	28 February 2007- 31 December 2009	0.300	680,000	–	–	680,000	–	(680,000)	–
E	21 February 2007	1 January 2008- 31 December 2009	0.300	2,140,000	–	–	2,140,000	–	(2,140,000)	–
F	21 February 2007	1 January 2009- 31 December 2009	0.300	4,340,000	–	–	4,340,000	–	(4,340,000)	–
				59,520,000	(2,000,000)	–	57,520,000	(800,000)	(56,720,000)	–

38. SHARE OPTIONS – CONTINUED

THE COMPANY – continued

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$	Outstanding at 1.1.2008	Exercise during the year	Forfeited during the year	Outstanding at 1.1.2009	Exercise during the year	Lapsed during the year	Outstanding at 31.12.2009
	Employees:									
A	31 January 2007	21 February 2007- 31 December 2009	0.205	55,500,000	(1,000,000)	(10,060,000)	44,440,000	–	(44,440,000)	–
B	31 January 2007	1 January 2008- 31 December 2009	0.205	57,500,000	–	(10,060,000)	47,440,000	–	(47,440,000)	–
C	31 January 2007	1 January 2009- 31 December 2009	0.205	55,320,000	–	(10,060,000)	45,260,000	–	(45,260,000)	–
E	21 February 2007	1 January 2008- 31 December 2009	0.300	7,200,000	(1,000,000)	(1,500,000)	4,700,000	–	(4,700,000)	–
F	21 February 2007	1 January 2009- 31 December 2009	0.300	9,200,000	–	(1,500,000)	7,700,000	–	(7,700,000)	–
G	15 August 2007	15 August 2008- 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
H	15 August 2007	15 August 2009- 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
I	15 August 2007	15 August 2010- 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
				187,720,000	(2,000,000)	(33,180,000)	152,540,000	–	(149,540,000)	3,000,000
	Total			247,240,000	(4,000,000)	(33,180,000)	210,060,000	(800,000)	(206,260,000)	3,000,000

The vesting period ends on the date when the exercisable period of the share options begin.

In respect of the share options exercised during the year ended 31 December 2009, the share price at the dates of exercise ranged from HK$0.280 to HK$0.300 (2008: HK$0.290 to HK$0.310) and the weighted average share price is HK$0.290 (2008: HK$0.300).

The Company used the Binomial model (the "Model") with the consideration of vesting period and possible exercise pattern to value the share options granted during the year ended 31 December 2007. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

38. SHARE OPTIONS – CONTINUED

THE COMPANY – continued

The share options were granted on 31 January 2007, 21 February 2007 and 15 August 2007. The estimated fair value of the options granted on those dates was as follows:

Option type	**Grant date**	**Fair value** HK$
A	31 January 2007	0.0562
B	31 January 2007	0.0603
C	31 January 2007	0.0664
D	21 February 2007	0.0645
E	21 February 2007	0.0684
F	21 February 2007	0.0765
G	15 August 2007	0.2123
H	15 August 2007	0.2346
I	15 August 2007	0.2522

The inputs into the Model were as follows:

	Option type								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Share price on grant date (HK$)	0.205	0.205	0.205	0.270	0.270	0.270	0.642	0.642	0.642
Exercise price (HK$)	0.205	0.205	0.205	0.300	0.300	0.300	0.642	0.642	0.642
Expected volatility	44.87%	44.87%	44.87%	44.76%	44.76%	44.76%	47.88%	47.88%	47.88%
Expected life (years)	1.92	1.92	1.92	1.75	1.75	1.75	4.00	4.00	4.00
Risk-free rate	4.059%	4.059%	4.059%	4.108%	4.108%	4.108%	4.126%	4.126%	4.126%
Expected dividend yield	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%

The Group recognised an expense in profit or loss in the consolidated statement of comprehensive income of approximately HK$157,000 (2008: HK$3,356,000) for the year ended 31 December 2009 in relation to share options granted by the Company.

SUBSIDIARY

A former subsidiary of the Company, Vision Tech, also operates a share option scheme (the “Subsidiary’s Scheme”). The Subsidiary’s Scheme was adopted pursuant to an ordinary resolution passed at the annual general meeting of Vision Tech’s shareholders held on 18 July 2008 for the purpose of providing incentives or rewards to selected participants for contribution they have made or may make to Vision Tech and/or to enable Vision Tech to recruit and retain high-calibre employees and attract human resources that are valuable to Vision Tech.

Under the Subsidiary’s Scheme, the board of directors of Vision Tech may grant options to selected employees and directors of Vision Tech and its subsidiaries to subscribe for shares in Vision Tech. Additionally, Vision Tech may, from time to time, grant share options to eligible vendors, customers, advisors and consultants of Vision Tech at the discretion of the board of directors of Vision Tech.

38. SHARE OPTIONS – CONTINUED

SUBSIDIARY – continued

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

HK$1 is payable on the grant of an option. The exercise price of the share options is determinable by the directors of Vision Tech which shall be no less than the highest of: (i) the closing price of the shares of Vision Tech as stated in the daily quotations sheet issued by the Stock Exchange on the offer of the share options which must be a business day; (ii) the average closing price of the shares of Vision Tech as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the offer; and (iii) the nominal value of the shares of Vision Tech on the date of grant.

As at 31 December 2008, the number of shares in respect of which options had been granted and remained outstanding under the Subsidiary's Scheme was 123,860,000, representing 9.6% of the shares of Vision Tech in issue at that date.

Details of Vision Tech's options are as follows:

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
			HK$	HK$
AA	27 August 2008	27 August 2008- 20 August 2011	0.136	0.0393
BB	27 August 2008	27 August 2008- 20 August 2011	0.136	0.0336
CC	10 October 2008	10 October 2008- 9 October 2011	0.100	0.0120

In accordance with the terms of Vision Tech's share-based arrangement, options issued during the year ended 31 December 2008 vested at the grant date.

38. SHARE OPTIONS – CONTINUED

SUBSIDIARY – continued

Vision Tech used the Model with the consideration of vesting period and possible exercise pattern to value the share options granted during the year ended 31 December 2008. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The inputs into the Model were as follows:

		Option type	
	AA	**BB**	**CC**
Share price on grant date (HK$)	0.144	0.144	0.080
Exercise price (HK$)	0.136	0.136	0.100
Expected volatility	33.68%	33.68%	36.14%
Expected life (years)	2.98	2.98	3
Risk-free rate	2.397%	2.397%	1.669%
Expected dividend yield	0%	0%	0%

Details of the movements in the number of Vision Tech's share options during the year ended 31 December 2008 under the Subsidiary's Scheme are as follows:

Option type	**Outstanding at 1.1.2008**	**Grant during the year**	**Outstanding at 31.12.2008**
Directors of the Company:			
AA	–	15,500,000	15,500,000
Directors of Vision Tech:			
AA	–	3,200,000	3,200,000
Employees of Vision Tech and its subsidiaries:			
BB	–	6,200,000	6,200,000
Others:			
BB	–	4,960,000	4,960,000
CC	–	94,000,000	94,000,000
	–	123,860,000	123,860,000

The Group recognised an expense in profit or loss in the consolidated statement of comprehensive income of approximately HK$nil (2008: HK$2.2 million) for the year ended 31 December 2009 in relation to share options granted by Vision Tech.

39. JOINT VENTURE

(a) Jointly controlled operation

Chañares entered into a joint venture agreement ("JV Agreement") with Maxipetrol-Petroleros de Occidente S.A. (formerly known as Oxipetrol-Petroleros de Occidente S.A., ("Maxipetrol")) on 14 November 2007 in connection with the development of incremental hydrocarbons production in the "Puesto Pozo Cercado" area and "Chañares Herrados" area ("Areas"), through the investments to be made by Maxipetrol. Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploitation of the works performed thereunder, shall be distributed in the following proportion: 28% for Chañares and 72% for Maxipetrol.

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

On 6 August 2009, a temporary union of enterprise was organised in which Have Result has a 70.83% interest and Maxipetrol has a 29.17% interest for carrying out the operation of petroleum production in the Areas with Chañares.

The aggregate amount of assets and liabilities, income and expenses recognised in the consolidated financial statements in relation to the Group's interest in the jointly controlled operation is as follows:

	2009 **HK$'000**
Assets	**237,293**
Liabilities	**102,584**
Income	**4,409**
Expenses	**4,662**

39. JOINT VENTURE – CONTINUED

(b) Jointly controlled entity

The Group had the following significant interest in a joint venture as at 31 December 2008:

Name of entity	Place of registration/ operations	Nominal value of registered capital	Effective percentage of interest held by the Group	Principal activities
Qingyuan JCCL EPI Copper Limited ("JCCL EPI")	PRC	RMB90,000,000	60%	Production of copper anode

During the year ended 31 December 2009, the Group disposed of the entire interest of JCCL EPI to an independent third party. Details of the disposal are stated in note 43.

Prior to the disposal, the Group held 60% of the registered capital of JCCL EPI and was entitled to nominate three out of five directors of JCCL EPI. During the year ended 31 December 2008, the Group acquired an additional 9% equity interest in JCCL EPI from a joint venture partner. The board of directors of JCCL EPI continue to comprise three directors appointed by the Group and two directors appointed by the other remaining joint venture partner. However, under the shareholders' agreement, all resolutions of JCCL EPI have to be passed with the approval of all its directors. Therefore, JCCL EPI was classified as a jointly controlled entity of the Group.

The following amounts are included in the Group's consolidated financial statements as at 31 December 2008 as a result of the proportionate consolidation with the line-by-line reporting format of the above joint venture:

	2008 HK$'000
Non-current assets	56,137
Current assets	244,660
Current liabilities	253,565
Income	881,560
Expenses	911,769

40. ACQUISITION OF SUBSIDIARIES

(i) As set out in note 17, the Group acquired the entire issued share capital of Have Result for a consideration of HK$3,835,273,000. The principal assets held by Have Result are exploration and evaluation assets, including oil exploration rights. Hence, the acquisition of the entire interest of Have Result has been accounted for as acquisition of assets and the related liabilities.

Further details of the acquisition are set out in the Company's circular dated 9 October 2009.

The net assets acquired in the transaction are as follows:

	2009
	HK$'000
Net assets acquired:	
Exploration and evaluation assets	
– oil exploration rights	**3,810,136**
Property, plant and equipment	**87,934**
Other tax recoverable	**20,074**
Trade and other receivables	**14,051**
Bank balances and cash	**6,588**
Trade and other payables	**(103,510)**
Net assets acquired	**3,835,273**
Consideration satisfied by:	
Promissory notes issued (see note 33)	**840,000**
Shares issued, representing 16.8% the enlarged share capital of the Company at the date of acquisition	**244,000**
Convertible notes issued (see note 36)	**2,751,273**
Consideration	**3,835,273**
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	**6,588**

Pursuant to the terms of the agreement, the total consideration for the acquisition is subject to adjustment within 24 months following the completion. Details of the consideration adjustment are set out in note 17.

For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at the initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible notes issued, was used to account for the cost of the oil exploration rights.

40. ACQUISITION OF SUBSIDIARIES – CONTINUED

(ii) As set out in the Company's circular dated 20 July 2007, the Group entered into a subscription agreement with Vision Tech, principal business of which involves the trading and distribution of audio-visual products and home appliances. In accordance with the subscription agreement, the Group has conditionally agreed to subscribe for and Vision Tech has conditionally agreed to issue and allot 750,000,000 new ordinary shares of Vision Tech at a subscription price of HK$0.10 per share.

The transaction was completed on 3 March 2008 and the Group acquired 57.92% equity interest in Vision Tech for a consideration of HK$75,000,000 which was satisfied in cash. Vision Tech became a subsidiary of the Company. The acquisition was accounted for by the purchase method of accounting.

Further details of the subscription are set out in the Company's circular dated 20 July 2007.

The acquiree's carrying amounts and fair values of the net assets acquired in the transaction, and the goodwill arising, are as follows:

	2008 HK$'000 (note)
Net assets acquired:	
Property, plant and equipment	735
Inventories	257
Trade and other receivables	8,930
Bank balances and cash	128,358
Trade and other payables	(33,201)
Taxation payable	(1,481)
	103,598
Minority interests	(43,594)
	60,004
Goodwill	14,996
Total consideration, satisfied by cash	75,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(75,000)
Cash and cash equivalents acquired	128,358
	53,358

Note: Carrying amounts of the acquirees' assets and liabilities acquired before combination are the same as their fair values.

The goodwill arising on the acquisition is attributable to the anticipated future operating synergies with the existing operation of the Group after the business combination is consummated.

40. ACQUISITION OF SUBSIDIARIES – CONTINUED

(ii) continued

Vision Tech contributed a loss of HK$9,125,000 to the Group's loss for the period between the date of acquisition and 31 December 2008.

If the acquisition had been completed on 1 January 2008, total group revenue for the year ended 31 December 2008 would have been approximately HK$2,620 million and loss for the year would have been HK$7,274,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor is it intended to be a projection of future events.

41. ACQUISITION OF ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY THROUGH PURCHASE OF A SUBSIDIARY

On 11 August 2008, the Group entered into an agreement with a joint venture partner in relation to the acquisition of an additional 9% equity interest in JCCL EPI. The transaction was completed on 17 September 2008 upon the approval by the independent shareholders of the Company. The Group acquired the additional 9% interest in the jointly controlled entity through purchase of the entire equity interests of Big Base Enterprises Limited ("Big Base") for a total consideration of HK$25,000,000. Big Base has not commenced other businesses at the date of acquisition of additional equity interest.

The principal asset of Big Base is 9% equity interest in JCCL EPI. The Group is in substance acquiring additional interest in JCCL EPI and the acquisition did not result in any change in control of JCCL EPI and accordingly there is no change in the classification of JCCL EPI from a jointly controlled entity to a subsidiary.

Further details of this transaction are set out in the Company's circular dated 1 September 2008.

The net assets acquired in respect of the 9% additional equity interest in JCCL EPI, and the goodwill arising, are as follows:

	2008 HK$'000
Net assets acquired:	
Property, plant and equipment	4,790
Prepaid lease payments	3,510
Inventories	9,918
Trade and other receivables	26,349
Bank balances and cash	4,182
Trade and other payables	(23,790)
Bank borrowings	(14,210)
	10,749
Goodwill	14,251
Total consideration, satisfied by cash	25,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(25,000)
Cash and cash equivalents acquired	4,182
	(20,818)

41. ACQUISITION OF ADDITIONAL INTEREST IN A JOINTLY CONTROLLED ENTITY THROUGH PURCHASE OF A SUBSIDIARY – CONTINUED

The goodwill arising on the acquisition is attributable to the anticipated further earning capabilities of the Group at the date of acquisition. As at 31 December 2008, the directors considered that goodwill arising from acquisition of additional interest in JCCL EPI was impaired, details of which are disclosed in note 19.

42. DISPOSAL OF A SUBSIDIARY

(i) In May 2009, the Group entered into the following transactions to dispose of 47.80% interest in Vision Tech, a then subsidiary of the Company, whose shares are listed on the Stock Exchange.

- disposed of 100,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share pursuant to a placing agreement.
- disposed of 200,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share pursuant to an option agreement at the option fee of HK$0.01 per option.
- disposed of 250,000,000 ordinary shares of Vision Tech at a price of HK$0.20 per share pursuant to a placing agreement.

After the series of transactions mentioned above, Vision Tech ceased to be a subsidiary of the Company. The remaining Vision Tech shares held by the Group, representing 10.12% of the issued share capital of Vision Tech, have since been accounted for as held-for-trading investments upon and after completion of the disposal.

	2009 HK$'000
Net assets disposed of:	
Property, plant and equipment	**4,328**
Inventories	**11,347**
Trade and other receivables	**47,262**
Tax recoverable	**1,144**
Pledged bank deposits	**3,327**
Bank balances and cash	**8,581**
Trade and other payables	**(20,127)**
Taxation payable	**(1,182)**
	54,680
Share options reserve	**(2,238)**
Minority interests	**(22,067)**
Attributable goodwill	**14,996**
	45,371
Transfer to held-for-trading investments	**(20,000)**
Gain on disposal	**61,129**
Total consideration, satisfied by cash	**86,500**
Net cash inflow arising from disposal:	
Cash consideration	**86,500**
Bank balances and cash disposed of	**(8,581)**
	77,919

42. DISPOSAL OF A SUBSIDIARY – CONTINUED

(i) continued

Vision Tech did not contribute significantly to the revenue and cash flows of the Group during the year other than contributed a loss of HK$42,276,000 to the Group's profit for the period between 1 January 2009 to the date of disposal.

(ii) On 31 March 2008, the Group disposed of its equity interest in a then subsidiary ("Disposed Subsidiary") for a consideration of HK$5,000. The net assets of the Disposed Subsidiary at the date of disposal were as follows:

	2008 HK$'000
Net assets disposed of:	
Inventories	63
Trade and other receivables	528
Bank balances and cash	11
Other payables	(308)
	294
Loss on disposal	(289)
Total consideration, satisfied by cash	5
Net cash outflow arising on disposal:	
Cash consideration	5
Bank balances and cash disposed of	(11)
	(6)

The financial impact of the Disposed Subsidiary on the Group's results and cash flows for the year ended 31 December 2008 is insignificant.

43. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

As detailed in note 12, on 30 December 2009, the Group discontinued its production of copper anode operation through the disposal of JCCL EPI to an independent third party for a cash consideration of HK$37,800,000. The gain on disposal of JCCL EPI is HK$96,524,000.

43. DISPOSAL OF A JOINTLY CONTROLLED ENTITY – CONTINUED

The carrying amounts of the net assets and liabilities of JCCL EPI at the date of disposal were as follows:

	2009 HK$'000
Net assets disposed of:	
Property, plant and equipment	31,830
Prepaid lease payments	22,731
Inventories	92,655
Trade and other receivables	27,190
Derivative financial instruments	941
Bank balances and cash	5,498
Trade and other payables	(223,690)
Bank borrowings	(8,892)
	(51,737)
Transfer from translation reserve	(6,987)
	(58,724)
Gain on disposal	96,524
Total consideration	37,800
Satisfied by:	
Cash	–
Deferred consideration (note)	37,800
	37,800
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(5,498)
	(5,498)

Note: The consideration had not yet been settled by the purchaser as at 31 December 2009. The amount is unsecured, interest-free and repayable on demand. The amount is included in trade and other receivables (see note 26).

The impact of JCCL EPI on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

44. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2009, the Group had the following major non-cash transactions:

(a) As detailed in note 40(i), the consideration for acquisition of 100% interest in Have Result was settled by the Company's issue of 1,000,000,000 shares new ordinary of HK$0.01 each at HK$0.244 per share and the Company's issue of convertible notes and promissory notes at an amount of HK$2,751,273,000 and HK$840,000,000 respectively.

(b) As detailed in note 43, consideration of HK$37,800,000 for the disposal of JCCL EPI had not been yet settled by the purchaser as at 31 December 2009.

45. PLEDGE OF ASSETS

At 31 December 2009, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

	2009 **HK$'000**	2008 HK$'000
Index-linked note	**2,947**	2,684
Pledged bank deposits	**22,624**	43,711
	25,571	46,395

46. OPERATING LEASE COMMITMENTS

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**4,124**	7,280
In the second to fifth year, inclusive	**3,519**	4,241
	7,643	11,521

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

47. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements – for wells drilling (note)	**63,604**	–

Note: Maxipetrol is obliged to drill five production wells and provide for the infrastructure work that is necessary for the incremental production that the wells to be drilled may generate in the year 2010 under the JV Agreement. Failure to meet the minimum drilling requirements may render the JV Agreement to be terminated. The Group has assumed the obligation of Maxipetrol for drilling the minimum production wells in the year 2010 pursuant to the Assignment Agreement.

48. RETIREMENT BENEFITS SCHEMES

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

The Group (including its subsidiaries and jointly controlled entity) also participates in the employees' pension schemes of the respective municipal governments in various places (including Argentina) where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

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

49. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with the following related parties:

Name of related party	Nature of transaction	**2009** **HK$'000**	2008 HK$'000
Jiangxi Copper Company Limited ("JCCL") (note i)	Sale of copper anode	**87,570**	881,514
	Processing service income	**10,895**	–
JCC (Guixi) Logistics Company Limited ("JCC Logistics") (note ii)	Logistics service fee	**–**	228
Shenzhen Jiangtong Southern Company Limited ("SZ Jiangtong Southern") (note iii)	Purchase of scrap copper	**164,735**	224,287

Notes:

(i) JCCL is the other joint venture partner of JCCL EPI.

(ii) JCC Logistics is a 64% owned indirect subsidiary of JCCL.

(iii) SZ Jiangtong Southern is an associate of JCCL.

In addition, the Group also entered into a cooperation agreement with SZ Jiangtong Southern and its subsidiary for the proposed development of the business in the overseas sourcing and import of scrap copper to the PRC. Further details of this cooperation agreement are set out in the Company's announcement dated 11 December 2008. On 10 March 2009, no conclusion has been reached between the parties to the cooperation agreement and it was then lapsed and terminated.

49. RELATED PARTY TRANSACTIONS – CONTINUED

(b) Balances with related parties

	2009 HK$'000	2008 HK$'000
Trade receivable from a joint venture partner	–	1,024
Prepayments to SZ Jiangtong Southern	–	67,129
Deposits received from JCCL EPI	(13,052)	(40,561)
Bills payable to SZ Jiangtong Southern	–	(17,100)

(c) Compensation of key management personnel

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

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	9,476	12,620
Post-employment benefits	78	92
	9,554	12,712

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

50. FINANCIAL INSTRUMENTS

Financial risk management objectives

The financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include loan receivables, trade and other receivables, trade receivable from a joint venture partner, financial assets at fair value through profit or loss, derivative financial instruments, held-for-trading investments, pledged bank deposits, bank balances and cash, trade and other payables, promissory notes, bank borrowings and assets retirement obligation. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**262,336**	992,922
Designated as at FVTPL	**2,947**	2,684
Held-for-trading investments	**148,412**	24,836
Derivative financial instruments	**–**	25,205
	413,695	1,045,647
Financial liabilities		
Amortised cost	**550,709**	405,452
Derivative financial instruments	**8,009**	22

Interest rate risk

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

50. FINANCIAL INSTRUMENTS – CONTINUED

Interest rate risk – continued

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

	2009	2008
	HK$'000	HK$'000
Decrease in profit/increase in loss for the year	**1,237**	197

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

Foreign currency risk management

The functional currency of the Company and its subsidiaries which operates in Hong Kong is HK$ in which most of the transactions are denominated. The functional currency of the Group's petroleum exploration and production in Argentina is USD. Certain trade receivables, trade payables, bank balances and bank borrowings of the Group are denominated in USD/ARS while the relevant group entities have HK$/USD as their functional currency, which expose the Group to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year ended 31 December 2009 and 2008, the Group entered into a USD/HKD swap forward contract as part of the foreign currency risk management.

The carrying amounts of the Group's foreign currency denominated trade and bills receivables, trade and bills payables, bank borrowings and bank balances, at the reporting date are as follows:

	Liabilities		**Assets**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**216,935**	206,988	**111,362**	276,405
ARS	**6,079**	–	**14,822**	–

50. FINANCIAL INSTRUMENTS – CONTINUED

Foreign currency risk management – continued

Foreign currency sensitivity

The following table details the Group's sensitivity to a 1% and 10% increase and decrease in HK$ against the relevant foreign currencies. 1% and 10% is the sensitivity rate used for USD and ARS respectively when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the year end for a 1%/10% change in foreign currency rates. The sensitivity analysis represents the trade receivables, trade payables, bank borrowings and bank balances where the denomination are in USD or ARS, the major foreign currency risk. The sensitivity analysis also includes outstanding foreign currency swap contract. A negative number indicates decrease in profit/ increase in loss for the year where HK$ strengthens against USD or ARS. For a 1%/10% weakening of HK$ against USD or ARS, there would be an equal and opposite impact on the profit (loss) for the year below:

	Impact of USD		Impact of ARS	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Decrease (increase) in profit for the year	**882**	(580)	**(730)**	–

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

Other price risk

The Group's investments in listed equity securities and index-linked note are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to various price risks. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. Details of the investments in listed equity securities and index-linked note are set out in notes 28 and 21. The management has closely monitored the price risk and will consider hedging the risk exposure should the need arise. The management considers that the other price risk of the Group's index-linked note is insignificant due to its principal protection clause.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 20% higher/lower, profit for the year ended 31 December 2009 would decrease/increase by HK$30,272,000 (2008: loss for the year ended 31 December 2008 would increase/decrease by HK$5,504,000) as a result of the changes in fair value of held-for-trading investments.

50. FINANCIAL INSTRUMENTS – CONTINUED

Commodity price risk on commodity forward contracts

The Group's normal policy is to sell its products in metals sourcing and trading operation by reference to the prevailing market prices such as the London Metal Exchange and the Shanghai Futures Exchange. Exceptions to this rule are subject to strict limits laid down by the board of directors and to rigid internal controls. The Group is exposed to commodity prices risk of copper as the Group's metals sourcing and trading operation is primarily related to copper concentrate and/or related materials. The Group may hedge certain commitments with some of its purchases and sales using commodity forward contracts. Details of commodity derivatives held at 31 December 2009 and 2008 are set out in note 29.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to commodity price risk of outstanding commodity forward contracts at the reporting date.

If the prices of copper had been 10% higher/lower, profit for the year ended 31 December 2009 would increase/decrease by HK$801,000 (2008: loss for the year ended 31 December 2008 decrease/increase by HK$2,518,000). The sensitivities are based on the assumption that the market commodity price increases/decreases by 10% with all other variables held constant. These sensitivities should be used with care. The relationship between currencies and commodity prices is a complex one and changes in exchange rates can influence commodity prices and vice versa. For the purpose of the above sensitivity analysis, exchange fluctuation is excluded.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

– the amount of loan commitment in respect of credit facility issued by the Group as disclosed in note 25.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2008: 100%) of the total trade receivables as at 31 December 2009.

With respect to credit risk arising from trade receivables from a joint venture partner, other receivables and margin deposits to financial institutions, the Group's exposure to credit risk from default of counterparties are limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

Loan receivables normally carry interest at rates with reference to banks' lending rates and are secured by collaterals. The Group has concentration of credit risk of the Group's loan receivables from a few entities. In order to minimise the credit risk, the management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or to recover overdue balances.

50. FINANCIAL INSTRUMENTS – CONTINUED

Credit risk – continued

The Group has concentration of credit risk. Five largest customers represented approximately 93% (2008: 80%) of the revenue of the Group for the year ended 31 December 2009. The Group has concentration of credit risk as 95% (2008: 87%) of the total trade receivables was due from the Group's five largest customers as at 31 December 2009. Trade receivables attributable to the Group's largest debtor represented approximately 55% (2008: 35%) of the total receivables as at 31 December 2009. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In determining whether allowance for bad and doubtful debts is required, the Group has taken into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the directors discuss with the relevant customers and report on the recoverability, specific allowance is only made for trade and other receivables that is unlikely to be collected. In this regard, the management considers that the Group's credit risk is significantly reduced.

Liquidity risk

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

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

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

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

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

50. FINANCIAL INSTRUMENTS – CONTINUED

Liquidity risk – continued

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

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-6 months HK$'000	7 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade payables	N/A	105,032	9,933	–	–	114,965	114,965
Bills payables	N/A	27,636	–	–	–	27,636	27,636
Other payables	N/A	1,713	–	50,700	–	52,413	52,413
Bank borrowings							
– variable-rate	3.43	14,632	84,313	2,562	3,401	104,908	103,415
Promissory notes	0.29	–	365	365	253,624	254,354	252,280
		149,013	94,611	53,627	257,025	554,276	550,709
Derivative settled							
Commodity forward contracts	N/A	–	8,009	–	–	8,009	8,009

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-6 months HK$'000	7 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008						
Non-derivative financial liabilities						
Trade payables	N/A	25,267	16,705	–	41,972	41,972
Bills payables	4.46	–	45,918	–	45,918	44,916
Other payables	N/A	11,226	–	–	11,226	11,226
Bank borrowings						
– fixed-rate	7.76	–	141,308	–	141,308	138,618
– variable-rate	5.30	–	170,895	–	170,895	168,720
		36,493	374,826	–	411,319	405,452
Derivative settled						
Commodity forward contracts	N/A	–	22	–	22	22

50. FINANCIAL INSTRUMENTS – CONTINUED

Fair value of financial instruments

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

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

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

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

Fair value measurements recognised in the consolidated statement of financial position

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

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at fair value through profit or loss	**–**	**2,947**	**–**	**2,947**
Held-for-trading				
– listed equity securities	**148,412**	**–**	**–**	**148,412**
Total	**148,412**	**2,947**	**–**	**151,359**
Financial liabilities				
Derivative financial instruments	**8,009**	**–**	**–**	**8,009**

51. CAPITAL RISK MANAGEMENT

The Group's over-riding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to provide a high degree of financial flexibility at the lowest cost of capital.

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

The Company's board of directors reviews the capital structure on a continuous basis. As part of this review, the board of directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior years.

52. EVENT AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2009:

(a) On 10 February 2010, the Company granted a total of 150,000,000 share options to certain individuals (including 17,700,000 share options for two directors) to subscribe for up to 150,000,000 ordinary shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$0.1564 per share.

(b) On 17 February 2010, CN with an aggregate par value of HK$50,000,000 (carrying amount of approximately HK$59,512,000) were converted into 243,902,439 ordinary shares of the Company.

53. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 December 2009 and 2008 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Innovision Enterprises Limited	Hong Kong	HK$1	–	100% (2008: 100%)	Trading of consumer electronics products (indent)
EPI Metals Limited	Hong Kong	HK$1	–	100% (2008: 100%)	Metals sourcing and trading
Have Result Investments Limited	British Virgin Islands/ Argentina	US$10,000	–	100% (2008: N/A)	Petroleum exploration and production
Vision Tech*	Bermuda/ Hong Kong	HK$129,496,000	–	– (2008: 57.92%)	Investment holding
Krongate Limited	British Virgin Islands/Hong Kong	US$1,000	–	– (2008: 57.92%)	Trading of consumer electronics products (indent)
Kingston Recycling Limited	Hong Kong	HK$1	–	– (2008: 57.92%)	Metals sourcing and trading

* Vision Tech is listed on the Stock Exchange.

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

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

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**1,089,539**	1,665,018	1,303,868	264,803	513,610
Cost of sales	**(1,081,363)**	(1,568,193)	(1,195,435)	(257,909)	(498,221)
Gross profit	**8,176**	96,825	108,433	6,894	15,389
Net gain on debt restructuring	**–**	–	–	263,168	–
Other gain and losses	**73,470**	62,740	54,013	8,064	2,139
Gain (loss) on disposal of a subsidiary	**61,129**	(289)	–	–	–
Distribution and selling expenses	**(11,639)**	(31,296)	(31,326)	(884)	(236)
Administrative expenses	**(70,490)**	(76,553)	(56,356)	(9,708)	(6,981)
Other expenses	**(35,224)**	(5,935)	(10,827)	(2,126)	–
Finance costs	**(2,954)**	(123)	(29)	(116)	(300)
Profit before taxation	**22,468**	45,369	63,908	265,292	10,011
Taxation credit (charge)	**291**	(8,714)	(14,556)	(350)	(1,810)
Profit for the year from continuing operations	**22,759**	36,655	49,352	264,942	8,201
(Loss) profit for the year from discontinued operation	**(2,445)**	(44,488)	14,159	–	–
Profit (loss) for the year	**20,314**	(7,833)	63,511	264,942	8,201

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**4,565,772**	1,286,483	1,119,587	283,518	13,982
Total liabilities	**(588,887)**	(472,116)	(337,735)	(17,870)	(308,359)
	3,976,885	814,367	781,852	265,648	(294,377)
Equity attributable to owners of the Company	**3,976,885**	772,375	781,852	265,648	(294,377)
Share options reserve of a subsidiary	**–**	2,238	–	–	–
Minority interests	**–**	39,754	–	–	–
	3,976,885	814,367	781,852	265,648	(294,377)

Note: During the year ended 31 December 2009, the Group discontinued the production of copper anode operation. The results for the years ended 31 December 2007 and 2008 as presented in the above table have been re–presented to include the results of such discontinued operation under "(loss) profit for the year from discontinued operation".

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Chi Wing Joseph (Chairman & CEO)
Mr. Chu Kwok Chi Robert (Deputy Chairman)
Mr. Zhou Jacky

NON-EXECUTIVE DIRECTOR

Mr. Leung Hon Chuen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Kwok Shin Edmond
Mr. Qian Zhi Hui
Mr. Zhu Tiansheng

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Hong Kin Choy

PRINCIPAL BANKER (HONG KONG)

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of Communication Company Limited, Hong Kong Branch
Citic Ka Wah Bank Limited

PRINCIPAL BANKER (PRC)

Bank of China Limited
Shenzhen Development Bank Company Limited

PRINCIPAL SHARE REGISTRAR

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Rosebank Centre
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Pembroke HM 08 Bermuda

BRANCH SHARE REGISTRAR

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Hong Kong

AUDIT COMMITTEE

Mr. Poon Kwok Shin Edmond (Chairman of the Audit Committee)
Mr. Leung Hon Chuen
Mr. Qian Zhi Hui

REMUNERATION COMMITTEE

Mr. Leung Hon Chuen (Chairman of the Remuneration Committee)
Mr. Poon Kwok Shin Edmond
Mr Qian Zhi Hui

NOMINATION COMMITTEE

Mr. Wong Chi Wing Joseph (Chairman of the Nomination Committee)
Mr. Leung Hon Chuen
Mr. Poon Kwok Shin Edmond

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SOLICITORS

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AUDITOR

Deloitte Touche Tohmatsu

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 0689
Board lot: 20,000 shares
Financial year end: 31 December
Number of Shares at 31 December 2009: 7,693,611,984
Share price at 31 December 2009: HK$0.189
Market capitalization at 31 December 2009: HK$1,454 million

WEBSITE ADDRESS

www.epiholdings.com

EPI (Holdings) Limited
長盈集團(控股)有限公司

HKSE:0689

Annual Report