新時代能源有限公司*

NEW TIMES ENERGY corporation limited

(incorporated in Bermuda with limited liability)
(Stock code: 00166)

INTERIM REPORT 2011

*For identification purposes only

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CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Cheng Kam Chiu, Stewart
Mr. Cheng Ming Kit

Non-executive Directors
Mr. Wong Man Kong, Peter
Mr. Chan Chi Yuen

Independent Non-executive Directors
Mr. Fung Chi Kin
Mr. Fung Siu To, Clement
Mr. Chiu Wai On

AUDIT COMMITTEE
Mr. Chiu Wai On *(Chairman)*
Mr. Fung Chi Kin
Mr. Fung Siu To, Clement

REMUNERATION COMMITTEE
Mr. Fung Chi Kin *(Chairman)*
Mr. Fung Siu To, Clement
Mr. Chiu Wai On

NOMINATION COMMITTEE
Mr. Fung Chi Kin *(Chairman)*
Mr. Fung Siu To, Clement
Mr. Chiu Wai On

COMPANY SECRETARY
Mr. Yu Wing Cheung

AUDITOR
Crowe Horwath (HK) CPA Limited

LEGAL ADVISERS

On Hong Kong law
Phillips Solicitors

On Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
ICBC (Asia) Limited

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REGISTERED OFFICE
Clarendon House
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
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WEBSITE
http://www.166hk.com

STOCK CODE
00166

The board of directors (the "Board") of New Times Energy Corporation Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with comparative figures for the corresponding period in 2010. These condensed consolidated financial statements for the six months ended 30 June 2011 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**14,113**	29,798
Cost of sales		**(13,657)**	(29,223)
Gross profit		**456**	575
Other revenue, net income and operating income		**3,120**	4,785
Administrative expenses		**(39,724)**	(26,896)
Other operating expenses		**(609)**	—
Loss from operations		**(36,757)**	(21,536)
Finance costs	*4*	**(4,724)**	(3,884)
Share of loss of a jointly controlled entity		**(1,870)**	(569)
Loss before taxation	*5*	**(43,351)**	(25,989)
Income tax	*6*	**1,851**	(28)
Loss for the period		**(41,500)**	(26,017)
Loss for the period attributable to:			
Owners of the Company		**(33,229)**	(20,872)
Non-controlling interests		**(8,271)**	(5,145)
		(41,500)	(26,017)
Loss per share	*8*		
Basic and diluted		**(0.37 cents)**	(0.30 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(41,500)**	(26,017)
Other comprehensive (expense)/income			
Exchange difference arising on translation of financial statements of overseas subsidiaries, net of tax HK$nil (2010: HK$nil)		**(575)**	17
Total comprehensive expense for the period		**(42,075)**	(26,000)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(33,293)**	(20,891)
Non-controlling interests		**(8,782)**	(5,109)
		(42,075)	(26,000)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**As at 30 June 2011 (Unaudited)** *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Exploration and evaluation assets	*9*	**3,538,193**	3,501,338
Property, plant and equipment		**7,509**	5,046
Intangible assets		**—**	944
Convertible promissory note receivable	*11*	**—**	8,412
Interest in a jointly controlled entity		**5,078**	6,948
Available-for-sale financial assets	*11*	**39,255**	—
Loan to a non-controlling shareholder		**202**	1,134
Deposit paid for a sub-contracting contract		**79,908**	79,301
Other receivable		**19,480**	—
		3,689,625	3,603,123
CURRENT ASSETS			
Inventories		**1,058**	349
Trade and other receivables	*12*	**103,516**	122,398
Deposit paid for potential investment	*10*	**—**	60,000
Convertible promissory note receivable	*11*	**—**	9,312
Derivative financial instruments	*11*	**—**	272
Cash and cash equivalents	*13*	**184,202**	114,061
		288,776	306,392
CURRENT LIABILITIES			
Trade and other payables	*14*	**25,709**	73,816
Bank and other borrowings		**162,745**	160,294
Obligations under finance leases		**7**	12
Current taxation		**185**	4,564
Convertible notes payable	*15*	**9,932**	—
		198,578	238,686

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2011

	Note	As at 30 June 2011 (Unaudited) *HK$'000*	As at 31 December 2010 (Audited) *HK$'000*
NET CURRENT ASSETS		**90,198**	67,706
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,779,823**	3,670,829
NON-CURRENT LIABILITIES			
Obligations under finance leases		—	(1)
NET ASSETS		**3,779,823**	3,670,828
CAPITAL AND RESERVES			
Share capital	*16*	**908,924**	825,518
Share premium and reserves		**2,896,884**	2,862,513
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,805,808**	3,688,031
NON-CONTROLLING INTERESTS		**(25,985)**	(17,203)
TOTAL EQUITY		**3,779,823**	3,670,828

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Unaudited Attributable to owners of the Company							
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Total share premium and reserve *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2011	825,518	3,083,591	15,868	(236,946)	2,862,513	3,688,031	(17,203)	3,670,828
Loss for the period	—	—	—	(33,229)	(33,229)	(33,229)	(8,271)	(41,500)
Other comprehensive expense	—	—	(64)	—	(64)	(64)	(511)	(575)
Total comprehensive expense for the period	—	—	(64)	(33,229)	(33,293)	(33,293)	(8,782)	(42,075)
Transactions with owners								
Shares issued upon exercise of bonus warrants	72	123	—	—	123	195	—	195
Issue of convertible notes	—	—	10,987	—	10,987	10,987	—	10,987
Shares issued upon conversion of convertible notes	83,334	66,854	(10,300)	—	56,554	139,888	—	139,888
Total transactions with owners	83,406	66,977	687	—	67,664	151,070	—	151,070
At 30 June 2011	908,924	3,150,568	16,491	(270,175)	2,896,884	3,805,808	(25,985)	3,779,823
At 1 January 2010	551,000	2,185,338	870,291	(174,740)	2,880,889	3,431,889	(2,364)	3,429,525
Loss for the period	—	—	—	(20,872)	(20,872)	(20,872)	(5,145)	(26,017)
Other comprehensive (expense)/income	—	—	(19)	—	(19)	(19)	36	17
Total comprehensive expense for the period	—	—	(19)	(20,872)	(20,891)	(20,891)	(5,109)	(26,000)
Transactions with owners								
Shares issued under placement, net of issuing costs	74,310	147,642	—	—	147,642	221,952	—	221,952
Subscription of new shares	32,258	67,742	—	—	67,742	100,000	—	100,000
Shares issued upon conversion of convertible notes	149,197	605,648	(754,845)	—	(149,197)	—	—	—
Lapse of share options granted under Share Option Scheme	—	—	(3,851)	3,851	—	—	—	—
Total transactions with owners	255,765	821,032	(758,696)	3,851	66,187	321,952	—	321,952
At 30 June 2010	806,765	3,006,370	111,576	(191,761)	2,926,185	3,732,950	(7,473)	3,725,477

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net cash used in operating activities	**(62,461)**	(164,925)
Net cash used in investing activities	**(27,496)**	(53,212)
Net cash generated from financing activities	**160,189**	390,901
Net increase in cash and cash equivalents	**70,232**	172,764
Effect of foreign exchange rate changes	**(91)**	(1,766)
Cash and cash equivalents at the beginning of the period	**114,061**	163,747
Cash and cash equivalents at the end of the period	**184,202**	334,745

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007–8, 10/F., New World Tower 1, 16–18 Queen's Road Central, Hong Kong. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited.

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 30 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2010. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 March 2011.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendments)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (As revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new or revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

General trading	This segment includes trading of oil products and non-ferrous metal. Currently, the Group's general trading activities are carried out in Hong Kong and Mainland China.
Exploration of natural resources	This segment is engaged in the exploration of crude oil in Argentina Republic ("Argentina"). The activities carries out in Argentina are through a non-wholly-owned subsidiary.
Production of iron concentrates	This segment is engaged in mining and selling of iron concentrates in Mainland China. The activities carries out in Mainland China are through a non-wholly-owned subsidiary.

3. SEGMENT INFORMATION (Continued)

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's CODM for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current assets and current assets with the exception of interest in a jointly controlled entity, convertible promissory note receivable, deposit paid for potential investment, available-for-sale financial assets and other corporate assets. Segment liabilities include non-current liabilities and current liabilities with the exception of current taxation and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.

Segment loss represents the profit earned/loss resulted by each segment without allocation of central administration costs including directors' emoluments, share of loss of a jointly controlled entity and income tax expenses. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance. In addition to receiving segment information concerning the segment result, the CODM is provided with segment information concerning interest income, interest expenses, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3. SEGMENT INFORMATION (Continued)

(a) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	General trading		Exploration of natural resources		Production of iron concentrates		Total	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
For the six months ended 30 June								
Revenue from external customers	**8,124**	29,798	**—**	—	**5,989**	—	**14,113**	29,798
Reportable segment	**8,124**	29,798	**—**	—	**5,989**	—	**14,113**	29,798
Reportable segment loss	**(7,154)**	(1,223)	**(18,363)**	(9,947)	**(1,647)**	—	**(27,164)**	(11,170)
Depreciation and amortisation	**944**	915	**110**	65	**45**	—	**1,099**	980
Interest income	**(18)**	(536)	**—**	—	**—**	—	**(18)**	(536)
Interest expense	**3,199**	3,155	**—**	—	**—**	—	**3,199**	3,155
As at 30 June 2011 and 31 December 2010								
Reportable segment assets	**101,068**	122,148	**3,625,264**	3,584,290	**6,335**	—	**3,732,667**	3,706,438
Additions to non-current segment assets during the period/year	**—**	611	**42,546**	259,440	**3,394**	—	**45,940**	260,051
Reportable segment liabilities	**(131,564)**	(129,102)	**(10,865)**	(59,412)	**(557)**	—	**(142,986)**	(188,514)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2011 **HK$'000**	2010 HK$'000
Revenue		
Reportable segment revenue	**14,113**	29,798
Consolidated turnover	**14,113**	29,798
Loss		
Reportable segment loss	**(27,164)**	(11,170)
Unallocated operating income and expenses	**(12,791)**	(10,366)
Finance costs	**(1,526)**	(3,884)
Share of post-tax loss of a jointly controlled entity	**(1,870)**	(569)
Consolidated loss before taxation	**(43,351)**	(25,989)

3. SEGMENT INFORMATION (Continued)

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Assets		
Reportable segment assets	**3,732,667**	3,706,438
Interest in a jointly controlled entity	**5,078**	6,948
Deposit paid for potential investment	**—**	60,000
Convertible promissory note receivable	**—**	17,996
Available-for-sale financial assets	**39,255**	—
Unallocated corporate assets		
— cash and cash equivalents	**166,370**	66,187
— other receivables	**19,841**	44,607
— others	**15,190**	7,339
Consolidated total assets	**3,978,401**	3,909,515
Liabilities		
Reportable segment liabilities	**142,986**	188,514
Current taxation	**185**	4,564
Unallocated corporate liabilities		
— other borrowings	**42,396**	42,344
— convertible notes payable	**9,932**	—
— others	**3,079**	3,265
Consolidated total liabilities	**198,578**	238,687

3. SEGMENT INFORMATION (Continued)

(c) Geographical information

The Group's operations are located in Hong Kong (country of domicile), Mainland China and Argentina.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than convertible promissory note receivable, deposit paid for potential investment, available-for-sale financial assets, loan to a non-controlling shareholder, other receivable and interest in a jointly controlled entity ("Specified non-current assets"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment and exploration and evaluation assets; and (ii) the location of the operation to which they are allocated, in the case of intangible assets and deposit paid for a sub-contracting contract.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (country of domicile)	**8,124**	20,358	**703**	949
Mainland China	**5,989**	9,440	**85,722**	83,275
Argentina	**—**	—	**3,539,185**	3,502,405
	14,113	29,798	**3,625,610**	3,586,629

3. SEGMENT INFORMATION (Continued)

(d) Information about major customers

Revenue from sales of goods to customers representing 10% or more of the Group's total revenue is shown as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**—**	9,440
Customer B[1]	**—**	20,358
Customer C[1]	**8,124**	—
Customer D[2]	**2,732**	—
Customer E[2]	**1,458**	—

[1] Revenue from "General trading" reportable segment.

[2] Revenue from "Production of iron concentrates" reportable segment.

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**3,917**	3,884
Effective interest expenses on convertible notes	**807**	—
Total interest expenses on financial liabilities not at fair value through profit or loss	**4,724**	3,884

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Cost of inventories	**13,657**	29,223
Depreciation and amortisation	**1,536**	1,172
Staff cost (including directors' emoluments)		
— Wages, salaries and other benefits	**8,213**	4,781
— Contributions to defined contribution retirement scheme	**409**	55
Minimum lease payments under operating leases on leasehold land and buildings	**1,250**	1,187
Interest income	**(1,915)**	(620)
Net foreign exchange loss	**8,041**	2,451
Loss on disposal of intangible assets	**322**	—
Loss on disposal of property, plant and equipment	**98**	—
Consultancy fees	**3,683**	4,244
Legal and professional expenses	**7,191**	3,903

6. INCOME TAX

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**—**	—
— PRC Enterprise Income Tax	**239**	28
— Argentina minimum presumed income tax	**—**	—
Over-provision in respect of prior year		
— Argentina minimum presumed income tax	**(2,090)**	—
Deferred taxation	**—**	—
Income tax (credit)/expense	**(1,851)**	28

6. INCOME TAX (Continued)

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands ("BVI"), the Company and its subsidiaries incorporated in Bermuda and BVI are not subject to any income tax in the Bermuda and the BVI during the period.

No Hong Kong Profits Tax has been provided for in the financial statements as the Company and its subsidiaries incorporated or operated in Hong Kong have accumulated tax losses brought forward which exceed the estimated assessable profits for the period.

People's Republic of China ("PRC") subsidiaries of the Group are subject to PRC Enterprise Income tax at 25%. Provision for Foreign Enterprise Income Tax in the PRC has been calculated based on total operating expenses of the PRC representative office of the Company in accordance with the provisions of the Circular of the State Administration of Taxation Concerning the Related Matters about Reinforcing the Collection and Administration of Taxes on Permanent Establishments of Foreign Enterprises (Guo Shui Fa [1996] No. 165) and the Circular of the State Administration of Taxation Concerning the Related Matters about the Tax Administration of the Permanent Establishments of Foreign Enterprises (Guo Shui Fa [2003] No. 28) issued by the State Administration of Taxation of the PRC on 13 September 1996 and 12 March 2003 respectively.

Argentina subsidiaries of the Group are subject to Argentina Corporate Income Tax ("CIT") at 35% and minimum presumed income tax ("MPIT"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of Argentina subsidiaries of the Group are the higher of CIT and MPIT.

7. DIVIDENDS

The directors do not recommend any payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$33,229,000 (for the six months ended 30 June 2010: loss of approximately HK$20,872,000) and the weighted average number of 8,904,392,000 ordinary shares (for the six months ended 30 June 2010: 7,070,289,000 ordinary shares) in issue during the period.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2010 and 2011 were the same as the basic loss per share as the potential ordinary shares outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods.

9. EXPLORATION AND EVALUATION ASSETS

	Exploration rights *HK$'000*	Exploratory drilling *HK$'000*	Geological studies *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2010	3,216,985	21,530	—	9,313	3,247,828
Additions	8,455	6,259	214,585	28,957	258,256
Exchange adjustments	(268)	(137)	(3,906)	(435)	(4,746)
At 31 December 2010 and 1 January 2011	3,225,172	27,652	210,679	37,835	3,501,338
Additions	3,852	9,601	28,503	528	42,484
Exchange adjustments	(307)	(279)	(4,750)	(293)	(5,629)
At 30 June 2011	3,228,717	36,974	234,432	38,070	3,538,193

As at the end of the reporting period, the management of the Group determines that there is no events and changes in circumstances indicate that the carrying amount of the exploration and evaluation assets may not be recoverable. As a result, no impairment of exploration and evaluation assets is recognised.

10. DEPOSIT PAID FOR POTENTIAL INVESTMENT

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Deposit paid for potential investment	—	60,000

On 21 January 2011, Techno Wealth Limited ("Techno Wealth") entered into a termination deed ("the Deed") with Dencorn International Limited ("the Vendor"), 青龍滿族自治縣宏文黃金有限責任公司 (Qinglong Manzu Autonomous County Hongwen Gold Company Limited) ("Hongwen Gold") and Mr. Sun Jingzu ("Mr. Sun") for the termination of the acquisition of Fortune Ease Holdings Limited ("the Target"). According to the Deed, Techno Wealth and the Vendor agreed to release and discharge all rights, obligations, liabilities or claims against each of them under the 股權轉讓協議 signed on 6 June 2010 ("the Agreement"). For the avoidance of doubt, all parties agreed not to file any claim or lawsuit against other parties for any form of right, obligation or duty which may be arisen from or in connection with the Agreement. In addition, the Vendor agreed and undertook to return and refund the deposit of HK$60,000,000 paid by Techno Wealth to the Vendor pursuant to the Agreement on or before 28 February 2011. On 28 February 2011, the Company agreed at the Vendor's request to extend the repayment of deposit to 14 April 2011 to allow extra time for further negotiation among all parties in relation to arrange for the resignation of the six directors appointed by the Group in the board of directors of Hongwen Gold. The unrefunded deposit bears interest at a rate of 10% per annum. On 25 March 2011, Techno Wealth, the Vendor and an escrow agent entered into an escrow agreement pursuant to which all directors of Hongwen Gold appointed by the Group shall resign from the board of Hongwen Gold within three months from the date of the escrow agreement and the Vendor shall deposit the whole deposit money paid by the Group amounting to HK$60,000,000 to the escrow agent within 60 days from the date of the escrow agreement. Pursuant to the escrow agreement, the Group is entitled to receive HK$10,000,000 directly from the escrow agent for resignation of each director from the board of Hongwen Gold. On 24 May 2011, at the Vendor's request for additional time to arrange for the payment of the remaining balance of deposit, Techno Wealth and the Vendor entered into a supplemental escrow agreement to extend the repayment deadline from 24 May 2011 to 7 June 2011. On 7 June 2011, Techno Wealth and the Vendor further entered into the second supplemental escrow agreement to extend the repayment deadline from 7 June 2011 to 21 June 2011 to allow extra time for the Vendor to arrange for the payment of the accrued interest arising from late repayment of the deposit. The deposit together with the accrued interest is fully repaid on 14 June 2011.

11. CONVERTIBLE PROMISSORY NOTE RECEIVABLE

On 21 December 2010, the Company and Nordaq Energy Inc. ("Nordaq"), an independent United States private corporation, entered into a loan agreement to provide a non-revolving line of credit of US$5,000,000 (equivalent to approximately HK$38,874,000) ("Line of Credit") to Nordaq for working capital and for Nordaq to secure certain oil and gas properties in the United States.

As security for the Line of Credit, a pledge and escrow agreement ("Pledge Agreement") was entered into on the same date under which Nordaq pledged to the Company all the Nordaq's right, title and interest in 392,337 common shares of Nordaq as collateral. Meanwhile, Nordaq will issue a convertible promissory note ("CPN") to the Company in the same amount of funds advanced to Nordaq by the Company.

On 21 December 2010, the Company advanced funds of US$2,300,000 (equivalent to HK$17,900,000) to Nordaq and an equivalent value of CPN was received. The CPN bears interest at prime rate as published daily by the Wall Street Journal plus 2% per annum with maturity date on 1 June 2012 and is payable in 12 equal monthly installments with the first payment due on 1 July 2011. The outstanding principal amount of the CPN may be converted at anytime at the option of the Company prior to 1 June 2012 at a conversion price of US$12.7442 per share subject to adjustment for the consolidation or subdivision of shares, capitalization of profits or reserves or subsequent issue of securities in Nordaq.

On 3 January 2011 and 12 January 2011, the Company further advanced funds of US$1,669,000 (equivalent to approximately HK$12,970,000) and US$1,031,000 (equivalent to approximately HK$8,016,000) to Nordaq and an equivalent value of CPN was received respectively. The Line of Credit were fully utilised by Nordaq. The CPNs are carried with the same terms with the CPN issued on 21 December 2010.

On 26 April 2011, the Company exercised the conversion options in full to convert the CPNs into Nordaq's shares at a conversion price of US$12.7442 per share. After the conversion of the CPNs, the Company holds 7.87% equity interest of Nordaq, and the investment in Nordaq's shares is classified as "Available-for-sale financial assets" in the condensed consolidated statement of financial position.

11. CONVERTIBLE PROMISSORY NOTE RECEIVABLE (Continued)

The movement of the amount of the CPNs during the period is set our below:

	Loan receivable	Embedded financial derivatives	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010	—	—	—
Acquired during the year	17,706	194	17,900
Effective interest credited during the year	35	—	35
Changes in fair value during the year	—	78	78
Exchange adjustments	(17)	—	(17)
At 31 December 2010	17,724	272	17,996
Representing:			
Current assets	9,312	272	9,584
Non-current assets	8,412	—	8,412
	17,724	272	17,996
At 1 January 2011	17,724	272	17,996
Acquired during the period	20,800	186	20,986
Effective interest credited during the period	739	—	739
Changes in fair value during the period	—	(457)	(457)
Converted into Nordaq's shares during the period	(39,254)	(1)	(39,255)
Exchange adjustments	(9)	—	(9)
At 30 June 2011	—	—	—

11. CONVERTIBLE PROMISSORY NOTE RECEIVABLE (Continued)

Notes:

(a) As the CPN include an embedded derivative financial instrument, that is, a call option, and loan receivables, the carrying value of the CPN have been allocated as follows:

(i) Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period is calculated by applying an effective interest rate to the loan receivables since the CPN was issued as follows:

Date of issue	Effective interest rate applied
21 December 2010	6.54%
3 January 2011	6.44%
12 January 2011	6.26%

(ii) Embedded financial derivatives comprise the fair value of the conversion option of the Company to convert the CPN into Nordaq's shares.

(iii) The fair value of the embedded financial derivatives were calculated using the Black-Scholes Option Pricing Model. The major inputs used in the model as at the issue date, conversion date and 31 December 2010 were as follows:

	As at 21 December 2010	As at 31 December 2010	As at 3 January 2011	As at 12 January 2011	As at 26 April 2011
Stock price	US$3.265	US$3.636	US$3.108	US$3.006	US$1.269
Exercise price	US$12.7442	US$12.7442	US$12.7442	US$12.7442	US$12.7442
Risk-free rate	0.435%	0.41%	0.407%	0.399%	0.247%
Expected option period	1.447 years	1.419 years	1.411 years	1.386 years	1.099 years
Expected volatility	76.042%	77.419%	77.32%	77.457%	68.927%
Expected dividend yield	0%	0%	0%	0%	0%

The stock price of Nordaq is determined by adopting the market-based approach as at the date of the CPN issued. The risk-free rate was determined with reference to the Yield Curves & Spread for US Treasury with a matching maturity term. The exercise price and expected option period are based on the terms and conditions under the CPN. The expected volatility is determined by applying the average historical of three comparable companies over the expected option period.

The valuation were carried out by an independent appraisal firm, Roma Appraisal Limited, who have appropriate qualifications and recent experience in the valuation of similar financial instruments being valued.

Any changes in the major inputs into the model will result in changes in the fair value of the embedded financial derivatives. The variables and assumptions used in calculating the fair value of the embedded financial derivatives are based on the market inputs.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Trade receivables *(note)*	**6,071**	5,909
Less: Allowance for impairment loss	**(6,029)**	(5,909)
	42	—
Other receivables	**15,535**	57,320
Less: Allowance for impairment loss	**(7,077)**	(6,935)
	8,458	50,385
Loan to a non-controlling shareholder	**1,865**	1,865
Amount due from a non-controlling shareholder	**2**	2
Loans and receivables	**10,367**	52,252
Argentina VAT and other tax recoverable	**46,749**	39,577
Prepayment and deposits	**46,400**	30,569
	103,516	122,398

All of the trade and other receivables (including amounts due from a non-controlling shareholder) are expected to be recovered or recognised as expense within one year.

12. TRADE AND OTHER RECEIVABLES (Continued)

Note:

Ageing analysis

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period.

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
0–14 days	**—**	—
15–60 days	**42**	—
61–90 days	**—**	—
Over 90 days	**6,029**	5,909
	6,071	5,909

Trade receivables are due within 14 days from the date of billing.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Deposits with banks	**134,893**	40,083
Cash at bank and in hand	**49,309**	73,978
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	**184,202**	114,061

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Trade payables *(note)*	**4,829**	4,831
Other payables and accruals	**20,880**	68,985
Financial liabilities measured at amortised cost	**25,709**	73,816

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Note:

Ageing analysis

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

	As at 30 June 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
0–30 days	**—**	116
31–60 days	**—**	71
61–90 days	**—**	—
Over 90 days	**4,829**	4,644
	4,829	4,831

15. CONVERTIBLE NOTES

On 8 February 2011, the Company issued convertible notes with maturity date falling on the first anniversary of the date of issue for an aggregate principal amount of HK$160,000,000. The convertible notes bear interest at 9% per annum payable semi-annually and are unsecured and freely transferable.

The noteholders may at any time before maturity convert the whole or part of the principal amount of the convertible notes into new ordinary shares of the Company at the conversion price of (i) HK$0.18 per share from the issue date up to the date falling four months after the issue date of the convertible notes; and (ii) HK$0.2 per share from the next date falling four months after the issue date of the convertible notes up to maturity. The conversion prices are subject to adjustment for the consolidation or sub-division of shares, capitalisation of profits or reserves or subsequent issue of securities in the Company.

Upon maturity, the outstanding convertible notes which have not been converted, will be redeemed at their principal amount together with any accrued interest in cash.

The movement of the liability component and equity component of the convertible notes for the period is set out below:

	Liability component *HK$'000*	Equity component *HK$'000*	Total *HK$'000*
As at 1 January 2011	—	—	—
Issued during the period	149,013	10,987	160,000
Effective interest charged during the period	807	—	807
Converted during the period	(139,888)	(10,300)	(150,188)
As at 30 June 2011	9,932	687	10,619

The fair value of the liability component of the convertible notes is calculated using cash flows discounted at a rate based on the effective interest rate of 17.04%.

At the time when the convertible notes are converted into ordinary shares of the Company, the nominal value of the shares issued upon conversion will be transferred from the liability component and the equity component of the convertible notes to the share capital account while the difference will be transferred to the share premium. During the six months ended 30 June 2011, principal amount of HK$150,000,000 convertible notes were converted into 833,333,327 ordinary shares of the Company. Accordingly, HK$83,334,000 was transferred to share capital account while HK$66,854,000 was transferred to share premium.

16. SHARE CAPITAL

	As at 30 June 2011		As at 31 December 2010	
.	**Number of shares** ***'000***	**Amount** ***HK$'000***	Number of shares *'000*	Amount *HK$'000*
Authorised				
Ordinary shares of HK$0.10 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Ordinary shares issued and fully paid:				
At 1 January	**8,255,185**	**825,518**	5,510,002	551,000
Shares issued upon exercise of bonus warrants *(note (a))*	**723**	**72**	32	3
Share issued upon conversion of convertible notes *(note (b))*	**833,333**	**83,334**	1,491,969	149,197
Issue of consideration shares	—	—	187,500	18,750
Shares issued under placement	—	—	743,100	74,310
Subscription of new shares	—	—	322,582	32,258
At 30 June 2011 and 31 December 2010	**9,089,241**	**908,924**	8,255,185	825,518

Notes:

(a) Shares issued upon exercise of bonus warrants

During the period, 723,413 bonus warrants were exercised to subscribe for 723,413 new ordinary shares of HK$0.1 each of the Company for a total consideration of HK$195,000, of which HK$72,000 and HK$123,000 were credited to the share capital and share premium respectively. On 24 June 2011, all unexercised bonus warrants were expired and lapsed.

(b) Shares issued upon conversion of convertible notes

On 8 February 2011, the Company issued convertible notes in an aggregate principal amount of HK$160,000,000. During the period, convertible notes for a principal amount of HK$150,000,000 were converted into 833,333,327 ordinary shares of the Company of HK$0.1 each at the conversion price of HK$0.18 each.

17. COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the condensed consolidated financial statement were as follows:

	As at 30 June 2011 ***HK$'000***	As at 31 December 2010 *HK$'000*
Authorised and contracted for		
— Purchase of property, plant and equipment	**20,640**	—
— Activities of exploration	**65,678**	6,649

(b) Commitments under operating leases

The Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2011 ***HK$'000***	As at 31 December 2010 *HK$'000*
Within one year	**2,439**	2,383
In the second to fifth year, inclusive	**2,107**	2,971
	4,546	5,354

The Group leases its office under operating lease arrangements. The leases for properties are negotiated for a term ranged from one to three years. None of the leases includes contingent rentals.

18. MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
New World Tower Company Limited	The company is controlled by Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Nova Insurance Consultants Limited	The Company is controlled by a close family member of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
CiF Solutions Limited	The company is controlled by Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company

(a) The following is a summary of significant related party transactions entered into in the normal course of business between the Group and its related party during the period.

Related parties	Nature of transactions	Six months ended 30 June **2011** ***HK$'000***	Six months ended 30 June 2010 *HK$'000*
New World Tower Company Limited	Rent, rates and management fee	**464**	429
Nova Insurance Consultants Limited	Insurance	**91**	65
CiF Solutions Limited	IT management and support	**38**	33

Note: The terms for all the above transactions are agreed by the parties concerned.

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's directors, is as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Short-term employee benefits	**2,834**	872
Post-employment benefits	**30**	7
	2,864	879

(c) Amounts due from related parties

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Loan to a non-controlling shareholder	**2,067**	2,999
Amount due from a non-controlling shareholder	**2**	2
Prepayment and deposits	**237**	342

19. EVENTS AFTER THE REPORTING PERIOD

Issue of share options under New Share Option Scheme

The Company adopted a new share option scheme on 17 May 2011 ("New Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any eligible person, including employees, directors, consultants, supplier and customer of the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

On 22 July 2011, the Company granted 240,000,000 share options to the directors, employees and consultants of the Company under the New Share Option Scheme.

The details of the share options granted are as follows:

	Number of shares Issuable under options	Exercise prices	Vesting conditions	Contractual life of options
Options granted on 22 July 2011 to:				
— Directors	195,000,000	HK$0.11	From date of grant	3 years
— Employees	32,400,000	HK$0.11	From date of grant	3 years
— Consultants	12,600,000	HK$0.11	From date of grant	3 years
Total share options granted	240,000,000			

Because the share options were issued shortly before the date of approval of these condensed consolidated financial statements, it is not practicable to disclose the details of its financial effect about the issue of share options.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

For the six months ended 30 June 2011, the Group's turnover was approximately HK$14.11 million (for the six months ended 30 June 2010: HK$29.80 million), representing a decrease of 52.65%. The Group's loss attributable to owners of the Company increased to approximately HK$33.23 million (for the six months ended 30 June 2010: HK$20.87 million). Administrative expenses related to the searching for and development of energy and natural resources projects in the pre-operation stage located in Argentina and the United States continued to be a major source of the loss. Exchange loss arose from changes in foreign exchange rates also contributed to the loss, as a portion of the Group's assets are denominated in Argentine peso, the value of which has shown a downward trend over the past years.

Administrative expenses increased to HK$39.72 million (for the six months ended 30 June 2010: HK$26.90 million), and mainly comprised legal and professional expenses, staff costs, and exchange loss resulted from changes in foreign exchange rates.

REVIEW OF BUSINESS OPERATIONS

Oilfield Exploration and Exploitation Business

The Tartagal concession and Morillo concession (collectively the "Concessions") are the concessions of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. It is one of the largest oil exploration land parcels open for tender in Argentina. The Company holds interests in the Concessions through an indirect wholly-owned subsidiary, and is responsible for carrying out the duties in regard to all legal acts, contracts, and operations of the exploration works in the Concessions.

Exploration, Development and Production in the Tartagal and Morillo Concessions

Exploration

In the first half of 2011, our progress in exploration remained encouraging. In 2010, the Group has completed 3D seismic data acquisition covering a total surface area of 500 square kilometers at the Tartagal concession and 2D seismic data acquisition covering lines of 997.74 kilometers at the Morillo concession. Interpretation of the seismic data by the Group's internal experts and external technical consultants is now close to completion, which will be followed by a drilling program scheduled in the second half of the year.

REVIEW OF BUSINESS OPERATIONS (Continued)

Exploration, Development and Production in the Tartagal and Morillo Concessions (Continued)

Exploration (Continued)

In order to acquire further seismic data for subsequent exploration works and drilling, the Group decided to carry out further exploration activities for crude oil and natural gas at the Concessions. In April 2011, the Group entered into an agreement with W.I.C.A.P. S.A., the Group's contractor in Argentina, to perform 3D seismic data acquisition covering a total surface area of 274 square kilometers at the Morillo concession. This new 3D seismic data acquisition program is expected to be completed in late 2011. The Group is confident that this program would be significant to the outcome of future drilling programs at the Concessions.

During the period under review, the Group continued to improve and develop its production facilities in the CA x-1002 well and CA x-1 well located at the Tartagal concession. These wells were in a trial stage of production, and the income generated from the sales of crude oil was recognized as other net income in the consolidated income statement. For the six months ended 30 June 2011, the Group generated an income of approximately HK$464,000 on the sales of crude oil under trial production in these wells. Commercial production will commence once the installations of the production facilities are fully completed.

A summary of expenditure incurred from these activities for the six months ended 30 June 2011 is as follows:

Summary of expenditure incurred

Nature of expenditure	Amount *HK$'000*
Exploration rights	3,852
Exploratory drilling	9,601
Geological studies	28,503
Others	528
Total	42,484

REVIEW OF BUSINESS OPERATIONS (Continued)

Exploration, Development and Production in the Tartagal and Morillo Concessions (Continued)

Development and Production

During the period under review, as the Concessions were under exploration permits and the explorations of the projects were in progress, no development or production activity has taken place at this stage. Development and production activities will commence once the exploration works in the Concessions are completed.

Investment in Oil and Gas Properties in Alaska, the United States

On top of our involvement in the oilfield region of the United States, in December 2010 the Group entered into a loan agreement with Nordaq Energy Inc. ("Nordaq"), an oil and gas company based in Alaska, to provide a maximum line of credit of US$5 million for Nordaq's exploration activities in relation to its oil and gas leases in Alaska. In 2011, the aforementioned line of credit has already been fully utilized by Nordaq, and the loan has been converted into shares of Nordaq, representing about 8% of Nordaq's equity interest.

Meanwhile, Nordaq has drilled an exploration well to an approximate depth of 14,000 feet to confirm the presence of condensate and thermogenic gas in a target zone located at one of its four oil and gas leases. Preliminary results of the drilling program indicate that the minimum reserves of natural gas volumes in this target zone are estimated at 100 billion cubic feet (bcf). The Group will closely monitor the progress of Nordaq's exploration activities in Alaska in order to deliver maximum returns to the Group's investment.

Trading Business

In the first half of 2011, the Group continued to operate in its resources-related trading business. While the Group sought to provide steady income inflow through its trading operations, the changing environment in the global market remained a challenge for the Group.

During the period under review, the Group recorded sales of approximately HK$8.12 million (for the six months ended 30 June 2010: HK$29.80 million), with a gross profit of approximately HK$229,000 (for the six months ended 30 June 2010: HK$575,000) in its trading business. Decrease in sales was resulted from the fluctuations in the prices of various resources, putting the Group's strategy to transform and expand its resources-related trading operations on hold.

REVIEW OF BUSINESS OPERATIONS (Continued)

Production of Iron Concentrates Business

In July 2010, the Group entered into a sub-contracting agreement with an independent third party who has a controlling interest in an iron mine in Hebei province, the PRC. Pursuant to the sub-contracting agreement, the Group has the right to operate the iron mine for a period of 3 years.

During the first six months of 2011, the Group recorded sales of approximately HK$5.99 million, with a gross profit of approximately HK$227,000 in its business of producing iron concentrates. The Group will seek to expand its production volume and improve the profit margin of the business by devoting resources to the operation of iron mine when appropriate.

Termination of Acquisition

In January 2011, the Group terminated its agreement with Dencorn International Limited ("Dencorn") to acquire three gold mines in Qinglong Manchu Autonomous County, Hebei, the PRC, as certain conditions stated in the terms of the agreement had not been satisfied. During the period under review, the Group has fully recovered the advance deposit of HK$60 million together with the relevant accrued interest from Dencorn, bringing the termination of the acquisition to a close. It will thus enable the Group to devote its resources to the development of its existing business operations.

PROSPECTS

As a consolidated natural resources company, we remain focused on establishing and developing our existing operations and at the same time, looking for valuable business opportunities around the globe. In the first half of 2011, in order to realize our strategy to expand our quality natural resources portfolio, we have been actively looking for new projects in geologically favorable regions, and evaluating potential business opportunities in a detailed and professional manner, seeking to bring steady cash inflow to the Group to offset a portion of the exploration expenses incurred in the Tartagal and Morillo oilfield projects in the coming years.

While the Group's exploration plan in the Concessions is still in a relatively early stage, the Group will continue to give its full support to its core business in Argentina. Working closely with its business partners, technical advisors and contractors, the Group will bolster its exploration activities at the Tartagal and Morillo concessions, with a long term goal to turn prospective oil and gas reserves into proved reserves with substantial potential for commercial production.

PROSPECTS (Continued)

In order to broaden its business horizon and capture potential growth in its strategic investments, the Group will diversify its investment portfolio, which will include setting foot in the United States. In July 2011, the Group entered into an agreement with TXX Energy Corporation ("TXX"), an oil and gas company based in Texas, to establish a joint venture company named ET-LA LLC for the purpose of locating, evaluating, acquiring and developing potential oil and gas properties in the United States. The Group has funded US$2.5 million to ET-LA LLC and holds 80% equity interest in the corporation, with TXX owning the remaining 20% equity interest. The primary focus of ET-LA LLC is in shallow and onshore oil in East Texas and Northwest Louisiana.

The management sees the above transactions as attractive opportunities to capitalize on the rising demand for energy, and to diversify the Group's involvement in the natural resources sector. The Group remains focused on developing its existing operations while concurrently pursuing potentially lucrative business opportunities around the globe. This approach is motivated by the Group's dedication to delivering maximum returns to its shareholders.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

On 25 June 2010, a total of 1,152,521,860 bonus warrants were issued by the Company on the basis of one bonus warrant for every seven existing shares of the Company held by the shareholders registered on the register of members of the Company on 18 June 2010. The holders of these bonus warrants are entitled to subscribe in cash for 1,152,521,860 new shares at an initial exercise price of HK$0.27 per share at any time from 25 June 2010 to 24 June 2011 (both days inclusive). During the period under review up to 24 June 2011, being the last day of exercising of the bonus warrants, 723,413 units of bonus warrants were subscribed in cash for the same number of new shares of the Company.

On 8 February 2011, the Company issued convertible notes for an aggregate principal amount of HK$160 million at a conversion price of HK$0.18 or HK$0.20 per share, as the case may be, pursuant to the placing agreement to place the said convertible notes to independent third parties. As at 30 June 2011, HK$150 million convertible notes were converted into 833,333,327 shares of the Company, and the remaining principal amount of the said convertible notes was HK$10 million.

As at 30 June 2011, the total equity of the Group was approximately HK$3,779.82 million (31 December 2010: HK$3,670.83 million) and the net asset value per share was HK$0.42 (31 December 2010: HK$0.44). The debt ratio, calculated by total liabilities divided by total assets, was 4.99% as at 30 June 2011 (31 December 2010: 6.11%).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES (Continued)

As at 30 June 2011, working capital, calculated by current assets minus current liabilities, was approximately HK$90.20 million (31 December 2010: HK$67.71 million).

As at 30 June 2011, the balances of cash and cash equivalents of the Group were approximately HK$184.20 million (31 December 2010: HK$114.06 million).

As at 30 June 2011, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 4.31% (31 December 2010: 4.34%).

CONTINGENT LIABILITY

As at 30 June 2011 and 31 December 2010, the Group did not have any material contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2011 and 31 December 2010, the Group had not charged any of its assets.

CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in note 17(a) to the condensed consolidated financial statements.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Argentine peso, Renminbi, and United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the Group's foreign exchange exposure on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 30 June 2011, the Group employed a total of 33 employees (31 December 2010: 56) in Hong Kong, Argentina, and the PRC. The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2011, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by directors of Listed Companies were as follows:

Long positions of directors' interests in shares of the Company

Name of director	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of the total issued share capital
Mr. Cheng Ming Kit	Beneficial owner	20,000	0.0002%
Mr. Fung Siu To, Clement	Beneficial owner	600,000	0.007%

Save as disclosed above, as at 30 June 2011, none of the directors or chief executives of the Company and their associates had any personal, family, corporate or other interests had registered an interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme", at no time during the period under review was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS AND SHORT POSITION OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2011, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly 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 members of the Group:

Long positions:

Name of shareholder	*Notes*	Capacity and nature of interest	Number of ordinary share held	Percentage of the Company's issued share capital
Max Sun Enterprises Limited	*(i)*	Beneficially owned	868,605,530	9.56%
Chow Tai Fook Nominee Limited	*(ii)*	Interest in a controlled corporation	868,605,530	9.56%

Notes:

(i) Max Sun Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited.

(ii) So far is known to the directors, Chow Tai Fook Nominee Limited is wholly owned by Dato' Dr. Cheng Yu Tung.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly 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 members of the Group.

SHARE OPTION SCHEME

According to the share option scheme (the "2002 Scheme") adopted on 30 August 2002, the directors may at their discretion grant options to employees (including directors of the Company) of the Group and other persons who, in the sole discretion of the board of the directors, have contributed to the Group ("Participants"). The 2002 Scheme enables the Company to grant share options to Participants as incentives or rewards for their contribution to the Group. The 2002 Scheme would be valid and effective for a period of ten years commencing on the adoption date and will expire on 29 August 2012. Pursuant to the ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 17 May 2011 (the "AGM"), the Company terminated the 2002 Scheme and adopted a new share option scheme ("New Scheme"). The provisions of the 2002 Scheme shall remain in force and effect and options granted prior to termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

The New Scheme was adopted on 17 May 2011 and valid for 10 years from the date of adoption. The New Scheme mandate limit was refreshed so that the Company was authorized to grant share options under the New Scheme for subscription of up to a total of 887,186,948 shares, representing approximately 9.76% of the issued share capital of the Company as at the date of the AGM.

During the period under review, no share options were granted. A summary of the movement of the share options granted under the 2002 Scheme are as follows:

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price	Balance at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period
Other employees in aggregate	8.5.2007	8.5.2007 — 7.5.2012	HK$0.60	4,333,000	—	—	—	4,333,000
Other participants in aggregate	8.5.2007	8.5.2007 — 7.5.2012	HK$0.60	17,332,000	—	—	—	17,332,000
				21,665,000	—	—	—	21,665,000

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company had complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011 except for the following deviations:

Code Provision A.2.1

This code stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "Chief Executive Officer". During the period under review, Mr. Cheng Kam Chiu, Stewart, being the Chairman and an executive director of the company, was assuming the role of the CEO of the Company and was responsible for the strategic planning and corporate policy of the Group. The Board considers that the current structure facilitates the execution of the Group business strategies and maximizes effectiveness of its organization.

Code Provisions A.4.1

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the general meeting of the Company.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises Mr. Chiu Wai On (Chairman), Mr. Fung Chi Kin and Mr. Fung Siu To, Clement, the three Independent Non-executive Directors of the Company.

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2011.

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

ON BEHALF OF THE BOARD
Cheng Kam Chiu, Stewart
Chairman and Executive Director

Hong Kong, 30 August 2011