新時代能源有限公司*
NEW TIMES ENERGY corporation limited

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

ANNUAL REPORT 2011

*For identification purpose only

CONTENTS

Corporation Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Biographical Details of Directors	12
Corporate Governance Report	15
Reports of the Directors	23
Independent Auditor's Report	32
Consolidated Income Statement	34
Consolidated Statement of Comprehensive Income	35
Consolidated Statement of Financial Position	36
Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statements	42
Five Years Financial Summary	146

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*
Mr. Sun Jiang Tian

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
The Hongkong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1007-08, 10/F, New World Tower I
18 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

http://www.166hk.com

STOCK CODE

00166

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of New Times Energy Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December 2011.

We are a consolidated natural resources company, with a primary focus on the acquisition, development and operation of oil and gas projects. In 2011, the price of crude oil on the international market remained strong, among which WTI Crude Oil prices stayed at almost US$100 per barrel by the end of 2011. During 2011, the Group recorded sales of approximately HK$128.86 million, representing an encouraging increase of over 125% compared to the previous year, through its resources-related trading business and its new oil and gas operations in the United States.

In 2011, we proceeded with our exploration plan at the Tartagal and Morillo concessions (collectively the "Concessions") in Northern Argentina. After the completion of 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 kilometers at the Morillo concession in 2010, our technical team has completed the processing and interpretation of the seismic data acquired, followed by the drilling of an exploratory well, the ER x-1 well, at the Tartagal concession. The drilling of the ER x-1 well, reaching a depth of approximately 2,500 meters, was completed in November 2011. Unfortunately, the ER x-1 well was eventually abandoned due to failure in producing oil. While the outcome of the ER x-1 well was a disappointment, we remain optimistic about the business prospects and development potential of the Concessions, as the management fully acknowledges the high-risk nature of its exploration business. The drilling of the ER x-1 well has also provided valuable information that will be used in our continuing exploration of the Tartagal concession.

Meanwhile, at the Morillo concession, the interpretation of the 2D seismic data has resulted in the identification of a number of structures, which are prospective as oil and gas reservoirs. These structures are also along trend from a recent exploration well which may be a significant oil discovery, drilled by Petrobras, the biggest company in Brazil and a major oil and gas producer in the world, in the adjacent block to the east, less than two kilometers from the Morillo concession boundary. Discussions with local geologists indicated that the Petrobras discovery may be in excess of 200 million barrels of oil, with the oil being light, sweet oil of Cretaceous age. This could be very positive if similar structures which extend into Morillo are also oil bearing. In order to acquire further seismic data for subsequent exploration works and drilling in its Morillo concession, we carried out further exploration activities for crude oil and natural gas at the Concessions. In 2011, the Group, through its contractor in Argentina, has commenced a 3D seismic data acquisition program covering a total surface area of 274 square kilometers at the Morillo concession. This new 3D survey has been completed in January 2012, and the processing and interpretation of the new seismic data is now underway.

CHAIRMAN'S STATEMENT

Aiming to broaden its business horizon and capture potential growth of its oil and gas properties, we continue to expand the Group's investment portfolio in the United States. In 2011, the Group entered into agreements with TXX Energy Corporation ("TXX"), an oil and gas company based in Texas, to establish two joint venture companies for the purpose of locating, evaluating, acquiring and developing potential oil and gas properties in the United States, particularly in shallow and onshore oil in East Texas and Northwest Louisiana. The Group has funded approximately HK$27.3 million to the two joint venture companies. The Group has also invested in Nordaq Energy Inc. ("Nordaq"), an oil and gas company based in Alaska, and provided approximately HK$39 million for Nordaq's exploration activities in its oil and gas leases in Alaska. In return, the Group held about 8% of Nordaq's equity interest as at 31 December 2011. We see the above transactions as attractive opportunities to capitalize on rising demand for energy, and to diversify the Group's involvement in the natural resources sector.

Looking to increase its investment in the Concessions and enhance its future profitability, the Group entered into negotiation with an independent third party (the "Vendor") in relation to a possible acquisition of approximately 9.25% interests in the Concessions in December 2011. The Group currently holds 60% interests in the Concessions. The Vendor agrees to negotiate exclusively with the Group for a period of 9 months for the possible acquisition, and a refundable deposit of HK$5 million has been paid to the Vendor.

In February 2012, the Group entered into negotiation with Principle Petroleum Limited ("Principle Petroleum") in relation to the possible acquisition of several oil and gas concessions in the Provinces of Jujuy, Formosa, and Salta in Argentina. Principle Petroleum is principally engaged in investment in hydrocarbons business in South America. The Group is entitled to an exclusivity period of 9 months to reach a formal sales and purchase agreement for the possible acquisition, and a refundable deposit of HK$15 million has been paid to Principle Petroleum. In the coming year, we will continue to negotiate with the Vendor and Principle Petroleum on the above possible acquisitions.

Looking toward 2012, we will continue to expand the Group's high value-added natural resources portfolio through strategic mergers and acquisitions and actively look for opportunities to broaden the Group's income streams. Moreover, we will evaluate the feasibility of carrying out workover programs for the remaining shut-in wells in order to increase production volume. We are confident that the Group's business will grow steadily in 2012.

Finally, I would like to take this opportunity to express my sincere gratitude to the Board and all staff for their wholehearted efforts. Also, I am much obliged to the shareholders, business partners and acquaintances for their encouragement and support.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

Consolidated turnover of the Group for the year ended 31 December 2011 was about HK$128.86 million (31 December 2010: HK$57.25 million), representing an increase of 125.07%. However, the Group recorded a loss attributable to shareholders of approximately HK$87.41 million (31 December 2010: HK$66.06 million). Impairment loss on exploration and evaluation assets and administrative expenses are the main causes of the increase in loss. Exchange losses 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 went down over the past year.

As at 31 December 2011, an impairment loss on the Group's exploration and evaluation assets of approximately HK$34.55 million was recognized (31 December 2010: Nil), due to the drilling of an unsuccessful exploratory well in the Tartagal concession. Administrative expenses of the Group for the year amounted to approximately HK$73.34 million (31 December 2010: HK$64.43 million), representing an increase of approximately HK$8.91 million from the previous year. Administrative expenses mainly consist of legal and professional expenses, staff costs, and exchange losses resulted from changes in foreign exchange rates.

Loss per share for the year was HK$0.19 (31 December 2010: HK$0.16). The Board does not recommend any final dividend for this financial year (31 December 2010: Nil).

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 60% 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 2011, the Group proceeded with its exploration plan in the Concessions. 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 kilometers at the Morillo concession. During the year of 2011, the Group's internal geoscientists and external technical consultants have completed the processing and interpretation of the seismic data acquired, followed by the drilling of an exploratory well, the ER x-1 well, at the Tartagal concession. The drilling of the ER x-1 well, reaching a depth of approximately 2,500 meters, was completed in November 2011. Unfortunately, the ER x-1 well was eventually abandoned due to failure in producing oil. The Group recognized an impairment loss of approximately HK$34.55 million on its exploration and evaluation assets, being the costs directly resulted from the drilling of this unsuccessful exploratory well. While the outcome of the ER x-1 well was a disappointment, the Group remains optimistic about the business prospects and development potential of the Concessions, as the management fully acknowledges the high-risk nature of its exploration business.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS *(CONTINUED)*

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

Exploration *(continued)*

Meanwhile, at the Morillo concession, the interpretation of the 2D seismic data has resulted in the identification of a number of structures, which are prospective as oil and gas reservoirs. These structures are also along trend from a recent exploration well which may be a significant oil discovery, drilled by Petrobras, the biggest company in Brazil and a major oil and gas producer in the world, in the adjacent block to the east, less than two kilometers from the Morillo concession boundary. Discussions with local geologists indicated that the Petrobras discovery may be in excess of 200 million barrels of oil, with the oil being light, sweet oil of Cretaceous age. This could be very positive if similar structures which extend into Morillo are also oil bearing.

In order to acquire further seismic data for subsequent exploration works and drilling in its Morillo concession, the Group carried out further exploration activities for crude oil and natural gas at the Concessions. In 2011, the Group, through its contractor in Argentina, commenced a 3D seismic data acquisition program covering a total surface area of 274 square kilometers at the Morillo concession. This new 3D survey has been completed in January 2012, and the processing and interpretation of the new seismic data is now underway. During the year, 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 year ended 31 December 2011, the Group generated an income of approximately HK$234,000 (31 December 2010: HK$196,000) 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 year ended 31 December 2011 is as follows:

Summary of expenditure incurred

Nature of expenditure	Amount HK$'000
Exploration rights	13,667
Geological studies	112,048
Exploratory drilling	54,785
Others	6,735
Total	187,235

Development and Production

During the year, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS *(CONTINUED)*

Update of Resources

Based on the technical report dated 9 February 2009 ("Technical Report") issued by Netherland, Sewell & Associates, Inc., an independent qualified technical adviser, the assessment of the Unrisked Potential Original Hydrocarbons-in-Place and Gross (100 percent) Prospective Resources for the Tartagal and Morillo license areas located in the Chaco-Parana´ and Chaco-Tarija Basins, Salta Province, Argentina and the unrisked gross (100 percent) prospective oil and gas resources for the oilfield are as follows:

	Oil			Gas		
	Low	Best	High	Low	Best	High
Prospect [1]	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**	**Estimate**
	(Million of Barrels)			(Million of Cubic Feet)		
EM Deep 1	0.4	2.6	16.2	22,162	135,654	820,614
EM Deep 2	1.8	8.9	44.3	91,755	459,065	2,281,286
EM Deep 3	1.7	6.8	24.4	88,461	351,294	1,214,154
EM Deep 4	1.6	6.3	24.8	81,431	322,479	1,222,638
PET North	0.7	3.5	16.1	38,527	175,296	817,560
ZH South	13.7	39.2	107.3	11,246	34,281	101,999
EQ East	16.6	41.1	100.7	13,190	35,470	90,762
Probabilistic Total [2]	83.6	144.5	256.5	1,115,954	2,342,209	5,089,858

Notes:

(1) The 2007 Petroleum Resources Management System defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. The chance of geologic success for the seven identified prospects ranges from 5 to 16 percent, which equals 84 to 95 percent chance of failure and therefore represents moderate risk to very high risk exploration.

(2) The probabilistic total is based on combined portfolio sampling for all prospects and is not equal to the sum of the individual prospects.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Resource estimates are updated at least annually and take into account recent production and technical information about the Concessions.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS *(CONTINUED)*

Investment in Oil and Gas Properties in Texas and Louisiana, the United States

In 2011, the Group entered into agreements with TXX Energy Corporation ("TXX"), an oil and gas company based in Texas, to establish two joint venture companies named ET-LA LLC and ET-LA (2) LLC for the purpose of locating, evaluating, acquiring and developing potential oil and gas properties in the United States. The Group has funded approximately HK$19.5 million and HK$7.8 million to ET-LA LLC and ET-LA (2) LLC respectively, and holds 80% equity interests in each of the corporations, with TXX owning the remaining 20% equity interests in each of the companies. The primary focus of ET-LA LLC and ET-LA (2) LLC is in shallow and onshore oil in East Texas and Northwest Louisiana.

During the year ended 31 December 2011, the Group recorded a gross income of approximately HK$2.18 million in its oil business in ET-LA LLC and ET-LA (2) LLC. The Group will seek to expand its production volume and improve the profit margin of the business by improving operational efficiency and installing modern equipment to the oil properties when appropriate.

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 approximately HK$39 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 as at 31 December 2011.

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 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 year, the Group recorded sales of approximately HK$126.67 million (31 December 2010: HK$57.25 million). Increase in sales was due to the transformation and expansion of the resources-related trading operations, having sought to broaden the earnings base and growth potential of the business.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, particularly in Argentina and in the US. In 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 positive 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.

At the Tartagal concession, the Group has recently located a number of shut-in wells in the southwestern part of the block. Based on our preliminary assessment, these wells were produced from the tertiary sandstone layers, with depths of around 400 meters. The Group is currently gathering the old data of these shallow wells, and will continue to assess the commercial viability of re-working these shallow wells and some of the remaining 21 shut-in wells in Tartagal to generate near-term cash flow to the Group. At the Morillo concession, the processing and interpretation of the 3D seismic data acquired in 2011 are now in progress. The Group is confident that this new 3D seismic program will provide detailed information over an area of interest in the southeastern part of the Morillo concession identified by the Group's 2D seismic program shot in 2010, which would be significant to the outcome of future drilling programs in Morillo.

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 the aim to turn prospective oil and gas reserves into proved reserves with substantial potential for commercial production.

In December 2011, the Group entered into a letter of intent (the "LOI") with an independent third party (the "Vendor") in relation to a possible acquisition of approximately 9.25% interests in the Tartagal concession and the Morillo concession (collectively the "Concessions"). The Group currently holds 60% interests in the Concessions. Pursuant to the terms of the LOI, the Vendor agrees to negotiate exclusively with the Group for a period of 9 months for the possible acquisition, and a refundable deposit of HK$5 million has been paid to the Vendor. In 2012, the Group will continue to negotiate with the Vendor on the possible acquisition, aiming to increase its investment in the Concessions with a view to enhance its future profitability.

In order to broaden its business horizon and capture potential growth in its strategic investments, the Group will continue to diversify its investment portfolio. In February 2012, the Group entered into a Memorandum of Understanding (the "MOU") in relation to the possible acquisition of several oil and gas concessions in the Provinces of Jujuy, Formosa, and Salta in Argentina from Principle Petroleum Limited ("Principle Petroleum"). Principle Petroleum is principally engaged in investment in hydrocarbons business in South America. Under the MOU, New Times Energy is entitled to an exclusivity period of 9 months to reach a formal sales and purchase agreement for the possible acquisition, and a refundable deposit of HK$15 million has been paid to Principle Petroleum.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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 year 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 31 December 2011, HK$150 million convertible notes were converted into 833,333,327 shares of the Company. The remaining principal amount of the said convertible notes was HK$10 million, which has been settled in February 2012.

On 21 November 2011, the Company implemented the share consolidation of every twenty (20) issued and unissued existing shares of HK$0.10 each in the share capital of the Company into one (1) consolidated share of HK$2.00, and the capital reduction involving the cancellation of the fractional consolidated share in the issued share capital of the Company arising from the share consolidation and reduction of the existing share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK$1.50 on each of the issued consolidated shares, so that the nominal value of each consolidated share will be reduced from HK$2.00 to HK$0.50.

As at 31 December 2011, the total equity of the Group was HK$3,710.72 million (31 December 2010: HK$3,670.83 million) and the net asset value per share was HK$8.17 (31 December 2010: HK$8.80 (adjusted for the effect of share consolidation effective on 21 November 2011)). The debt ratio, calculated by total liabilities divided by total assets, was 6.01% as at 31 December 2011 (As at 31 December 2010: 6.11%).

As at 31 December 2011, the total asset value of the Group was approximately HK$3,947.79 million (31 December 2010: HK$3,909.52 million) and total cash and bank balances were approximately HK$41.03 million (31 December 2010: HK$114.06 million).

As at 31 December 2011, net current liabilities of the Group were approximately HK$163.49 million (As at 31 December 2010: net current assets of HK$28.29 million).

The Group's borrowings as at 31 December 2011 comprised an other borrowing of HK$42.85 million, bearing interest at 4% per annum, other borrowings totaling approximately HK$121.72 million, denominated in Renminbi, bearing interest at 7.54% per annum, and a bank borrowing of approximately HK$0.58 million, denominated in United States dollar, bearing interest at 6% per annum. As at 31 December 2011, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 4.45% (31 December 2010: 4.34%).

Capital expenditure

The Group's capital expenditure during the year amounted to approximately HK$241.96 million (31 December 2010: HK$262.58 million).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

Charge on assets

As at 31 December 2011, bank borrowings of approximately HK$0.58 million (31 December 2010: Nil) borrowed from a bank were secured by the intangible assets and oil production assets of a subsidiary and guaranteed by a member of the non-controlling shareholder and two companies under the control of the member. The borrowings bear fixed interest at 6% per annum.

Contingent liability

Details of contingent liabilities of the Group as at 31 December 2011 are set out in note 41 to the consolidated financial statements.

Capital commitments

Details of capital commitments of the Group as at 31 December 2011 are set out in note 40(a) to the consolidated financial statements.

Foreign exchange and interest rate exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, United States dollar, and Argentine peso. 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. Details of the Group's exposure to interest rate risk and currency risk are set out in notes 36(c) and 36(d) to the consolidated financial statements.

Employees

As at 31 December 2011, the Group employed a total of 24 employees (31 December 2010: 56) in Hong Kong, the PRC, and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK$17.61 million (2010: HK$13.04 million). The Group provides its employees with competitive remuneration packages which are determined based on personal performance, qualifications, experience, and relevant market conditions with respect to geographical location and type of business that the Group operates.

Share Option Scheme

Detailed movements of the share option scheme in the year are set out on pages 27 to 29 of the report of the Directors.

Acknowledgement

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to all the shareholders and investors for their unwavering support of the Group. I would also like to extend my sincere appreciation to staff members for their dedication and hard work in 2011.

Cheng Kam Chiu, Stewart
Chairman and Executive Director
Hong Kong, 30 March 2012

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Kam Chiu, Stewart, aged 58, joined the Group in February 2008 as an executive director. Mr. Cheng holds a Bachelor's Degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's Degree in Civil Engineering from the University of California, Berkeley, United States; and a degree in Master of Business Administration from the Chinese University of Hong Kong. Being a member of the Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a Member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

Mr. Cheng joined Hip Hing Construction Company Limited in 1984 as project manager and had subsequently become a director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as director and assistant general manager, overseeing property development in the PRC. He was a director of NWS Service Management Limited (formerly known as New World Services Limited) from 1997 to 2006, and was mainly responsible for the construction and the E&M engineering businesses and pursuing business opportunities in the PRC. Mr. Cheng is now the managing director of Cheung Hung Development (Holdings) Limited, working in property development in both Hong Kong SAR and the PRC. Mr. Cheng is an executive director of International Entertainment Corporation (stock code: 01009) and was an executive director of Grand T G Gold Holdings Limited (stock code: 08299) from November 2008 to May 2009, which shares are listed on the Hong Kong Stock Exchange.

Mr. Cheng is the nephew of Dato' Dr. Cheng Yu-Tung, *GBM*, the ultimate beneficial owner of Max Sun Enterprises Limited and the uncle of Mr. Cheng Ming Kit, the Chief Executive Officer and an executive director of the Company.

Mr. Cheng Ming Kit, aged 38, joined the Group in October 2009 as an executive director and was appointed as the chief executive officer in March 2012. Mr. Cheng holds a bachelor degree in Commerce from the University of Alberta, Canada. From 1995 to 2003, Mr. Cheng held various positions which were responsible for corporate finance and property development activities in the PRC. From 2003 to 2008, Mr. Cheng was involved in the investment and operations in the gold mining industry in the PRC and had held senior positions in a mining company listed in the Toronto Stock Exchange Venture Board with mining and exploration operations in the PRC. Mr. Cheng was an executive director of Grand T G Gold Holdings Limited (stock code: 08299) from November 2008 to June 2009, which shares are listed on the Hong Kong Stock Exchange. He is the nephew of Mr. Cheng Kam Chiu, Stewart, the Chairman and an executive director of the Company.

Mr. Sun Jiang Tian, aged 42, has over 17 years of experience in the oil and gas industry. He received his Bachelor of Laws from Tianjin Normal University in 1992, and Master of Business Administration from the University of Nebraska in 2001. During the years from 1994 to 2000, Mr. Sun worked in different managerial positions in China Petroleum Pipeline Bureau of China National Petroleum Corporation. He has held various managerial positions in ENN Energy Holdings Limited (stock code: 02688) including the research and study of urban gas and vehicle-use gas, and proposing investment activities for the ENN Group in places such as Vietnam, Thailand and Cambodia. Mr. Sun has also held various senior managerial positions in China Gas Holdings Limited (stock code: 00384) and participated in the corporate restructuring project.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Wong Man Kong, Peter, *BBS, JP*, aged 63, was appointed as a non-executive director of the Company in February 2008. Mr. Wong graduated from the University of California at Berkeley in the United States with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture), was awarded the Bronze Bauhinia Star by the Hong Kong Government, and was an awardee of the "Young Industrialist Award of Hong Kong". Mr. Wong is a Deputy of the 8th, 9th, 10th and 11th National People's Congress. He is also the Executive Vice Chairman of Hong Kong Pei Hua Education Association, a Vice Chairman of Chamber of Tourism, All-China Federation of Industry & Commerce, a director of Ji Nan University, and a founding senior member of The University of Hong Kong Foundation for Educational Development and Research.

Mr. Wong is a non-executive director of Hong Kong Ferry (Holdings) Company Limited (stock code: 00050) and an independent non-executive director of Glorious Sun Enterprises Limited (stock code: 00393), China Travel International Investment Hong Kong Limited (stock code: 00308), Sun Hung Kai & Company Limited (stock code: 00086), Sino Hotels (Holdings) Limited (stock code: 01221), Chinney Investments Limited (stock code: 00216), and Far East Consortium International Limited (stock code: 00035), which shares are listed on the Main Board of the Stock Exchange. He is also the Chairman of the M.K. Corporation Limited and North West Development Limited.

Mr. Chan Chi Yuen, aged 45, joined the Group in May 2006 as the Chairman and an executive director of the Group and re-designated as a non-executive director in October 2006. Mr. Chan holds a bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and is an associate member of the Institute of Chartered Accountants in England and Wales. He is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Kong Sun Holdings Limited (stock code: 00295) and Sam Woo Holdings Limited (stock code: 02322) and an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 00351), China Gogreen Assets Investment Limited (stock code: 00397), China Gamma Group Limited (stock code: 00164), China Grand Forestry Green Resources Group Limited (stock code: 00910), Media Asia Group Holdings Limited (formerly known as Rojam Entertainment Holdings Limited) (stock code: 08075) and U-RIGHT International Holdings Limited (stock code: 00627), which shares are listed on the Hong Kong Stock Exchange.

Mr. Chan was also an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 00145) from October 2009 to February 2011, Richly Field China Development Limited (stock code: 00313) from February 2009 to August 2010, Superb Summit International Timber Company Limited (stock code: 01228) from April 2007 to June 2010 and an executive director of Kong Sun Holdings Limited (stock code: 00295) from February 2007 to November 2009 and Amax Holdings Limited (stock code: 00959) from August 2005 to January 2009, which shares are listed on the Hong Kong Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Chi Kin, aged 63, was appointed as an independent non-executive director in October 2006. Mr. Fung is the Permanent Honorary President of The Chinese Gold & Silver Exchange Society and has been an international advisor of Shanghai Gold Exchange. Mr. Fung has over 30 years of experience in banking and finance business. From October 1998 to June 2000, he served as the Council Member of First Legislative Council of the HKSAR. He also held important office in various public organizations, namely President of the Chinese Gold and Silver Exchange Society, Vice Chairman of The Stock Exchange of Hong Kong Limited, director of the Hong Kong Futures Exchanges Limited and Hong Kong Securities Clearing Company Limited, and Hong Kong Affairs Advisor. Mr. Fung is an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (stock code: 00682) and was an independent non-executive director of Emperor Capital Group Limited (stock code: 00717) from March 2007 to May 2010, which shares are listed on the Main Board of the Stock Exchange.

Mr. Fung Siu To, Clement, aged 63, was appointed as an independent non-executive director in December 2008. Mr. Fung has over 25 years of experience in project management and construction. He is a holder of a Bachelor of Applied Science (Civil Engineering) degree and is also a fellow member of the Hong Kong Institution of Engineers. Mr. Fung is currently the Chairman and executive director of Asia Orient Holdings Limited (stock code: 00214) and Asia Standard International Group Limited (stock code: 00129) and is an executive director of Asia Standard Hotel Group Limited (stock code: 00292), which shares are listed on the Hong Kong Stock Exchange.

Mr. Chiu Wai On, aged 43, was appointed as an independent non-executive director in November 2006. Mr. Chiu is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses 13 years of professional experience in accounting and auditing services. Mr. Chiu is an independent non-executive director of Hua Yi Copper Holdings Limited (stock code: 00559), which shares are listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. This report describes the Group's corporate governance practices and explains the applications of the principles of the CG Code and deviations, if any. In respect of the year ended 31 December 2011, save as disclosed below, all code provisions set out in the CG Code were met by the Company.

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. During the year ended 31 December 2011, the Company did not have any officer with the title of "CEO". 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 day-to-day management of the Group.

To promote high standards of corporate governance in the management structure and to maximize effectiveness of the Group, Mr. Cheng Ming Kit, an executive director of the Company, has been appointed as the CEO of the Company with effect from 6 March 2012. The division of responsibilities between the Chairman and the CEO is clearly established and set out in writing. Starting from this date, the Company has complied with this code provision.

Code Provision A.4.1

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All non-executive and independent non-executive directors of the Company are not appointed for a specific term. They are, however, subject to the requirement of retirement and re-election at least once every three years at the annual general meetings of the Company, in accordance with the relevant provisions of the Company's Bye-laws.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

Composition

The Board currently comprises three executive directors, two non-executive directors and three independent non-executive directors from different business and professional fields. The directors, including non-executive directors and independent non-executive directors, have brought a balance of valuable and diversified business and professional expertise, experiences and independent judgement to the Board for its efficient and effective management of the Company's business.

The Board of the Company comprises the following directors:

Executive Directors:
Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(CEO)*
Mr. Sun Jiang Tian *(appointed on 1 March 2012)*

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

Independent Non-executive Directors:
Mr. Fung Chi Kin *(Member of Audit Committee and Chairman of Remuneration and Nomination Committee)*
Mr. Fung Siu To, Clement *(Member of Audit, Remuneration, and Nomination Committee)*
Mr. Chiu Wai On *(Chairman of Audit Committee and Member of Remuneration and Nomination Committee)*

The profiles of each director are set out in the "Biographical Details of Directors" section in this Annual Report.

Chairman and Chief Executive Officer

As mentioned above, during the year ended 31 December 2011, Mr. Cheng Kam Chiu, Stewart performed both roles of the Chairman and CEO.

On 6 March 2012, Mr. Cheng Ming Kit, an executive director of the Company, has been appointed as the CEO of the Company, and Mr. Cheng Kam Chiu, Stewart continues to assume the role of the Chairman. Since then, the roles of Chairman and CEO are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Cheng Kam Chiu, Stewart, the Chairman and an executive director of the Company, is the uncle of Mr. Cheng Ming Kit, the CEO and an executive director of the Company. The Chairman provides leadership for the Board. The CEO has the overall responsibility for the execution of the Group's strategy and the day-to-day management in general. The division of responsibilities between the Chairman and the CEO is clearly established and set out in writing.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(CONTINUED)*

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors, of whom Mr. Chiu Wai On has appropriate professional qualifications and related experience in financial matters.

The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of Rules 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment and Re-election of Directors

The Board retains the functions for the selection and approval of candidates to become Board members. Directors who are appointed by the Board are subject to retirement by rotation in accordance with the Company's Bye-laws. In accordance with the Bye-laws of the Company, any director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every director shall be subject to retirement at least once every three years. The directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Responsibilities of Directors

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting success of the Company by directing and supervising the Company's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Day-to-day functions and authorities are delegated to the management, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the Company Secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors upon reasonable request, to seek independent advice in appropriate circumstances, at the Company's expenses.

The Company has arranged appropriate liability insurance for the directors and the senior management of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(CONTINUED)*

Responsibilities in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the Company's accounts. The financial statements for the year ended 31 December 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the external auditors, Crowe Horwath (HK) CPA Limited, are set out in the Independent Auditor's Report on pages 32 to 33.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

BOARD AND COMMITTEE MEETINGS

Number of Meetings and Directors' Attendance

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Apart from the regular board meetings, the Board met on other occasions from time to time when a board-level decision on a particular matter was required.

Minutes of all Board meetings, recording sufficient details of matters considered and decisions reached, are kept by the secretary of the meetings, and are open for inspection by the directors.

CORPORATE GOVERNANCE REPORT

BOARD AND COMMITTEE MEETINGS *(CONTINUED)*

Number of Meetings and Directors' Attendance *(continued)*

During the year, thirteen board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Director Name	Attendance
Executive directors	
Mr. Cheng Kam Chiu, Stewart *(Chairman)*	13/13
Mr. Cheng Ming Kit	13/13
Non-executive directors	
Mr. Wong Man Kong, Peter	5/13
Mr. Chan Chi Yuen	6/13
Independent non-executive directors	
Mr. Fung Chi Kin	6/13
Mr. Fung Siu To, Clement	6/13
Mr. Chiu Wai On	6/13

Board Committees

The Board has established 3 committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

The majority of the members of each Board committees are independent non-executive directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Chiu Wai On, Mr. Fung Chi Kin, and Mr. Fung Siu To, Clement. Mr. Chiu Wai On is the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

CORPORATE GOVERNANCE REPORT

BOARD AND COMMITTEE MEETINGS *(CONTINUED)*

Audit Committee *(continued)*

The main duties of the Audit Committee include the followings:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of management, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

In 2011, the audit committee convened two meetings. Members and their attendance are as follows:

Director Name	Attendance
Mr. Chiu Wai On *(Chairman of Audit Committee)*	2/2
Mr. Fung Chi Kin	2/2
Mr. Fung Siu To, Clement	2/2

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Fung Siu To, Clement and Mr. Chiu Wai On. Mr. Fung Chi Kin is the Chairman of the Remuneration Committee.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the time commitment and responsibilities of the individual as well as market practice and conditions.

In 2011, the remuneration committee convened one meeting. Members and their attendance are as follows:

Director Name	Attendance
Mr. Fung Chi Kin *(Chairman of Remuneration Committee)*	1/1
Mr. Fung Siu To, Clement	1/1
Mr. Chiu Wai On	1/1

CORPORATE GOVERNANCE REPORT

BOARD AND COMMITTEE MEETINGS *(CONTINUED)*

Nomination Committee

The Nomination Committee comprises three independent non-executive directors of the Company, namely Mr. Fung Chi Kin, Mr. Fung Siu To, Clement and Mr. Chiu Wai On. Mr. Fung Chi Kin is the Chairman of the Nomination Committee.

The main duties of the Nomination Committee include the followings:

(a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations or any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) To assess the independence of independent non-executive directors.

The Nomination Committee did not hold any committee meeting during the year of 2011.

AUDITORS' REMUNERATION

CCIF CPA Limited ("CCIF") had been appointed as the Company's external auditors since 2005 until they retired at the conclusion of the annual general meeting on 9 June 2010, following the merger of business with PCP CPA Limited resulting in Crowe Horwath (HK) CPA Limited ("Crowe Horwath") operating as the merged firm. As a result of these changes, Crowe Horwath were appointed as external auditors of the Company at the same annual general meeting to fill the vacancy following the retirement of CCIF. There have been no other changes of auditors of the Company in the past three years.

The Audit Committee has been notified of the nature and service charges of the non-audit services to be performed by Crowe Horwath and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by the external auditors for the year ended 31 December 2011 and their corresponding remunerations is as follows:

Nature of services	**Amount** (HK$)
Audit services for the year ended 31 December 2011	1,745,000
Review of preliminary announcement for the year ended 31 December 2011	10,000
Review of interim result	280,000
Tax review	21,000
Services relating to the review of the Company's calculations on share consolidation and capital reduction	20,000

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and in reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized used or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously, which covers financial, operational, and compliance controls as well as risk management function, in order to cope with the changing business environment.

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognizes the importance of continuing communications with the Company's shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Board members and management of the Company are available to answer shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are normally sent to all shareholders at least 20 clear business days before the annual general meeting.

All shareholders' communications, including interim and annual reports, announcements, and press releases, are available on the Company's website at www.166hk.com. The latest business developments and core strategies of the Company can also be found on the website, keeping the communications with investors open and transparent.

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements of New Times Energy Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

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 I, 16-18 Queen's Road Central, Hong Kong respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities and other particulars of its subsidiaries are set out in note 18 to the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 14 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out on pages 34 to 38. The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five financial years/periods are set out on page 146.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 16 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2011 are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35(a) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35(a) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company had no retained profits available for cash distribution and/or distribution in specie, under the Company Act 1981 of Bermuda (as amended) the Company's contribution surplus of approximately HK$567,611,000 is currently not available for distribution. In addition, the Company's share premium account of HK$3,150,568,000 as at 31 December 2011, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 90.36% and the largest customer accounted for approximately 83.59% of the Group's total turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 86.74% and the largest suppliers accounted for approximately 84.76% of the Group's total purchases for the year.

At no time during the year have the directors, their associates or any shareholders of the Company (which to the best knowledge of the directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The transactions as set out in notes 39(a)(i), (ii), (iii) to the consolidated financial statements were continuing connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As far as the transactions set out in note 39(c) to the consolidated financial statements are concerned, the remuneration of the directors as determined pursuant to the service contracts entered into between the directors and the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The remaining transactions which took place during the year as set out in note 39 to the consolidated financial statements under the heading of "Material Related Party Transactions" did not constitute connected transactions under the Listing Rules.

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors
Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(CEO)*
Mr. Sun Jiang Tian (appointed on 1 March 2012)

Non-executive director
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

In accordance with the Company's bye-law no. 87(1), Mr. Cheng Ming Kit, Mr. Sun Jiang Tian, Mr. Wong Man Kong, Peter and Mr. Chiu Wai On shall retire by rotation from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 Listing Rules. The Company considers all the independent non-executive directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Company of the Group are set out on pages 12 to 14 of this report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTOR INTEREST IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

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

As at 31 December 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 and underlying shares of the Company

Name of directors	Nature of interest	Number of ordinary shares held	Number of share options held *	Total interests	Total interests as to the % of the total issued share capital
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	—	4,500,000	4,500,000	0.99%
Mr. Cheng Ming Kit	Beneficial owner	1,000	3,000,000	3,001,000	0.66%
Mr. Wong Man Kong, Peter	Beneficial owner	—	450,000	450,000	0.10%
Mr. Chan Chi Yuen	Beneficial owner	—	450,000	450,000	0.10%
Mr. Fung Chi Kin	Beneficial owner	—	450,000	450,000	0.10%
Mr. Fung Siu To, Clement	Beneficial owner	30,000	450,000	480,000	0.11%
Mr. Chiu Wai On	Beneficial owner	—	450,000	450,000	0.10%

* Further details of the share options are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 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.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors or the initial management shareholders had an interest in any business that competes with or is likely to compete with the business of the Group.

DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUAL'S EMOLUMENTS

Particulars of the directors' remuneration and highest paid individual's emoluments are set out in notes 8 and 9 to the consolidated financial statements respectively.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund (the "MPF") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for the employees under the jurisdiction of the Hong Kong Employment Ordnance. The MPF scheme is a defined contribution retirement plan administrated by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, secondee, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. At the Annual General Meeting of the Company held on 17 May 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "New Option Scheme") and the termination of the old share option scheme adopted on 30 August 2002 (the "Old Option Scheme", together with the New Option Scheme, collectively the "Schemes"). No further options may be granted under the Old Option Scheme upon its termination and options granted and unexercised prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Old Option Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(CONTINUED)*

The Schemes are in full compliance with the relevant requirements of Chapter 17 of the Listing Rules. The purpose of the Schemes is to enable the Company to recognize the contributions of the participants to the Group and to motivate the participants to continuously work to the benefit of the Group by offering to the participants an opportunity to have personal interest in the share capital of the Company. The eligible participants include any full-time and part-time employee (including Directors) of the Company or its subsidiaries, any suppliers, consultants, agents and advisers. The Old Option Scheme and the New Option Scheme became effective on 30 August 2002 and 17 May 2011 respectively and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of coming into effect.

Pursuant to the Schemes, the maximum number of shares in respect of which options may be granted under the Schemes shall not in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the limit and such limit may be refreshed by shareholders in general meeting. However, the total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Schemes and any other share option schemes must not exceed 30% of the shares in issue from time to time.

Under the Schemes, the maximum entitlement for any eligible person (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) is that the total number of shares issued and to be issued upon exercise of all options granted and to be granted in any 12-month period up to and including the date of the latest grant does not exceed 1% of the shares of the Company in issue at the relevant time. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting. Share options to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates are subject to approval by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, when aggregated with all share options (whether exercised, cancelled or outstanding) already granted to any of them during the 12-month period up to the date of grant, in excess of 0.1 percent of the shares of the Company in issue and with an aggregate value in excess of HK$5,000,000 (based on the closing price of the shares at the date of each grant of the options), is subject to shareholders' approval in general meeting of the Company.

The period within which an option may be exercised under the Schemes will be determined by the Board in its absolute discretion, Under the Old Option Scheme, no option may be exercised later than 10 years from 30 August 2002. Under the New Option Scheme, an option may not be exercised after the expiration of 10 years from the date of grant of the option. Pursuant to the Schemes, the exercise price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(CONTINUED)*

As at 31 December 2011, the directors and employees of the Group had the following personal interests in options to subscribe for shares of the Company granted at nominal consideration under the Old Option Scheme. Each option gives the holder the right to subscribe for one share. Details of share options held by the Directors and employees of the Group and movements in such holdings during the year ended 31 December 2011 are as follows:

				Number of share options			
Category of grantees	Date of grant	Exercise period	*Exercise Price (HK$)	*Balance at beginning of the year	*Granted during the year	Exercised during the year	*Balance at the end of the year
Director							
Mr. Cheng Kam Chiu, Stewart	22.7.2011	22.7.2011–21.7.2014	2.20	—	4,500,000	—	4,500,000
Mr. Cheng Ming Kit	22.7.2011	22.7.2011–21.7.2014	2.20	—	3,000,000	—	3,000,000
Mr. Wong Man Kong, Peter	22.7.2011	22.7.2011–21.7.2014	2.20	—	450,000	—	450,000
Mr. Chan Chi Yuen	22.7.2011	22.7.2011–21.7.2014	2.20	—	450,000	—	450,000
Mr. Fung Chi Kin	22.7.2011	22.7.2011–21.7.2014	2.20	—	450,000	—	450,000
Mr. Fung Siu To, Clement	22.7.2011	22.7.2011–21.7.2014	2.20	—	450,000	—	450,000
Mr. Chiu Wai On	22.7.2011	22.7.2011–21.7.2014	2.20	—	450,000	—	450,000
Employees in aggregate	8.5.2007	8.5.2007–7.5.2012	12.00	216,650	—	—	216,650
	22.7.2011	22.7.2011–21.7.2014	2.20	—	1,620,000	—	1,620,000
Other participants in aggregate	8.5.2007	8.5.2007–7.5.2012	12.00	866,600	—	—	866,600
	22.7.2011	22.7.2011–21.7.2014	2.20	—	630,000	—	630,000
				1,083,250	12,000,000	—	13,083,250

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 21 November 2011.

REPORT OF THE DIRECTORS

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 31 December 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 shareholders	Notes	Capacity and Nature of Interest	Number of ordinary shares held	% of the Company's issued share capital
Max Sun Enterprises Limited	(i)	Beneficially owned	43,430,276	9.56%
Chow Tai Fook Nominee Limited	(ii)	Interest in a controlled corporation	43,430,276	9.56%

Notes:

(i) The entire issued share capital of Max Sun Enterprises Limited is legally and beneficially owned by Chow Tai Fook Nominee Limited ("CTFNL").

(ii) So far as is known to the directors, CTFNL is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, CTFNL and Dato' Dr. Cheng Yu Tung are deemed to have interest in the said shares.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float throughout the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the year except under the Code Provision A.2.1 and A.4.1. The full details of corporate governance practices adopted by the Company during the year ended 31 December 2011, or where applicable, up to the date of this report, are set out in pages 15 to 22 of this report.

REPORT OF THE DIRECTORS

AUDITORS

CCIF CPA Limited ("CCIF") had been appointed as the Company's external auditors since 2005 until they retired at the conclusion of the annual general meeting on 9 June 2010, following the merger of business with PCP CPA Limited resulting in Crowe Horwath (HK) CPA Limited ("Crowe Horwath") operating as the merged firm. As a result of these changes, Crowe Horwath were appointed as external auditors of the Company at the same annual general meeting to fill the vacancy following the retirement of CCIF. There has been no other change of auditors of the Company in the past three years.

The financial statements for the year ended 31 December 2011 were audited by Crowe Horwath who retire and, being eligible, shall offer themselves for reappointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Kam Chiu, Stewart
Chairman and Executive Director

Hong Kong, 30 March 2012

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW TIMES ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Times Energy Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 34 to 145, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made 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 about 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 judgement, 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 of consolidated financial statements that give a true and fair view 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements which indicate that the Group incurred a loss of HK$122,086,000 for the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by HK$163,494,000. These conditions, along with other matters as set forth in Note 2(b) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As explained in Note 2(b) to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the Group's ability to extend its short-term bank and other borrowings upon their maturities, raise capital from existing and new investors, and derive adequate operating cash flows from its operations to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. These consolidated financial statements do not include any adjustments that would result from the failure of the measures.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2012

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	4 & 14	**128,857**	57,252
Cost of sales		**(127,564)**	(56,751)
Gross profit		**1,293**	501
Other revenue	5(a)	**3,553**	9,908
Other net income	5(b)	**1,495**	5,391
Gain on bargain purchase	37	**345**	—
Impairment loss on exploration and evaluation assets	15	**(34,550)**	—
Administrative expenses		**(73,338)**	(64,429)
Other operating expenses		**(6,875)**	(14,036)
Loss from operations		**(108,077)**	(62,665)
Finance costs	6(a)	**(10,824)**	(8,514)
Share of loss of a jointly-controlled entity	20	**(2,608)**	(2,658)
Loss before taxation	6	**(121,509)**	(73,837)
Income tax	7(a)	**(577)**	(6,539)
Loss for the year		**(122,086)**	(80,376)
Loss for the year attributable to:			
Owners of the Company		**(87,410)**	(66,057)
Non-controlling interests		**(34,676)**	(14,319)
		(122,086)	(80,376)
Loss per share	13		
Basic and diluted		**(HK$0.19)**	(HK$0.16)

The notes on pages 42 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(122,086)**	(80,376)
Other comprehensive income/(expense), net of tax HK$Nil (2010: HK$Nil)		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**2,966**	(622)
Net loss arising on revaluation of available-for-sale financial assets	**(1,754)**	—
	1,212	(622)
Total comprehensive expense for the year	**(120,874)**	(80,998)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(86,218)**	(66,159)
Non-controlling interests	**(34,656)**	(14,839)
	(120,874)	(80,998)

The notes on pages 42 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	15	**3,639,932**	3,501,338
Property, plant and equipment	16(a)	**18,560**	5,046
Intangible asset	17	**28,621**	944
Interest in a jointly-controlled entity	20	**4,340**	6,948
Deposit paid for a sub-contracting contract	21	**80,160**	79,301
Available-for-sale financial assets	22	**37,501**	—
Convertible promissory note receivable	23	**—**	8,412
Prepayments and other receivables	25	**70,690**	40,549
		3,879,804	3,642,538
CURRENT ASSETS			
Inventories	24(a)	**2,516**	349
Trade and other receivables	25	**24,438**	82,983
Deposit paid for potential investment	19	**—**	60,000
Convertible promissory note receivable	23	**—**	9,312
Derivative financial instruments	23	**—**	272
Cash and cash equivalents	26	**41,030**	114,061
		67,984	266,977
CURRENT LIABILITIES			
Trade and other payables	27	**55,366**	73,816
Bank and other borrowings	29	**165,147**	160,294
Convertible notes payables	28(a)	**10,716**	—
Obligations under finance leases	30	**1**	12
Current taxation	31(a)	**248**	4,564
		(231,478)	(238,686)
NET CURRENT (LIABILITIES)/ASSETS		**(163,494)**	28,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,716,310**	3,670,829
NON-CURRENT LIABILITIES			
Provisions	32(b)	**(2,324)**	—
Deferred tax liabilities	31(c)	**(3,263)**	—
Obligations under finance leases	30	**—**	(1)
		(5,587)	(1)
NET ASSETS		**3,710,723**	3,670,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
EQUITY			
Share capital	35(b)	**227,231**	825,518
Share premium and reserves		**3,530,395**	2,862,513
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,757,626**	3,688,031
NON-CONTROLLING INTERESTS		**(46,903)**	(17,203)
TOTAL EQUITY		**3,710,723**	3,670,828

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 42 to 145 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16(b)	—	—
Convertible promissory note receivable	23	—	8,412
Investments in subsidiaries	18	3,467,005	3,437,642
		3,467,005	3,446,054
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	293,452	268,543
Convertible promissory note receivable	23	—	9,312
Derivative financial instruments	23	—	272
Cash and cash equivalents	26	33,282	17,302
		326,734	295,429
CURRENT LIABILITIES			
Other payables	27	6,158	15,256
Other borrowings	29	42,849	41,400
Convertible notes payable	28(a)	10,716	—
Current taxation	31(a)	6	6
		(59,729)	(56,662)
NET CURRENT ASSETS		267,005	238,767
NET ASSETS		3,734,010	3,684,821
EQUITY	35(a)		
Share capital		227,231	825,518
Share premium and reserves		3,506,779	2,859,303
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		3,734,010	3,684,821

Approved and authorised for issue by the board of directors on 30 March 2012.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 42 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company													
	Share capital	Share premium	Share-based compensation reserve	Capital reserve	Exchange fluctuation reserve	Investment revaluation reserve	Shares to be issued	Convertible notes reserve	Contributed surplus	Accumulated losses	Total share premium and reserve	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	551,000	2,185,338	10,270	9,585	(34)	—	95,625	754,845	—	(174,740)	2,880,889	3,431,889	(2,364)	3,429,525
Loss for the year	—	—	—	—	—	—	—	—	—	(66,057)	(66,057)	(66,057)	(14,319)	(80,376)
Other comprehensive expense	—	—	—	—	(102)	—	—	—	—	—	(102)	(102)	(520)	(622)
Total comprehensive expense for the year	—	—	—	—	(102)	—	—	—	—	(66,057)	(66,159)	(66,159)	(14,839)	(80,998)
Transactions with owners														
Issue of consideration shares (note 35(b)(viii))	18,750	76,875	—	—	—	—	(95,625)	—	—	—	(18,750)	—	—	—
Shares issued upon exercise of bonus warrants (note 35(b)(v))	3	6	—	—	—	—	—	—	—	—	6	9	—	9
Shares issued under placement, net of issuing costs of HK$8,069,000 (note 35(b)(iv))	74,310	147,982	—	—	—	—	—	—	—	—	147,982	222,292	—	222,292
Subscription of new shares (note 35(b)(iii))	32,258	67,742	—	—	—	—	—	—	—	—	67,742	100,000	—	100,000
Shares issued upon conversion of convertible notes (note 28(b) and 35(b)(ii))	149,197	605,648	—	—	—	—	—	(754,845)	—	—	(149,197)	—	—	—
Lapse of share options granted under share option scheme (note 33(a))	—	—	(3,851)	—	—	—	—	—	—	3,851	—	—	—	—
Total transactions with owners	274,518	898,253	(3,851)	—	—	—	(95,625)	(754,845)	—	3,851	47,783	322,301	—	322,301
At 31 December 2010	825,518	3,083,591	6,419	9,585	(136)	—	—	—	—	(236,946)	2,862,513	3,688,031	(17,203)	3,670,828
At 1 January 2011	825,518	3,083,591	6,419	9,585	(136)	—	—	—	—	(236,946)	2,862,513	3,688,031	(17,203)	3,670,828
Loss for the year	—	—	—	—	—	—	—	—	—	(87,410)	(87,410)	(87,410)	(34,676)	(122,086)
Other comprehensive income	—	—	—	—	2,946	(1,754)	—	—	—	—	1,192	1,192	20	1,212
Total comprehensive expense for the year	—	—	—	—	2,946	(1,754)	—	—	—	(87,410)	(86,218)	(86,218)	(34,656)	(120,874)
Transactions with owners														
Shares issued upon exercise of bonus warrants (note 35(b)(v))	72	123	—	—	—	—	—	—	—	—	123	195	—	195
Issue of convertible notes (note 28(a))	—	—	—	—	—	—	—	10,987	—	—	10,987	10,987	—	10,987
Equity-settled share-based payments (note 33(b))	—	—	4,743	—	—	—	—	—	—	—	4,743	4,743	—	4,743
Shares issued upon conversion of convertible notes (note 28(a) and 35(b)(ii))	83,334	66,854	—	—	—	—	—	(10,300)	—	—	56,554	139,888	—	139,888
Share consolidation and capital reduction (note 35(b)(vii))	(681,693)	—	—	—	—	—	—	—	444,747	236,946	681,693	—	—	—
Acquisition of a subsidiary (note 37)	—	—	—	—	—	—	—	—	—	—	—	—	4,956	4,956
Total transactions with owners	(598,287)	66,977	4,743	—	—	—	—	687	444,747	236,946	754,100	155,813	4,956	160,769
At 31 December 2011	227,231	3,150,568	11,162	9,585	2,810	(1,754)	—	687	444,747	(87,410)	3,530,395	3,757,626	(46,903)	3,710,723

The notes on pages 42 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(121,509)**	(73,837)
Adjustments for:			
Amortisation of intangible assets	17	**1,610**	1,472
Bad debts written off on other receivables		**—**	335
Depreciation	16(a)	**2,828**	1,176
Foreign exchange loss/(gain)		**25,484**	(445)
Gain on bargain purchase	37	**(345)**	—
Interest expenses	6(a)	**10,824**	7,173
Interest income	5(a)	**(2,829)**	(1,376)
Impairment loss on exploration and evaluation assets	15	**34,550**	—
Impairment loss on intangible assets	17	**—**	914
Impairment loss on property, plant and equipment	16(a)	**2,262**	—
Impairment loss on trade and other receivables	25(b)	**—**	12,597
Impairment loss on prepayments		**3,199**	—
Loss on disposal of intangible assets	17	**324**	—
Gain on disposal of subsidiaries	38	**(1,718)**	—
Net fair value loss/(gain) on financial derivative instruments	23	**457**	(78)
Loss on disposal of property, plant and equipment	16(a)	**151**	—
Share of losses of a jointly-controlled entity	20	**2,608**	2,658
Share-based payment expenses	33	**4,743**	—
		(37,361)	(49,411)
Changes in working capital:			
Increase in inventories		**(1,503)**	(349)
Decrease/(increase) in trade and other receivables		**28,925**	(170,566)
(Decrease)/increase in trade and other payables		**(56,863)**	3,630
CASH USED IN OPERATIONS		**(66,802)**	(216,696)
Interest paid		**(9,233)**	(5,773)
Interest received		**2,090**	1,341
Income tax paid			
— PRC	31(a)	**(445)**	(70)
— Argentina		**—**	(1,919)
NET CASH USED IN OPERATING ACTIVITIES		**(74,390)**	(223,117)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment	16(a)	**(11,543)**	(4,322)
Payment for the purchase of exploration and evaluation assets	15	**(159,725)**	(209,354)
Refund of deposit paid for potential investment	19	**60,000**	—
Payment for the purchase of intangible assets	17	**(6,275)**	—
Payment of deposit for potential investment	19	**—**	(30,000)
Net cash outflows from acquisition of a subsidiary	37	**(18,880)**	—
Net cash outflows from disposal of subsidiaries	38	**(1)**	—
Convertible promissory note receivable acquired	23	**(20,986)**	(17,900)
Repayment from/(loan to) a non-controlling shareholder		**1,865**	(2,999)
Decrease in restricted bank deposits		**—**	9,265
Decrease in pledged bank deposits		**—**	28,355
Prepayment for right in oil production sharing contract		**(4,276)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(159,821)**	(226,955)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**2,031**	186,021
Repayment of bank borrowings		**(944)**	(115,685)
Capital element of finance lease rental payments		**(12)**	(12)
Proceeds from issue of convertible notes		**160,000**	—
Issue of new shares, net of transaction costs		**195**	322,301
NET CASH GENERATED FROM FINANCING ACTIVITIES		**161,270**	392,625
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(72,941)**	(57,447)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**114,061**	163,747
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(90)**	7,761
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26	**41,030**	114,061

The notes on pages 42 to 145 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. BACKGROUND INFORMATION

New Times Energy Corporation Limited ("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 respectively. The Company is listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in: (i) the trading of oil products and non-ferrous metals; (ii) exploration of crude oil; and (iii) oil exploration and production.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Going concern basis

As at 31 December 2011, the Group's current liabilities exceeded its current assets by 163,494,000 and the Group incurred a loss of 122,086,000 for the year ended 31 December 2011. These conditions indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

In the opinion of the directors of the Company, the Group should be able to continue as a going concern taking into consideration various measures to improve its financial position which include, but are not limited to, the following:

(i) The Company had completed a placing on 20 February 2012 and derived a cash flow to the Group of approximately HK$47,200,000 (note 42(b));

(ii) The Group maintains its business relationship with its banker and other lenders to maintain their continuing support and will discuss with its banker and other lenders for the renewal of banking facilities and other borrowings upon their maturities;

(iii) The Company is considering raising funds from existing and potential investors for any proposed financing arrangement;

(iv) The directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Going concern basis *(continued)*

(v) Other than the existing operations and the commencement of new business in the United States during the year, the Group had also entered into a cooperation agreement for domestic oil transportation and refuel services. The directors expect that the future cash flow generated from these businesses will improve the liquidity and financial position and to maintain the Group's ability to continue as a going concern.

In light of the measures described above, the directors are confident that the Group will have sufficient funding to meet its working capital requirements and financial obligations as and when they fall due. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in a jointly-controlled entity.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following items are carried at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale financial assets (see note 2(g)); and

— derivative financial instruments (see note 2(h)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2 (q), (r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in the relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in a jointly-controlled entity (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less any impairment losses (see note 2(n)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Jointly-controlled entities

A jointly-controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly-controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(n)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly-controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly-controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a jointly-controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, investment in jointly-controlled entities are stated at cost less impairment losses (see note 2(n)(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for the control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

— a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;

— assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Business combinations *(continued)*

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

(g) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and jointly-controlled entity, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Other investments in debt and equity securities *(continued)*

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(y)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried in the statement of financial position at amortised cost less impairment losses (see note 2(n)(i)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(y)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(y)(iv). When these investments are derecognised or impaired (see note 2(n)(i)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are carried at cost less any accumulated impairment losses (see note 2(n)(iii)).

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 either intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

(j) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (note 2(aa)).

Construction in progress is stated at cost which includes all development expenditure and other direct costs, including borrowing cost capitalised, attributable to such construction. They are not depreciated until completion of construction and the asset is put into use. Cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	25%
Infrastructure	20%
Machinery	33%
Furniture, fixtures and office equipment	20%–33%
Motor vehicles	20%–33%

Depreciation of oil production assets is calculated on the unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Property, plant and equipment *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(k) Oil exploration assets

Oil exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to profit or loss.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil exploration assets represent the aggregate of exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Leased assets *(continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(n) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries) (see note 2(n)(ii)) and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investment in a jointly-controlled entity recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

— For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale equity securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised in the other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstance are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets (other than exploration and evaluation assets)

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— investments in subsidiaries (except for those classified as held for sale); and

— deposits and prepayment.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(continued)*

(ii) Impairment of other assets (other than exploration and evaluation assets) (continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior year. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 Impairment of Assets whenever one of the following events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable (the list is not exhaustive):

— the period for which the entity 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 entity 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 assets 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Impairment of assets *(continued)*

(iv) Impairment of proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(v) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 2(n)(i), (ii), (iii) and (iv)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts (see note 2(n)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to accumulated losses.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interests and fees payables, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with 2(x)(i), trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(u) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Share-based payments

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to consultants

Share options granted to consultants in exchange for services are measured at the fair values of the services received, unless that the fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding adjustment to the share-based compensation reserve, when the counterparties render services, unless the services qualify for recognition as assets.

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Income tax *(continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provide those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(x)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is the amount initially recognised, less accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(x)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(x)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods (other than sale of oil products under oil exploration and production)

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Sale of oil products under oil exploration and production

Revenue is recognised when crude oil is picked up by the customers which is taken to be the point in time when the customer has accepted the crude oil and the related risks and rewards of ownership.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Revenue recognition *(continued)*

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Commission income

Commission income is recognised when services are rendered.

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly-controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ab) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(ac) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, that is, the board of directors of the Company, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods.

4. TURNOVER

The principal activities of the Group are (i) general trading; (ii) exploration of natural resources; and (iii) oil exploration and production.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2011 HK$'000	2010 HK$'000
Sale of oil products	**107,717**	40,658
Sale of iron concentrates	**10,501**	2,408
Sale of non-ferrous metals	**8,456**	14,186
Sale of oil products under oil exploration and production	**2,183**	—
	128,857	57,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

5. OTHER REVENUE AND NET INCOME

	2011 HK$'000	2010 HK$'000
(a) Other revenue		
Bank interest income	797	1,337
Other interest income	1,293	4
Effective interest income on convertible promissory note receivable (note 23)	739	35
Total interest income on financial assets not at fair value through profit or loss	2,829	1,376
Commission income	—	1,456
Recovery of insurance premium	—	6,650
Sundry income	724	426
	3,553	9,908
(b) Other net income		
Net realised gain on trading securities	—	5,117
Net gain on sale of crude oil under trial production	234	196
Net fair value (loss)/gain on derivative financial instruments (note 23)	(457)	78
Gain on disposal of subsidiaries (note 38)	1,718	—
	1,495	5,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2011 HK$'000	2010 HK$'000
(a) Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**9,233**	7,172
Effective interest expenses on convertible notes (note 28(a))	**1,591**	—
Finance charges on obligations under finance leases	**—**	1
Total interest expenses on financial liabilities not at fair value through profit or loss	**10,824**	7,173
Loan guarantee charge	**—**	1,341
	10,824	8,514
(b) Staff costs (including directors' emoluments)		
Salaries, wages and benefits in kind	**12,242**	12,520
Contributions to defined contribution retirement plans	**733**	519
Share-based payment expenses	**4,631**	—
	17,606	13,039
(c) Other items		
Auditor's remuneration	**1,490**	1,070
Amortisation of intangible assets (note 17)	**1,610**	1,472
Bad debts written off on other receivables	**—**	335
Consultancy fees (note (ii))	**12,747**	10,354
Cost of inventories (note (i) and note 24(b))	**127,564**	56,751
Depreciation for property, plant and equipment (note 16(a))	**2,828**	1,176
Impairment loss on intangible assets (note 17)	**—**	914
Impairment loss on trade and other receivables (note 25(b))	**—**	12,597
Impairment loss on prepayments	**3,199**	—
Impairment loss on exploration and evaluation assets (note 15)	**34,550**	—
Impairment loss on property, plant and equipment (note 16(a))	**2,262**	—
Loss on disposal of intangible assets (note 17)	**324**	—
Minimum lease payments under operating leases on leasehold land and buildings	**2,173**	2,279
Net foreign exchange loss	**3,688**	3,415
Preliminary expenses written off	**—**	21

Notes:

(i) Cost of inventories includes HK$626,000 (2010: HK$35,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

(ii) Consultancy fees include HK$112,000 (2010: HK$Nil) share-based payment expenses on options granted to the consultant during the year.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2011 HK$'000	2010 HK$'000
Current tax		
— Hong Kong Profits Tax	**210**	—
— PRC Enterprise Income Tax	**367**	118
— Argentina minimum presumed income tax	**—**	6,421
	577	6,539
Deferred income tax	**—**	—
Total	**577**	6,539

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands ("BVI"), the Group and its subsidiaries incorporated in Bermuda and BVI are not subject to any income tax in the Bermuda and the BVI during the year (2010: HK$nil).

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% of the estimated assessable profits for the year (2010: No Hong Kong Profits Tax has been provided for in the financial statements as the Company and its subsidiaries incorporated or operating in Hong Kong have accumulated tax losses brought forward which exceed the estimated assessable profits for the year.)

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 Republic ("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. No provision is recognised as the subsidiaries operating in Argentina has no assessable profits during the year and in prior year.

United States ("US") subsidiaries of the Group operating in Texas and Louisiana are subject to Texas franchise tax equal to 1% of the taxable margin (which approximates gross profits), subject to a threshold of gross receipts of US$1,030,000. No provision for franchise tax is made as the gross receipts is less than the threshold for the year. The subsidiaries are not subject to federal or Louisiana income taxes and no provision is required to be made in the financial statements.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

(b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	2011 HK$'000	2010 HK$'000
Loss before taxation	**(121,509)**	(73,837)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the tax jurisdictions concerned	**(25,069)**	(17,335)
Tax effect of non-taxable income	**(42,232)**	(236)
Tax effect of non-deductible expenses	**54,374**	8,998
Tax effect of tax losses not recognised	**12,873**	8,987
Tax effect of deductible temporary differences not recognised	**631**	28
Tax effect on utilisation of tax losses not recognised in prior year	**—**	(366)
Tax effect of PRC income tax on representative office	**—**	42
Argentina minimum presumed income tax	**—**	6,421
Actual tax expense	**577**	6,539

8. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2011						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (Note)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	100	—	—	—	100	1,833	1,933
Executive directors							
Mr. Cheng Ming Kit, Tommy	—	1,313	220	12	1,545	1,222	2,767
Non-executive directors							
Mr. Chan Chi Yuen	100	—	—	—	100	183	283
Mr. Wong Man Kong, Peter	100	—	—	—	100	183	283
Independent non-executive directors							
Mr. Fung Chi Kin	100	—	—	—	100	183	283
Mr. Chiu Wai On	100	—	—	—	100	183	283
Mr. Fung Siu To, Clement	100	—	—	—	100	183	283
	600	1,313	220	12	2,145	3,970	6,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

8. DIRECTORS' EMOLUMENTS *(CONTINUED)*

	Year ended 31 December 2010						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (Note)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	100	—	—	—	100	—	100
Executive directors							
Mr. Cheng Ming Kit, Tommy	42	770	—	7	819	—	819
Non-executive directors							
Mr. Chan Chi Yuen	100	—	—	—	100	—	100
Mr. Wong Man Kong, Peter	100	—	—	—	100	—	100
Independent non-executive directors							
Mr. Fung Chi Kin	100	—	—	—	100	—	100
Mr. Chiu Wai On	100	—	—	—	100	—	100
Mr. Fung Siu To, Clement	100	—	—	—	100	—	100
	642	770	—	7	1,419	—	1,419

Note: These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 17 May 2011. The value of these share options is measured according to the Group's accounting policies for share-based payment as set out in note 2(v). As at 31 December 2010, none of the directors held any share options under the Company's old share option scheme adopted on 30 August 2002.

The details of the share options are disclosed under the paragraph "Share option scheme" in the Report of the directors and in note 33.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2011 and 2010.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: one) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining three (2010: four) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	2,343	3,374
Share-based payment expenses	460	—
Retirement scheme contributions	33	35
	2,836	3,409

Analysis of the emoluments of the remaining three (2010: four) individuals with the highest emoluments by the number of individuals and remuneration range is as follows:

	Number of individuals	
	2011	2010
Band		
Nil – HK$1,000,000	1	3
HK$1,000,001– HK$1,500,000	2	1

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2011 and 2010.

10. OTHER COMPREHENSIVE INCOME/(EXPENSE)

Tax effects relating to each component of other comprehensive income/(expense) are as follows:

	2011			2010		
	Before-tax amount HK$'000	**Tax (expense)/ benefit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	**2,966**	**—**	**2,966**	(622)	—	(622)
Net loss arising on revaluation of available-for-sale financial assets	**(1,754)**	**—**	**(1,754)**	—	—	—
Other comprehensive income/(expense)	**1,212**	**—**	**1,212**	(622)	—	(622)

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$106,624,000 (2010: HK$111,676,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2011 (2010: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

13. 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 HK$87,410,000 (2010: HK$66,057,000) and the weighted average number of 449,879,000 ordinary shares (2010: 407,535,000 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2011 **'000**	2010 '000 (Note)
Weighted average number of ordinary shares at 31 December	**449,879**	407,535

Note: For the year ended 31 December 2010, the weighted average number of ordinary shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 December 2011.

(b) Diluted loss per share

Diluted loss per share for both the years ended 31 December 2010 and 2011 were the same as the basic loss per share as the assumed conversion of convertible notes and the assumed exercise of bonus warrants outstanding during the years had an anti-dilutive effect on the basic loss per share for both years. The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise prices of the options were higher than the average market price of shares.

14. 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 i.e. the board of directors of the Company, 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, iron concentrates and non-ferrous metal. Currently, the Group's general trading activities are carried out in Hong Kong and PRC.
Exploration of natural resources	This segment is engaged in the exploration of crude oil in Argentina and US. The activities carried out in Argentina and US are through non-wholly-owned subsidiaries.
Oil exploration and production	This segment represents the business of oil exploration and production in US (new business during the year).

Oil exploration and production segment is a new operating segment in current year through the acquisition of and establishment of subsidiaries in the United States.

14. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision-maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible 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 all non-current liabilities and current liabilities with the exception of current taxation, convertible notes payables, deferred tax liabilities 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 amortisation 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 chief operating decision maker for the purpose of resource allocation and assessment of segment performance. In addition to receiving segment information concerning the segment result, the chief operating decision maker is provided with segment information concerning interest income, interest expenses, depreciation and amortisation, impairment losses on intangible asset, trade and other receivables, exploration and evaluation assets and property, plant and equipment and additions to non-current segment assets used by the segments in their operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(ac).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below:

	General trading		Exploration of natural resources		Oil exploration and production		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Reportable segment revenue *(note)*	**126,674**	57,252	**—**	—	**2,183**	—	**128,857**	57,252
Reportable segment loss	**(19,689)**	(29,634)	**(57,670)**	(14,295)	**(4,524)**	—	**(81,883)**	(43,929)
Depreciation and amortisation	**1,773**	1,784	**220**	227	**1,895**	—	**3,888**	2,011
Interest income	**35**	651	**115**	247	**—**	—	**150**	898
Interest expenses	**6,970**	5,736	**—**	—	**—**	—	**6,970**	5,736
Impairment loss on								
— intangible assets	**—**	914	**—**	—	**—**	—	**—**	914
— trade and other receivables	**—**	12,597	**—**	—	**—**	—	**—**	12,597
— exploration and evaluation assets	**—**	—	**34,550**	—	**—**	—	**34,550**	—
— property, plant and equipment	**—**	—	**—**	—	**2,262**	—	**2,262**	—
Reportable segment assets	**96,251**	124,688	**3,716,669**	3,584,290	**43,285**	—	**3,856,205**	3,708,978
Additions to non-current segment assets during the year	**7,685**	611	**187,210**	259,440	**47,067**	—	**241,962**	260,051
Reportable segment liabilities	**(135,847)**	(129,102)	**(29,170)**	(59,412)	**(11,298)**	—	**(176,315)**	(188,514)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: HK$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. SEGMENT INFORMATION *(CONTINUED)*

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

	Year ended 31 December	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Revenue		
Reportable segment revenue	**128,857**	57,252
Unallocated revenue	**—**	—
Consolidated turnover	**128,857**	57,252
Loss		
Reportable segment loss	**(81,883)**	(43,929)
Depreciation and amortisation	**(550)**	(637)
Interest income	**2,679**	478
Interest expenses	**(3,854)**	(1,437)
Impairment loss on prepayments	**(3,199)**	—
Share of post-tax loss of a jointly-controlled entity	**(2,608)**	(2,658)
Net fair value (loss)/gain on derivative financial instruments	**(457)**	78
Unallocated operating income	**—**	8,982
Unallocated operating expenses	**(31,637)**	(34,714)
Consolidated loss before taxation	**(121,509)**	(73,837)
Assets		
Reportable segment assets	**3,856,205**	3,708,978
Interest in a jointly-controlled entity	**4,340**	6,948
Deposit paid for potential investment	**—**	60,000
Available-for-sale financial assets	**37,501**	—
Convertible promissory note receivable	**—**	17,996
Unallocated corporate assets		
— Cash and cash equivalents	**34,291**	66,187
— Other receivables	**14,928**	44,607
— Others	**523**	4,799
Consolidated total assets	**3,947,788**	3,909,515
Liabilities		
Reportable segment liabilities	**(176,315)**	(188,514)
Current taxation	**(248)**	(4,564)
Deferred tax liabilities	**(3,263)**	—
Convertible notes payables	**(10,716)**	—
Unallocated corporate liabilities		
— Other borrowing	**(42,849)**	(42,344)
— Others	**(3,674)**	(3,265)
Consolidated total liabilities	**(237,065)**	(238,687)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

14. SEGMENT INFORMATION *(CONTINUED)*

(c) Geographical information

The Group's operations are located in Hong Kong (place of domicile), PRC, Argentina and US.

The following is an analysis of 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 and available-for-sale financial assets ("Specified non-current assets"). The geographical location of customers refers to 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 located. In the case of interests in a jointly-controlled entity, it is the location of operation of such jointly controlled entity.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)
Hong Kong (place of domicile)	**—**	40,658	**6,041**	949
PRC	**18,957**	16,594	**88,420**	83,275
Argentina	**—**	—	**3,696,508**	3,542,954
US	**2,183**	—	**46,994**	—
Malaysia	**107,717**	—	**—**	—
Australia	**—**	—	**4,340**	6,948
	128,857	57,252	**3,842,303**	3,634,126

(d) Information about major customers

Revenue from sales of goods to customers contributing 10% or more of the Group are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A	**107,717**	—
Customer B	**—**	40,658
Customer C	**—**	14,186

All revenue disclosed above are related to the "General trading" reportable segment.

(e) Information about products and services

The Group's revenues from external customers for each product were set out in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. EXPLORATION AND EVALUATION ASSETS

The Group

	Exploration rights HK$'000	Exploratory drilling HK$'000	Geological studies HK$'000	Oil exploration assets HK$'000 (note (e))	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	3,225,172	27,652	210,679	—	37,835	3,501,338
Cost	3,225,172	27,652	210,679	—	37,835	3,501,338
Accumulated impairment	—	—	—	—	—	—
Net book value at 31 December 2010	3,225,172	27,652	210,679	—	37,835	3,501,338
At 1 January 2011	3,225,172	27,652	210,679	—	37,835	3,501,338
Acquired through business combination (note 37)	—	—	—	3,447	—	3,447
Additions	13,667	54,785	112,048	1,660	6,735	188,895
Impairment loss *(note (c))*	—	(34,550)	—	—	—	(34,550)
Exchange adjustments	(924)	(1,310)	(16,042)	—	(922)	(19,198)
At 31 December 2011	3,237,915	46,577	306,685	5,107	43,648	3,639,932
Cost	3,237,915	81,127	306,685	5,107	43,648	3,674,482
Accumulated impairment	—	(34,550)	—	—	—	(34,550)
Net book value at 31 December 2011	3,237,915	46,557	306,685	5,107	43,648	3,639,932

(a) In 2006, JHP International Petroleum Engineering Limited ("JHP") and Maxipetrol — Petroleros de Occidente S.A. (formerly known as "Oxipetrol — Petroleros de Occidente S.A.") ("Maxipetrol") (collectively the "Consortium") were granted the Tartagal Concession and the Morillo Concession under the Provincial Government Decree N° 3391/2006 and Decree N° 3388/2006 dated 29 December 2006 respectively. 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. The exploration permits granted are valid for an initial period of four years starting from 29 December 2006 and additional extensions up to an aggregate of nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

15. EXPLORATION AND EVALUATION ASSETS *(CONTINUED)*

The Group *(continued)*

(a) *(continued)*

On 9 March 2009, High Luck Group Limited ("High Luck") and the Consortium executed an Union of Temporary Enterprise ("UTE") agreement pursuant to which the interest and title in the Concessions of the exploration permits and potential exploitation permits shall be taken up by an UTE. Under the agreement, Maxipetrol agreed for JHP to distribute its 60% interest in the Concessions to High Luck. After the distribution, High Luck, JHP and Maxipetrol held 60%, 10% and 30% interest in the UTE and the Concessions respectively and each of them shall bear the costs and share the benefits derived from the Concessions and the UTE according to their respective interests. High Luck is solely responsible for the provision of funding for investments and expenses incurred during the exploration stage, and any cash generated in the Concessions will first apply to repay the funding provided by High Luck.

In April 2009, the UTE namely Maxipetrol Petroleros de Occidente — UTE was registered in the Public Register of Commerce and High Luck becomes one of the members of the UTE.

The UTE is managed by an Executive Committee ("Committee"), which composes of ten committee members. High Luck is entitled to appoint up to six members in the Committee. High Luck also acts as the UTE's representative that carries out the duties in regard to all legal acts, contracts and other operations related to the purpose of the UTE and pursuant to Section 379 of Law 19,550 on Business Companies. In the opinion of the directors of the Company, High Luck has the power to govern the financial and operating policies of the UTE so as to obtain benefits from its activities and therefore the UTE is classified as a subsidiary of the Company.

(b) As mentioned in note (a), the exploration permits granted are valid for an initial period of four years starting from 29 December 2006 (i.e. expired on 29 December 2010). On 22 April 2010, the Group submitted an application to the Secretary of Energy of Province of Salta, Argentina for an extension of the exploration permits. The application was approved on 2 July 2010 and the initial exploration permits to the Concessions were extended to 29 February 2012. On 18 July 2011, a further extension was granted and the exploration permits were extended to 28 February 2014.

(c) During the year, an impairment loss of approximately HK$34,550,000 was recognised for all direct costs related to one exploratory well abandoned in the Tartagal concession. The surface area covered by this well is approximately 0.0144 square kilometers (120m x 120m). The exploratory drilling work on this well was to test a large stratigraphic trap in sandstones of Lower Carboniferous age, identified by a 500 square kilometers 3-D seismic survey shot performed by an independent geologist in 2010. The sandstones were found present and there were traces of oil, but not enough to warrant further testing. The Group therefore considered the well was not successful and recognise all the direct costs of this unsuccessful well in the income statement for the year.

15. EXPLORATION AND EVALUATION ASSETS *(CONTINUED)*

The Group *(continued)*

(c) *(continued)*

As advised by the Group's technical experts, the drilling of exploratory wells typically involves a considerable amount of inherent risks, and even if an exploratory well could not be converted into a production well eventually, it still provides valuable drilling information to the technical team, which would be beneficial to future exploration activities in the drilling area. In terms of service area, this 3-D seismic program only covers about 7% of the total service area of the Tartagal concession and that unsuccessful well only representing about 0.0002% of the total service area of the Tartagal concession. Therefore, the directors of the Company are of the view that the abandonment of this unsuccessful well is an isolated event and alone by itself, does not lead to the conclusion that the discovery of commercially viable quantities of natural resources would not be found for the Concessions. No further impairment was recognised during the year.

(d) Pursuant to the agreements for the acquisition of the Concessions, if within 3 years subsequent to the completion on 4 May 2009, the Company having obtained a technical report in a form and substance reasonably acceptable to the Company having been prepared and issued by a firm of independent technical consultants to be appointed by the Company and agreed by the vendors showing, and the Company being satisfied, that the aggregate proven reserves (as defined in the Petroleum Resources Management System (PRMS)) in the Concessions are not less than 100 million tons of oil, the Company shall forthwith arrange to issue a contingent announcement on the website of the Stock Exchange and within 90 days after the publication of the contingent announcement, at the choice of the Company after consultation with the vendors, either (i) pay to the vendors a sum of HK$780,000,000 as to HK$259,740,000 to vendor 1 and as to HK$520,260,000 to vendor 2; or (ii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the vendors in aggregate HK$780,000,000 by the allotment and issue of new shares of the Company (the "Shares") at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheets for the 10 business days immediately preceding the date of the contingent announcement in the same proportion as stated in (i) above, or (iii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the vendors in aggregate HK$780,000,000 in the same proportion as stated in (i) above by a combination of cash and allotment and issue of new Shares at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheets for the 10 business days immediately preceding the date of the contingent announcement in any proportion in the absolute discretion of the Company.

At the date of acquisition, the estimated reserves are classified as prospective resources by reference to a technical report prepared by an international independent technical advisor. Having considered the technical report and the fact that the Concessions are still at the exploration stage, the directors of the Company do not expect that the proven reserves in the areas will exceed 100 million tons of oil at the end of the reporting period.

(e) Oil exploration assets arose from (i) acquisition of a non-wholly owned subsidiary, ET-LA, LLC set out in note 37 and (ii) subsidiary established during the year in the United States.

Oil exploration assets with a carrying value of approximately HK$3,965,000 (2010: HK$Nil) were pledged to a bank for the banking facilities granted to the Group (see note 29(d)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

16. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Leasehold improvements HK$'000	Infrastructure HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Oil production assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2010	—	—	—	436	2,929	—	—	3,365
Exchange adjustments	19	3	8	(8)	(10)	—	—	12
Additions	1,633	135	516	1,129	909	—	—	4,322
At 31 December 2010	1,652	138	524	1,557	3,828	—	—	7,699
At 1 January 2011	1,652	138	524	1,557	3,828	—	—	7,699
Exchange adjustments	46	65	28	(35)	(21)	(86)	—	(3)
Additions	—	3,865	614	81	78	6,693	3,164	14,495
Acquired through business combination (note 37)	—	—	—	—	—	5,566	—	5,566
Disposal of subsidiary (note 38)	(1,310)	—	(479)	(291)	—	—	—	(2,080)
Disposal	—	—	—	—	(180)	—	—	(180)
At 31 December 2011	388	4,068	687	1,312	3,705	12,173	3,164	25,497
Accumulated depreciation and impairment								
At 1 January 2010	—	—	—	117	1,363	—	—	1,480
Exchange adjustments	1	—	—	(1)	(3)	—	—	(3)
Charge for the year	186	—	19	240	731	—	—	1,176
At 31 December 2010	187	—	19	356	2,091	—	—	2,653
At 1 January 2011	187	—	19	356	2,091	—	—	2,653
Charge for the year	333	221	364	390	603	917	—	2,828
Impairment loss (note (d))	—	—	—	—	—	2,262	—	2,262
Written back on disposal	—	—	—	—	(29)	—	—	(29)
Written back on disposal of subsidiary (note 38)	(337)	—	(255)	(177)	—	—	—	(769)
Exchange adjustments	8	4	7	(5)	(16)	(6)	—	(8)
At 31 December 2011	191	225	135	564	2,649	3,173	—	6,937
Carrying amount								
At 31 December 2011	197	3,843	552	748	1,056	9,000	3,164	18,560
At 31 December 2010	1,465	138	505	1,201	1,737	—	—	5,046

16. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) The Company

	Motor vehicle HK$'000
Cost	
At 1 January 2010	1,349
Disposals	(1,349)
At 31 December 2010, 1 January 2011 and 31 December 2011	—
Accumulated depreciation	
At 1 January 2010	540
Written back on disposals	(540)
At 31 December 2010, 1 January 2011 and 31 December 2011	—
Carrying amount	
At 31 December 2011	—
At 31 December 2010	—

(c) The Group leases certain furniture, fixtures and office equipment under finance leases expiring within 1 year. At the end of the lease term, the Group has the option to purchase the leased assets at prices deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At the end of the reporting period, the carrying amount of the furniture, fixtures and office equipment held under finance leases of the Group was approximately HK$3,000 (2010: HK$15,000).

(d) During the year, the Group carried out a review of the recoverable amount of the oil production assets. These assets are used in the Group's oil exploration and production reportable segment. The review led to the recognition of an impairment loss of HK$2,262,000, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use.

The impairment losses have been included in "Other operating expenses" in the consolidated income statement.

(e) Oil production assets with a carrying value of approximately HK$8,851,000 (2010: HK$Nil) were pledged to a bank for the banking facilities granted to the Group (see note 29(d)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

17. INTANGIBLE ASSETS

The Group

	Coal trading license HK$'000 (note (a))	Rights in oil production sharing contract HK$'000 (note (b))	Oil exploration rights HK$'000 (note (c))	Total HK$'000
Cost				
At 1 January 2010	3,366	—	—	3,366
Exchange adjustments	135	—	—	135
At 31 December 2010 and 1 January 2011	3,501	—	—	3,501
Additions	—	4,680	1,595	6,275
Acquired through business combination (note 37)	—	—	23,378	23,378
Disposals	(3,557)	—	—	(3,557)
Exchange adjustments	56	—	(56)	—
At 31 December 2011	—	4,680	24,917	29,597
Accumulated amortisation and impairment				
At 1 January 2010	120	—	—	120
Charge for the year	1,472	—	—	1,472
Impairment loss	914	—	—	914
Exchange adjustments	51	—	—	51
At 31 December 2010 and 1 January 2011	2,557	—	—	2,557
Charge for the year	635	—	975	1,610
Disposals	(3,233)	—	—	(3,233)
Exchange adjustments	41	—	1	42
At 31 December 2011	—	—	976	976
Carrying amount				
At 31 December 2011	—	4,680	23,941	28,621
At 31 December 2010	944	—	—	944

17. INTANGIBLE ASSETS *(CONTINUED)*

Notes:

(a) The balance represented a coal trading license in PRC held by the Group. The coal trading license has finite useful life and is amortised on a straight-line basis over its remaining useful life of 28 months. The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement. The license was disposed during the year.

(b) It represents the rights in oil production sharing contract to share in production revenue derived from oil and gas properties located in Uintah County, Utah, United States.

On 27 January 2012, the Group had entered into an agreement with an independent third party in relation to the transfer of the rights in oil production sharing contract.

(c) Oil exploration rights are carried at costs and are amortised to profit or loss over the remaining useful lives ranging from 4 to 50 years. The amortisation charge for the year is included in "Administrative expenses" in the consolidated income statement.

(d) Intangible assets with a carrying value of HK$23,378,000 (2010: HK$Nil) were pledged to a bank for the banking facilities granted to the Group (see note 29(d)).

(e) Impairment test for intangible asset

The recoverable amount of the rights in oil production sharing contract is determined based on fair value less cost to sell by reference to the quoted price from independent parties made available to the Group. After assessing the information available in respect of the fair value of the intangible asset, the management of the Company is of the opinion that the fair value of the intangible asset is higher than the carrying value as at 31 December 2011.

Impairment on oil exploration rights is determined based on the value-in-use by reference to the income approach (i.e. cash flow discounting). No impairment assessment was performed as there was no indication of impairment.

During the year ended 31 December 2010, an impairment loss of RMB790,000 (equivalent to HK$914,000) is recognised related to the Group's coal trading license. The coal trading license was disposed of during the year.

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**2,395,092**	2,395,092
Amounts due from subsidiaries (note (a))	**1,147,884**	1,083,971
	3,542,976	3,479,063
Less: Impairment losses (note (b))	**(75,971)**	(41,421)
	3,467,005	3,437,642

Notes:

(a) The amounts were unsecured, interest-free and will not be demanded for repayment. They form part of the investment cost in subsidiaries.

(b) During the year ended 31 December 2011, impairment loss of HK$34,550,000 on exploration and evaluation assets was recognised (see note 15). Accordingly, impairment loss on investment cost in subsidiaries was therefore recognised. The impairment loss was charged to the income statement of the Company.

During the year ended 31 December 2010, a subsidiary had incurred operating losses. After reviewing the financial performance and financial position of the subsidiary and taking into account the market environment, the directors considered that impairment loss of HK$41,421,000 on the amount due from a subsidiary to its recoverable amount should be made. The impairment loss had been charged to the income statement of the Company.

18. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Notes: *(continued)*

(c) Details of the Company's subsidiaries as at 31 December 2011 are as follows:

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Total Belief Limited	BVI/Hong Kong	1 share of US$1	100%	100%	—	Investment holding
深圳市源協貿易有限公司 ("Shenzhen Yuanxie") *	PRC	Registered capital US$1,000,000	100%	—	100%	Investment holding
深圳市志來貿易有限公司 ("Shenzhen Zhilai") **	PRC	Registered capital RMB5,000,000	51%	—	51%	Investment holding
四會市志來煤炭實業有限公司 ("Sihui Zhilai") **	PRC	Registered capital RMB5,000,000	51%	—	100%	Trading of scrap copper and exploration and exploitation of iron ore
Hong Kong Zhilai Company Limited	Hong Kong	15,500,000 shares of HK$1	51%	—	51%	Trading of oil products
Jumbo Hope Group Limited	Hong Kong	1 share of HK$1	100%	—	100%	Investment holding
Cheer Profit Group Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding
High Luck Group Limited	BVI/Hong Kong and Argentina	100 shares of US$1	100%	—	100%	Investment holding
Maxipetrol Petroleros de Occidente — UTE ("UTE")***	Argentina	N/A	60%	—	60%	Exploration of oil and hydrocarbons
ET-LA, LLC***	United States	US$500	80%	—	80%	Locating, evaluating, acquiring and developing oil and gas properties
ET-LA (2), LLC***	United States	US$1,000	80%	—	80%	Locating, evaluating, acquiring and developing oil and gas properties
United Resources Trading Limited	BVI/Hong Kong	100 shares of US$1	51%	—	51%	Trading of oil products
Jade Honest Limited	BVI/Hong Kong	2,700 shares of US$1	100%	100%	—	Dormant
Bright Rise Group Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding

18. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Notes: *(continued)*

(c) *(continued)*

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Happy Light Group Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding
Peak Victory International Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding
Techno Wealth Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding
Grand Rich Trading Limited	BVI/Hong Kong	1 share of US$1	100%	—	100%	Investment holding
Prominent Sino Holdings Limited	BVI/United States	100 shares of US$1	100%	—	100%	Holding of rights in oil production sharing contract
Novastar Capital Limited	BVI/Hong Kong	100 shares of US$1	100%	—	100%	Investment holding
Value Train Investments Limited	BVI/Hong Kong	100 shares of US$1	100%	—	100%	Investment holding
High Luck Holding (Hong Kong) Limited	Hong Kong	1 share of HK$1	100%	—	100%	Investment holding
Rich Result Limited	Hong Kong	1 share of HK$1	100%	—	100%	General trading
United Oil & Resources Trading Limited	Hong Kong	100 shares of HK$1	100%	—	100%	Dormant

* Registered under the laws of the PRC as a wholly-foreign-owned enterprise ("WFOE").

** Private limited liability company.

*** Companies not audited by Crowe Horwath (HK) CPA Limited.

19. DEPOSIT PAID FOR POTENTIAL INVESTMENT

	The Group	
	2011	2010
	HK$'000	HK$'000
At 31 December	**—**	60,000

On 8 December 2009, Techno Wealth Limited ("Techno Wealth"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with an independent third party ("Vendor") in relation to the proposed acquisition of 90% of the equity interests of 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"), for an initially-agreed consideration of HK$630,000,000. Hongwen Gold is principally engaged in mining and selling of gold concentrates. A refundable deposit of HK$30,000,000 for the proposed acquisition was paid to the Vendor upon execution of the MOU.

On 6 February 2010, Techno Wealth, the Vendor, Hongwen Gold and Mr. Sun Jingzu ("Mr. Sun"), a former owner who held 90% equity interest in Hongwen Gold, entered into a sale and purchase agreement ("Agreement") to acquire the entire issued share capital of Fortune Ease Holdings Limited ("the Target"), which in turn indirectly holds 90% equity interest in Hongwen Gold, and the shareholder's loan for an adjusted aggregate consideration of HK$600,000,000. The adjusted consideration of HK$600,000,000 was to be satisfied by (i) set-off of the HK$30,000,000 deposit paid under the MOU; (ii) HK$30,000,000 payable to the Vendors in cash after the signing of the Agreement; and (iii) HK$540,000,000 by the issue of consideration shares upon completion. The further sum of HK$30,000,000 was paid in cash on 8 February 2010.

The balances of HK$60,000,000 as at 31 December 2010 represented the deposit money paid by the Group in relation to the acquisition of the Target.

The acquisition of the Target had been approved in the special general meeting of the Company held on 16 July 2010.

On 16 December 2010, due to certain conditions precedent to completion of the acquisition have not been satisfied in accordance with the terms of the Agreement, the Company proposed to terminate the acquisition.

On 21 January 2011, Techno Wealth entered into a termination deed ("the Deed") with the Vendor, Hongwen Gold and Mr. Sun for the termination of the acquisition of 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 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 arise 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. A default interest is calculated at a rate of 10% per annum on any outstanding balance if failure to pay by the repayment due date. Pursuant to the escrow agreement and two supplemental escrow agreements entered on 25 March 2011, 24 May 2011 and 7 June 2011 respectively, the repayment deadline was finally extended to 21 June 2011.

On 14 June 2011, the deposit of HK$60,000,000 together with the accrued interest of HK$1,293,000 was fully repaid to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

20. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	The Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**4,340**	6,948

Details of the Group's interest in the jointly-controlled entity are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of entity	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Smart Win International Limited ("Smart Win")	Incorporated	BVI/Hong Kong	200 ordinary shares of US$1 each	50%	—	50%	Investment holdings

Summary financial information of the jointly controlled entity — Group's effective interest:

	2011	2010
	HK$'000	HK$'000
Current assets	**4,340**	6,948
Current liabilities	**—**	—
Net assets	**4,340**	6,948
Income	**7**	1,987
Expenses	**(2,615)**	(4,645)
Loss for the year	**(2,608)**	(2,658)

Pursuant to a legally-binding memorandum of understanding ("Memorandum") entered into between Smart Win, Empire Energy International Corporation ("Empire Energy"), Great South Land Minerals Limited ("GSLM") and Mr. Malcolm Bendall, a major shareholder and president of Empire Energy, dated 17 July 2008, Smart Win agreed to grant Empire Energy a loan of AUD5,000,000 in return for an option to enter into a joint venture agreement with GSLM for the exploration and development of oil and gas resources within special exploration license 13/98 located in Tasmania, Australia. During the year 2008, Smart Win advanced approximately AUD3,886,000 to Empire Energy.

In the year 2009, due to failure of adhesion to the budget jointly authorised by Smart Win and Empire Energy as agreed in the Memorandum, Smart Win refused to further advance the remaining loan to Empire Energy pursuant to the Memorandum.

20. INTEREST IN A JOINTLY CONTROLLED ENTITY *(CONTINUED)*

On 9 September 2010, Smart Win commenced legal proceedings against Empire Energy and Mr. Malcolm Bendall (together "the Defendants"), at the Supreme Court of State of New York ("the Court") to recover the loan principle of approximately AUD$3,886,000 advanced to Empire Energy during the year 2008, plus interest, penalties and attorney's fee.

On 17 November 2010, the Defendants submitted an answer, affirmative defense and counterclaim to the Court to defense the complaint by Smart Win and made counterclaim for damages alleged to be in excess of US$3,000,000,000 and attorneys' fees. A legal opinion was obtained from Stewart Occhipinti, LLP, the legal representative of Smart Win, on 22 March 2012. Pursuant to the legal opinion obtained, the legal representative is of the opinion that it is too early in the litigation process to provide a prediction of the ultimate outcome regarding the Defendant's claims. The management of the Company believes that it has meritorious defenses and is confident that it has defenses to Defendants' claims. The management of the Company are of the opinion that the success of counterclaim against Smart Win should be remote.

21. DEPOSIT PAID FOR A SUB-CONTRACTING CONTRACT

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**79,301**	—
Deposit paid	**—**	79,498
Less: Sub-contracting fee for the year	**(1,647)**	(194)
Exchange adjustment	**2,506**	(3)
At 31 December	**80,160**	79,301

In July 2010, Sihui Zhilai entered into a sub-contracting agreement with an independent third party ("the Sub-contractor"), who has a 90% interest in a PRC limited liability company which owns an iron mine (北坎子鐵礦) located at Qinglong Manzu Autonomous County (青龍滿族自治縣) in the PRC. Pursuant to the sub-contracting agreement, Sihui Zhilai have a right to operate the iron mine for a period of 3 years by paying a deposit of RMB67,400,000 (equivalent to HK$79,498,000). A sub-contracting fee is to be charged at RMB150 (equivalent to HK$180) per ton on every iron concentrate sold which sum should be offset against the deposit paid. Any balance of the deposit unutilised shall be refunded upon the expiry of the 3-years sub-contracting period. In August 2010, Sihui Zhilai took up the operation of the iron mine and accounted for all the operating results during the sub-contracting period.

As at 31 December 2011 and 2010, the balance represents the deposit paid after net-off the sub-contracting fee of RMB1,375,000 (equivalent to approximately HK$1,647,000) (2010: RMB167,000 (equivalent to approximately HK$194,000)) recognised for the year. The sub-contracting fee is included in "Cost of sales" in the consolidated income statement.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2011	2010
	HK$'000	HK$'000
Unlisted investments:		
Equity securities	**37,501**	—

The Group holds approximately 8% (2010: Nil) of the ordinary share capital of Nordaq Energy Inc. ("Nordaq"), a private company engaged in exploration of oil and gas properties in the United States, upon the exercise of the conversion options as stated in note 23. The directors of the Company do not believe that the Group is able to exercise significant influence over Nordaq Energy Inc.

The unlisted equity securities are measured at fair value and are classified as Level 2 fair value measurement, Fair value is estimated by using the market approach with reference to the placing of shares by Nordaq during the year. In determining the fair value, a price adjustment factor of 99% was used, based on the average period return of comparable companies with similar business to Nordaq.

The valuation were carried out by an independent appraisal firm, LCH (Asia-Pacific) Surveyors Limited, which has appropriate qualifications and experience in the valuation of similar financial instruments.

As at 31 December 2011, the Group's available-for-sale financial assets were individually determined to be impaired on the basis of a decline in their fair value below cost which indicated that the Group's investment in them may not be recovered. An amount of HK$1,754,000 has been included in "Other comprehensive expense" in the consolidated statement of changes in equity in accordance with the policy set out note 2(n)(i).

23. CONVERTIBLE PROMISSORY NOTE RECEIVABLE

On 21 December 2010, the Company and 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 392,336 common shares of Nordaq as collateral. Meanwhile, a convertible promissory note ("CPN") will be received for each advance of funds 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 of US$191,667 each 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 sub-division of shares, capitalisation of profits or reserves or subsequent issue of securities in Nordaq.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

23. CONVERTIBLE PROMISSORY NOTE RECEIVABLE *(CONTINUED)*

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 CPNs was received respectively. The Line of Credit was then fully utilised by Nordaq. The CPNs carried 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 approximately 8% equity interest of Nordaq, and the investment in Nordaq's shares is classified as "Available-for-sale financial assets" in the consolidated statement of financial position (note 22).

The movement of the amount of the CPN during the year is set out below:

The Group and the Company

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total 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 year	20,800	186	20,986
Effective interest credited during the year	739	—	739
Changes in fair value during the year	—	(457)	(457)
Converted into Nordaq's shares during the year (note 22)	(39,254)	(1)	(39,255)
Exchange adjustments	(9)	—	(9)
At 31 December 2011	—	—	—

23. CONVERTIBLE PROMISSORY NOTE RECEIVABLE *(CONTINUED)*

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

(a) Loan receivable was initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period was 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%

(b) Embedded financial derivative comprised the fair value of the conversion option of the Company to convert the CPN into Nordaq's shares.

(c) The fair value of the embedded financial derivative was calculated using the Black-Scholes Option Pricing Model. The major inputs used in the model as at the following dates 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%	69.927%
Expected dividend yield	0%	0%	0%	0%	0%

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

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

Any changes in the major inputs into the model would result in changes in the fair value of the embedded financial derivative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

24. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**—**	306
Oil products	**1,555**	—
Consumable stores	**961**	43
	2,516	349

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2011	2010
	HK$'000	HK$'000
Carrying amount of inventories sold (note 6(c))	**127,564**	56,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Trade receivables (note (a))	**657**	5,909	**—**	—
Less: Allowance for impairment loss (note (b))	**—**	(5,909)	**—**	—
	657	—	**—**	—
Other receivables (note (e))	**8,479**	57,320	**—**	25
Less: Allowable for impairment loss (note (b))	**(7,157)**	(6,935)	**—**	—
	1,322	50,385	**—**	25
Amounts due from subsidiaries (note (k))	**—**	—	**379,206**	309,555
Less: Allowance for impairment loss (note (c))	**—**	—	**(86,699)**	(44,157)
	—	—	**292,507**	265,398
Loan to a non-controlling shareholder (note (f))	**1,134**	2,999	**—**	—
Amount due from non-controlling shareholders (note (g))	**3,335**	2	**—**	—
Amount due from an operator (note (h))	**199**	—	**—**	—
Loans and receivables	**6,647**	53,386	**292,507**	265,423
VAT recoverable (note (i))	**60,834**	39,415	**—**	—
Other tax recoverable	**2,466**	162	**—**	—
Prepayments and deposits	**25,181**	30,569	**945**	3,120
	95,128	123,532	**293,452**	268,543
Analysed as:				
Non-current (note (j))	**70,690**	40,549	**—**	—
Current	**24,438**	82,983	**293,452**	268,543
	95,128	123,532	**293,452**	268,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note:

(a) Ageing analysis

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

	The Group	
	2011	2010
	HK$'000	HK$'000
0 – 14 days	**—**	—
15 – 60 days	**558**	—
61 – 90 days	**—**	—
Over 90 days	**99**	5,909
	657	5,909

Trade receivables are due within 45 days (2010: 14 days) from the date of billing. Further details on the Group's credit policy are set out in note 36(a).

(b) Impairment on trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(n)(i)).

The movement in the allowance for impairment loss during the year, including both specific and collective loss components, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**12,844**	—
Impairment loss recognised	**—**	12,597
Exchange adjustment	**222**	247
Less: amount written off	**(5,909)**	—
At 31 December	**7,157**	12,844

At 31 December 2011, the Group's trade and other receivables of HK$7,157,000 (2010: HK$12,844,000), including HK$Nil (2010: HK$5,909,000) from trade receivables and HK$7,157,000 (2010: HK$6,935,000) from other receivables, were individually determined to be impaired. These individually impaired receivables related to a customer and a debtor that were involved in a lawsuit with the Group in respect of the outstanding debts. The management assessed that the recovery of the receivables are uncertain and may not be recovered. Consequently, specific allowances impairment loss of HK$ Nil (2010: HK$12,597,000) was recognised. No further impairment was recognised during the year. The Group does not hold any collateral over these balances.

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note: *(continued)*

(c) Impairment on amounts due from subsidiaries

Movement in the allowance for impairment loss:

	The Company	
	2011	2010
	HK$'000	HK$'000
At 1 January	**44,157**	—
Impairment loss recognised	**42,542**	44,157
At 31 December	**86,699**	44,157

During the year ended 31 December 2011, several subsidiaries had incurred operating losses. After reviewing the financial performance and financial position of these subsidiaries and taking into account the current market environment, the directors consider that full impairment loss on the amounts due from these subsidiaries should be made. The impairment loss has been charged to the profit or loss of the Company.

During the year ended 31 December 2010, several subsidiaries had incurred operating losses. After reviewing the financial performance and financial position of these subsidiaries and taking into account the market environment, the directors considered that impairment loss on the amounts due from these subsidiaries to their recoverable amount should be made and the impairment loss of HK$44,157,000 was charged to the income statement of the Company.

(d) Trade receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**558**	—
Past due but not impaired		
— Less than 1 month past due	**—**	—
— 1 to 3 months past due	**—**	—
— 3 to 6 months past due	**99**	—
	657	—

Receivable that was neither past due nor impaired relate to customer for whom there was no recent history of default.

Receivable that was past due but not impaired relate to a customer that have a good track record with the Group. Management believes that no impairment allowance is necessary in this balance as it is considered fully recoverable.

(e) The balance as at 31 December 2010 mainly represented the consideration receivable of HK$43,900,000 for the disposal of trading securities listed on the main board of the Stock Exchange to an independent third party. The balance was unsecured, interest-free and repayable on 28 February 2011. The balance was fully settled in March 2011.

(f) The loan to a non-controlling shareholder is unsecured, interest-free and repayable by monthly installment of US$20,000 (equivalent to approximately HK$156,000) until in full settlement. The amount is neither past due nor impaired. The balance is expected to be recovered within one year. During the year ended 31 December 2010, an amount of approximately HK$1,134,000, which was expected to be recovered after one year and was classified as non-current asset in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Note: *(continued)*

(g) The amount due from non-controlling shareholders are unsecured, interest-free and repayable on demand.

(h) The amount is due from an operator for oil exploration and production. The balance is unsecured, interest being charged at a monthly rate of 6% and repayable on demand.

(i) 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. 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$60,834,000 (2010: HK$39,415,000) 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. The balance as at 31 December 2010 was reclassified accordingly. No VAT recoverable noted as at 31 December 2009 and no comparative figures was therefore presented.

(j) The balance represented (i) Argentina VAT recoverable of HK$60,834,000 (2010: HK$39,415,000 as disclosed in note (i) above; (ii) prepayments of approximately HK$4,276,000 (2010: HK$Nil) for the purchase of oil production assets and rights to share in oil production activities and (iii) prepayments of approximately HK$5,580,000 (2010: HK$Nil) for the construction work to be carried out. The amounts are expected to be recovered after one year and was classified as non-current assets in the consolidated statement of financial position.

Also included in the balance for 2010 was the loan to a non-controlling shareholder as disclosed in note (f) above. An amount of approximately HK$1,134,000, which was expected to be recovered after one year and was classified as non-current asset in the consolidated statement of financial position.

(k) The balances are unsecured, interest-free and repayable on demand.

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**9,079**	40,083	**9,007**	—
Cash at bank and in hand	**31,951**	73,978	**24,275**	17,302
Cash and cash equivalents in the statement of financial position and consolidated statement of cash flows	**41,030**	114,061	**33,282**	17,302

As at 31 December 2011, the interest rates on the cash at bank and deposits with banks ranged from 0.001% to 13.15% (2010: 0.001% to 0.45%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note (a))	**5,407**	4,831	**—**	—
Amounts due to subsidiaries (note (b))	**—**	—	**2,837**	12,770
Other payables and accruals (note (c))	**49,959**	68,985	**3,321**	2,486
Financial liabilities measured at amortised cost	**55,366**	73,816	**6,158**	15,256

All of the trade and other payables (including amounts due to subsidiaries) are expected to be settled within one year or are repayable on demand.

Notes:

(a) The following is an analysis of the trade payables by age presented based on the invoice date at the end of the reporting period:

	The Group	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**237**	116
31 – 60 days	**—**	71
61 – 90 days	**—**	—
Over 90 days	**5,170**	4,644
	5,407	4,831

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

(c) The consolidated balance mainly represented unsettled billings related to the exploration work and environment restoration services performed in Argentina.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

28. CONVERTIBLE NOTES PAYABLES

(a) On 25 January 2011, the Company entered into a placing agreement with an independent placing agent to place convertible notes for an aggregate principal amount of HK$160,000,000. 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. The convertible notes bear interest at 9% per annum payable semi-annually and are unsecured and freely transferable.

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. On 10 February 2011, 833,333,327 ordinary shares were issued upon the conversion of the convertible notes for an aggregate principal amount of HK$150,000,000. The proceeds were used for general working capital purpose and for financing future investment opportunities.

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 year is set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
As at 1 January 2011	—	—	—
Issued during the year	149,013	10,987	160,000
Effective interest charged during the year	1,591	—	1,591
Converted during the year	(139,888)	(10,300)	(150,188)
As at 31 December 2011	10,716	687	11,403

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 16.74%.

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 year ended 31 December 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.

As a result of the share consolidation and capital reduction, the 50,000,000 ordinary shares of HK$0.20 each was adjusted to 2,500,000 ordinary shares of HK$4 each.

28. CONVERTIBLE NOTES PAYABLES *(CONTINUED)*

(b) On 4 May 2009, pursuant to the agreements for the acquisition of the Jade Honest Limited and its subsidiaries (the "Jade Honest Group"), the Company issued HK$1,832,400,000 zero coupon convertible notes to nominees of the vendors. The convertible notes conferred to the noteholder the right to convert into the Company's ordinary shares at a conversion price of HK$0.32 per share, with maturity date falling on the thirtieth anniversary of the date of issue, that is, 4 May 2039, for the settlement of part of the consideration of the acquisition of the Jade Honest Group.

Pursuant to the terms of the convertible notes, the Company had no obligation to repay any outstanding amount of the convertible notes at any time during the conversion period up to maturity, but had the right to redeem the whole or any part of the outstanding principal amount of the convertible notes at an amount equal to 100% of the principal amount of the convertible notes being redeemed at any time after the issue of the convertible notes up to maturity.

The convertible notes were interest-free and were freely transferable with the prior consent of the Company and, if required, that of the Stock Exchange.

The noteholders may at any time before the maturity date 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 HK$0.32 per share, provided that (i) no conversion rights attached to the convertible notes may be exercised, to the extent that following such exercise, a holder of the convertible notes and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 20% or more of the voting rights of the Company (or such other percentage 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); and (ii) no holder of the convertible notes shall exercise the conversion right attached to the convertible notes held by such holders if immediately after such conversion, the public float of the shares falls below the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules as required by the Stock Exchange. The conversion price of HK$0.32 per share was subject to adjustment for the consolidation or sub-division of shares, capitalisation of profits or reserves or subsequent issue of securities by the Company.

In the opinion of the directors of the Company, since the convertible notes were not repayable by the Company and the Company had no intention to redeem any convertible notes at any time up to maturity, the convertible notes were classified as equity instruments containing an equity element only and were presented in equity heading "convertible notes reserve".

The total number of ordinary shares of the Company to be issued under the convertible notes was 5,726,250,000 of HK$0.10 each. The fair value of the convertible notes was determined by reference to the closing market price of the ordinary shares of the Company, being HK$0.51, at the issue date of the convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

28. CONVERTIBLE NOTES PAYABLES *(CONTINUED)*

(b) *(continued)*

The movement of the amount of the convertible notes during the year is set out below:

	2011 **HK$'000**	2010 HK$'000
At the beginning of the year	**—**	754,845
Converted during the year	**—**	(754,845)
At the end of the year	**—**	—

At the time when the convertible notes were converted into ordinary shares of the Company, the nominal value of shares issued upon conversion were transferred from the convertible notes reserve to the share capital account while the difference between the fair value of the convertible notes at their issue dates and the nominal value of shares issued were transferred from the convertible notes reserve to the share premium. During the year 31 December 2010, convertible notes with an aggregate carrying amount of HK$754,845,000 (principal amount of HK$477,430,000) were converted into 1,491,969,000 of the Company's shares. Accordingly, HK$149,197,000 was transferred to share capital account while HK$605,648,000 was transferred to share premium. All convertible notes were converted into the Company's shares during the year ended 31 December 2010.

29. BANK AND OTHER BORROWINGS

	The Group		**The Company**	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Bank loans, secured and guaranteed (note a)	**582**	—	**—**	—
Other borrowings, unsecured and unguaranteed (note b)	**164,565**	160,294	**42,849**	41,400
	165,147	160,294	**42,849**	41,400

As at 31 December 2011, all the bank and other borrowings were repayable within one year or on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

29. BANK AND OTHER BORROWINGS *(CONTINUED)*

Note:

(a) The bank borrowings represented US$75,000 (equivalent to HK582,000) borrowed from a bank secured by the intangible assets and oil production assets of a subsidiary (see note 29(d)) and guaranteed by a member of the non-controlling shareholder and two companies under the control of the member. The borrowings bear interest fixed at 6% per annum and repayable on 22 March 2013.

The banking facilities are subject to the fulfillment of covenants, including: (i) submission of annual financial statements within 90 days of its fiscal year end; (ii) submission of annual personal financial statements of each of the guarantor within 90 days; (iii) submission of copies of tax returns. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand.

As the subsidiary failed to submit the financial statements within 90 days as stated in the agreement, the outstanding balance became repayable on demand and to be settled within one year.

(b) The other borrowings mainly comprise:

(i) HK$42,849,000 (2010: HK$41,400,000) borrowed from an independent third party, bearing interest fixed at 4% per annum (2010: 3.5% per annum) and is repayable on 22 December 2012.

(ii) RMB100,000,000 (equivalent to approximately HK$121,716,000 (2010: RMB100,000,000) (equivalent to approximately HK$117,950,000)) borrowed from an independent third party, bearing interest fixed at 7.544% (2010: 5.31% per annum and is repayable on 20 October 2012.

(iii) At 31 December 2010, RMB800,000 (equivalent to approximately HK$944,000) was borrowed from an independent third party, interest-free and was repayable on 5 January 2011. The loan was fully repaid during the year ended 31 December 2011.

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

	2011	2010
Effective interest rates:		
Fixed-rate borrowings	**6%**	—

(d) At 31 December 2011, the banking facilities of the Group are secured by intangible assets of approximately HK$23,378,000 (2010: HK$Nil) (see note 17(d)), oil exploration assets under exploration and evaluation assets of approximately HK$3,965,000 (2010: HK$Nil) (see note 15(e)) and oill production assets under property, plant and equipment of approximately HK$8,851,000 (2010: HK$Nil) (see note 16(e)) respectively. Such banking facilities amounting to US$375,000 (equivalent to HK$2,912,000) (2010: HK$Nil) were utilised to the extent of US$75,000 (equivalent to HK$582,000) at 31 December 2011 (2010: HK$Nil).

At 31 December 2011, the Group has the following undrawn bank borrowing facilities:

	2011 **HK$'000**	2010 HK$'000
Fixed rate:		
— expiring within one year	**—**	—
— expiring beyond one year	**2,330**	—
	2,330	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

30. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2011, the Group had obligations under finance leases repayable as follows:

	The Group			
	2011		2010	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**1**	**2**	12	13
After 1 year but within 2 years	**—**	**—**	1	1
	—	**—**	1	1
	1	**2**	13	14
Less: total future interest expenses		**(1)**		(1)
Present value of lease obligations		**1**		13

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Profits Tax				
— Provision for the year	**211**	—	**—**	—
	211	—	**—**	—
PRC Enterprise Income Tax				
— Provision for the year	**367**	118	**—**	42
— Provisional tax paid	**(445)**	(58)	**6**	(36)
— Exchange adjustments	**115**	2	**—**	—
	37	62	**6**	6
Argentina minimum presumed income tax (note)				
— Provision for the year	**—**	6,421	**—**	—
— Provisional tax paid	**—**	(1,919)	**—**	—
	—	4,502	**—**	—
	248	4,564	**6**	6

Note:

The Group's subsidiaries in Argentina are subjected to a tax on MPIT. MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax base of certain assets. The Group's tax liabilities in Argentina is the higher of CIT and MPIT. If the MPIT exceeds CIT during the financial year, such excess is allowable to be carried forward to credit against any CIT excess over MPIT that may arise in the next ten years.

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$51,365,000 (2010: approximately HK$49,244,000) and Argentina MPIT credit of approximately HK$8,847,000 (2010: HK$6,421,000) as it is not probable that future taxable profits against which the losses and tax credit can be utilised will be available in the relevant tax jurisdiction and for the entity. The tax losses do not expire under current tax legislation except for tax losses of RMB23,210,000 (equivalent to approximately HK$27,678,000) (2010: RMB15,200,000 (equivalent to approximately HK$17,929,000)) in PRC which is available for carry forward to set-off future assessable income for a period of five years. Argentina MPIT credit of Argentine Peso ("AR$") 4,914,000 (equivalent to approximately HK$8,847,000) (2010: AR$3,305,000 (equivalent to approximately HK$6,421,000)) in Argentina is available for carry forward to set-off future CIT liabilities for a period of ten years. The details of which are as follows:

The Group

Expiring in Year	PRC tax losses 2011 HK$'000	PRC tax losses 2010 HK$'000	Argentina MPIT credit 2011 HK$'000	Argentina MPIT credit 2010 HK$'000
2013	**3,424**	3,424	**—**	—
2014	**14,505**	14,505	**—**	—
2015	**9,749**	—	**—**	—
2020	**—**	—	**6,421**	6,421
2021	**—**	—	**2,426**	—
	27,678	17,929	**8,847**	6,421

During the year ended 31 December 2011, Inland Revenue Department has issued revised tax assessment to disallow the tax losses claimed by the Company for the year of assessment 2010/11 amounting to approximately HK$13,000,000.

Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1 pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. No deferred tax liabilities in respect of the withholding income tax on dividends has been recognised by the Group as the Company controls the dividends policy of the Group's PRC subsidiaries. The PRC subsidiaries were loss-making and no temporary differences relating to the undistributed profits of the subsidiaries were recognised.

31. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(c) Deferred tax liabilities

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	**Fair value adjustment on intangible assets** HK$'000
At 1 January 2010	—
(Credited)/charged to profit or loss	—
At 31 December 2010	—
At 1 January 2011	**—**
Acquired under business combination (note 37)	**(3,263)**
At 31 December 2011	**(3,263)**

32. PROVISIONS

(a) Provision for compensation to surface owners

Pursuant to the terms and conditions set out in the bidding documents in relation to the exploration permits of the Concessions as disclosed in note 15, the Group is obliged to indemnify the surface owners for the damages caused by the activities conducted by the Group in the exploration area. Provisions of AR$3,800,000 (equivalents to approximately HK$7,713,000) were therefore made for the expected liabilities estimated by the directors of the Company, after seeking legal advice from an Argentina solicitor, for the compensations to be paid. During the year ended 31 December 2011, compensation to surface owners was included in the fees paid to the contractor of the oilfields in Argentina under the agreement signed. Accordingly, no provision was made. During the year ended 31 December 2010, all provision made was paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

32. PROVISIONS *(CONTINUED)*

(b) Provision for asset retirement obligations

The Group

	2011 HK$'000	2010 HK$'000
As 1 January	—	—
Exchange adjustment	—	—
Provisions made during the year	(2,324)	—
Provisions utilised	—	—
At 31 December	(2,324)	—

In accordance with the relevant rules and regulations in the United States, the Group is obliged to accrue the costs relate to the future costs of plugging and abandoning its oil and gas properties, the removal of equipment and facilities from lease acreage and returning such land to its original condition. These costs reflect the estimated legal obligations associated with the normal operation of oil and gas properties and were capitalised by increasing the carrying amounts of the related assets. The provision for asset requirement obligations has been determined by the directors based on their best estimates in accordance with the relevant rules and regulations.

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) The Company has a share option scheme which was adopted on 30 August 2002 ("2002 Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the scheme (i.e., 433,302,000 shares). As at 31 December 2011, 454,462,000 shares of the Company were in issue, as adjusted for the effect of share consolidation which occurred during the year ended 31 December 2011.

Under the scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The options vest from the date of grant and are exercisable within a period of five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(a) *(continued)*

(i) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options granted	**Vesting conditions**	**Contractual life of options**
Options granted to directors:			
— on 8 May 2007	12,999,000	Immediate from date of grant	5 years
Options granted to employees:			
— on 8 May 2007	12,999,000	Immediate from date of grant	5 years
Options granted to consultants:			
— on 8 May 2007	17,332,000	Immediate from date of grant	5 years
Total number of shares issuable under options granted	43,330,000		
Adjusted during the year upon completion of share consolidation (note 35(b)(vii))	(41,163,500)		
	2,166,500		

(ii) The number and the weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year	**HK$0.6**	**21,655,000**	HK$0.6	34,664,000
Lapsed during the year	**HK$0.6**	**—**	HK$0.6	(12,999,000)
Adjusted during the year upon completion of share consolidation and capital reduction (note 35(b)(vii))		**(20,581,750)**		—
Outstanding at the end of the year	**HK$12**	**1,083,250**	HK$0.6	21,665,000
Exercisable at the end of the year	**HK$12**	**1,083,250**	HK$0.6	21,665,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(a) *(continued)*

(ii) *(continued)*

The share options outstanding at 31 December 2011 had an exercise price of HK$12 (2010: HK$0.60) (note 35(b)(vi)) and a weighted average remaining contractual life of 0.4 year (2010: 1.4 years).

As at 31 December 2011, the number of shares in respect of options under the 2002 Share Option Scheme had been granted and remained outstanding was 1,083,250 (2010: 21,665,000), representing approximately 0.24% (2010: 0.26%) of the shares of the Company in issue at the year end date.

The closing price of the Company's shares immediately before 8 May 2007, the date of grant of the options was HK$0.55.

(b) 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. An option is deemed to have been granted and accepted by the grantee upon the signing of the letter of acceptance of the option and paying HK$1 as consideration on the date of grant offer, that is, 22 July 2011.

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 total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the scheme. As at 31 December 2011, 454,462,000 shares of the Company were in issue, as adjusted for the effect of share consolidation which occurred during the year ended 31 December 2011.

Under the scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) *(continued)*

(i) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options	Exercise prices	Vesting conditions	Contractual life of options
Options granted to directors: — on 22 July 2011	195,000,000	HK$0.11	Immediate from date of grant	3 years
Options granted to employees: — on 22 July 2011	32,400,000	HK$0.11	Immediate from date of grant	3 years
Options granted to consultants: — on 22 July 2011	12,600,000	HK$0.11	Immediate from date of grant	3 years
Total number of shares issuable under options granted	240,000,000			
Adjusted during the year upon completion of share consolidation (note 35(b)(vii))	(228,000,000)			
	12,000,000			

(ii) The number and the weighted average exercise prices of share options are as follows:

	2011		2010	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year		**—**	—	—
Granted during the year	**HK$0.11**	**240,000,000**	—	—
Adjusted during the year upon completion of share consolidation and capital reduction (note 35(b)(vii))		**(228,000,000)**	—	—
Outstanding at the end of the year	**HK$2.2**	**12,000,000**	—	—
Exercisable at the end of the year	**HK$2.2**	**12,000,000**	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) *(continued)*

(ii) *(continued)*

The share options outstanding at 31 December 2011 had an exercise price of HK$2.2 (note 35(b)(vi)) and a weighted average remaining contractual life of 2.5 years.

As at 31 December 2011, the number of shares in respect of options under the New Share Option Scheme had been granted and remained outstanding was 12,000,000 (2010: Nil), representing approximately 3% (2010: Nil) of the shares of the Company in issue at the year end date.

The closing price of the Company's shares immediately before 22 July 2011, the date of grant of the options was HK$0.105.

(iii) Fair value of share options and assumptions

— Granted to employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

	2011
Fair value of share options at measurement date	HK$0.02
Share price as at grant date	HK$0.105
Exercise price	HK$0.11
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	44.714%
Option life (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	1.5 years
Expected dividends	—
Risk-free interest rate (based on Exchange Fund Notes)	0.23%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

33. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(b) *(continued)*

(iii) Fair value of share options and assumptions *(continued)*

— Granted to consultants

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, historical monthly payments to similar services provided by the consultants and the service period, along with other out-of-pocket expenses.

Up to 31 December 2011, option offers to subscribe for 630,000 shares under the New Share Option Scheme were granted by the Company to the consultant of the Group which entitles the holder thereof to subscribe for an aggregate of 630,000 ordinary shares of HK$0.1 each in the capital of the Company with an exercise price of HK$2.20 per share during the exercisable period from 22 July 2011 to 21 July 2014. The number of shares has been adjusted for the effect of share consolidation which occurred during the year ended 31 December 2011.

(c) During the year, as a result of the share consolidation and capital reduction, the total number of ordinary shares falling to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding options granted under the 2002 Share Option Scheme was adjusted from 21,665,000 ordinary shares of HK$0.60 each to 1,083,250 ordinary shares of HK$12 each. The 240,000,000 options granted under the New Share Option Scheme was adjusted from 240,000,000 ordinary shares of HK$0.11 each to 12,000,000 ordinary shares of HK$2.20 each. The adjustments took effect on 21 November 2011.

34. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group 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 basis salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The total cost charged to profit or loss of HK$733,000 (2010: HK$519,000) represents contributions payable to these schemes by the Group in respect of the current reporting period. As at 31 December 2011, none of the contributions due in respect of the reporting period had not been paid over to the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Shares to be issued HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total share premium and reserve HK$'000	Total equity HK$'000
At 1 January 2010	551,000	2,185,338	10,270	122,864	95,625	754,845	(245,746)	2,923,196	3,474,196
Changes in equity for 2010									
Issue of consideration shares (note 35(b)(viii))	18,750	76,875	—	—	(95,625)	—	—	(18,750)	—
Shares issued upon exercise of bonus warrants exercised (note 35(b)(v))	3	6	—	—	—	—	—	6	9
Shares issued under placement, net of issuing costs of HK$8,069,000 (note 35(b)(iv))	74,310	147,982	—	—	—	—	—	147,982	222,292
Subscription of new shares (note 35(b)(iii))	32,258	67,742	—	—	—	—	—	67,742	100,000
Shares issued upon conversion of convertible notes (note 28(b) and 35(b)(ii))	149,197	605,648	—	—	—	(754,845)	—	(149,197)	—
Lapse of share options granted under share option scheme (note 33(a))	—	—	(3,851)	—	—	—	3,851	—	—
Loss and total comprehensive expense of the year	—	—	—	—	—	—	(111,676)	(111,676)	(111,676)
At 31 December 2010	825,518	3,083,591	6,419	122,864	—	—	(353,571)	2,859,303	3,684,821
At 1 January 2011	825,518	3,083,591	6,419	122,864	—	—	(353,571)	2,859,303	3,684,821
Changes in equity for 2011									
Shares issued upon exercise of bonus warrants (note 35(b)(v))	72	123	—	—	—	—	—	123	195
Issue of convertible notes (note 28(a))	—	—	—	—	—	10,987	—	10,987	10,987
Shares issued upon conversion of convertible notes (note 28(a) and 35(b)(ii))	83,334	66,854	—	—	—	(10,300)	—	56,554	139,888
Share consolidation and capital reduction (note 35(b)(vii))	(681,693)	—	—	444,747	—	—	236,946	681,693	—
Equity settled share-based payments (note 33(b))	—	—	4,743	—	—	—	—	4,743	4,743
Loss and total comprehensive expense of the year	—	—	—	—	—	—	(106,624)	(106,624)	(106,624)
At 31 December 2011	227,231	3,150,568	11,162	567,611	—	687	(223,249)	3,506,779	3,734,010

35. CAPITAL AND RESERVES *(CONTINUED)*

(b) Share capital

(i) Authorised and issued share capital

	2011 Number of shares '000	**2011 HK$'000**	2010 Number of shares '000	2010 HK$'000
Authorised:				
At 1 January				
Ordinary shares of HK$0.10 each	**20,000,000**	**2,000,000**	20,000,000	2,000,000
Share consolidation (note 35(b)(vii))	**(16,000,000)**	**—**	—	—
Ordinary shares of HK$2.00 each	**4,000,000**	**8,000,000**	—	—
Capital reduction (note 35(b)(vii))	**—**	**(6,000,000)**	—	—
At 31 December				
Ordinary shares of HK$0.10 each	**—**	**—**	20,000,000	2,000,000
Ordinary shares of HK$0.50 each	**4,000,000**	**2,000,000**	—	—
Ordinary shares, issued and fully paid:				
At 1 January	**8,255,185**	**825,518**	5,510,002	551,000
Shares issued for bonus warrants exercised (note 35(b)(v))	**723**	**72**	32	3
Issue of consideration shares (note 35(b)(viii))	**—**	**—**	187,500	18,750
Shares issued under placement (note 35(b)(iv))	**—**	**—**	743,100	74,310
Subscription of new shares (note 35(b)(iii))	**—**	**—**	322,582	32,258
Shares issued upon conversion of convertible notes (note 35(b)(ii))	**833,333**	**83,334**	1,491,969	149,197
Share consolidation (note 35(b)(vii))	**(8,634,779)**	**—**	—	—
Ordinary shares of HK$0.10 each	**—**	**—**	8,255,185	825,518
Ordinary shares of HK$2 each	**454,462**	**908,924**	—	—
Capital reduction (note 35(b)(vii))	**—**	**(681,693)**	—	—
At 31 December				
Ordinary share of HK$0.10 each	**—**	**—**	8,255,185	825,518
Ordinary share of HK$0.50 each	**454,462**	**227,231**	—	—

The holders of ordinary shares are entitled to received dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. CAPITAL AND RESERVES *(CONTINUED)*

(b) Share capital *(continued)*

(ii) 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.

— On 4 May 2009, the Company issued convertible notes for an aggregate principal amount of HK$1,832,400,000. During the year ended 31 December 2010, convertible notes for a principal amount of HK$477,430,000 were converted into 1,491,969,000 ordinary shares of the Company of HK$0.1 each at the conversion price of HK$0.32 each.

(iii) Subscription of new shares

On 18 January 2010, Max Sun Enterprises Limited ("Max Sun"), a shareholder of the Company, entered into a subscription agreement with the Company to subscribe for 322,582,000 new ordinary shares of HK$0.1 each of the Company at HK$0.31 per share for a consideration of approximately HK$100,000,000. The new ordinary shares of HK$0.1 each were issued on 26 February 2010. The proceeds were used for general working capital purpose and for financing future investment opportunities.

(iv) Shares issued under placement

On 19 January 2010, the Company entered into a placing agreement with an independent placing agent to place an aggregate of 743,100,000 new ordinary shares of HK$0.1 each of the Company at HK$0.31 per share for a total consideration of approximately HK$230,361,000. The new ordinary shares of HK$0.1 each were issued on 28 January 2010. The proceeds were used for general working capital purpose and for financing future investment opportunities.

(v) Shares issued for bonus warrants

On 25 June 2010, the Company issued a total of 1,152,521,860 bonus warrants to the shareholders registered on the register of members of the Company on 18 June 2010 at an initial subscription price of HK$0.27 per ordinary share payable in cash. The bonus warrant was listed on the main board of the Stock Exchange and exercisable on the date of issue and end on the date immediately preceding the first anniversary, that is, 24 June 2011.

During the year ended 31 December 2010, 31,999 bonus warrants were exercised and 31,999 new ordinary shares of HK$0.1 each of the Company for a total consideration of approximately HK$9,000, of which approximately HK$3,000 and approximately HK$6,000 were credited to the share capital and share premium respectively.

During the year ended 31 December 2011, 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 expired and lapsed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. CAPITAL AND RESERVES *(CONTINUED)*

(b) Share capital *(continued)*

(vi) Terms of unexpired unexercised share options at the end of the reporting period:

Exercisable period	Exercise price (Note)	2011 Number of shares issuable under options granted	2010 Number of shares issuable under options granted (Note)
8 May 2007 to 7 May 2012	HK$12	**1,083,250**	1,083,250
22 July 2011 to 21 July 2014	HK$2.20	**12,000,000**	—
		13,083,250	1,083,250

Each option entitles the holder to subscribe for ordinary shares of the Company. Further details of these options are set out in note 33 to the financial statements.

Note: The exercise price and number of shares issuable under option granted has been adjusted for the effect of share consolidation and capital reduction which occurred during the year ended 31 December 2011.

(vii) The Company consolidated every 20 issued shares of HK$0.10 each into 1 consolidated share of HK$2.00 and reduced the nominal value of each consolidated share from HK$2.00 to HK$0.5. A credit of approximately HK$681,693,000 arose as a result of the capital reduction was used to offset against the accumulated losses of the Company of approximately HK$236,946,000. The balance of HK$444,747,000 was then transferred to the contributed surplus account of the Company.

(viii) The balance represented the issue of approximately 187,500,000 shares in connection with the acquisition of Jade Honest Group during the year ended 31 December 2009. The fair value of the shares to be issued was determined using the published closing price of HK$0.51 at the date of completion, amounting to approximately HK$95,625,000.

35. CAPITAL AND RESERVES *(CONTINUED)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Bermuda Companies Act.

(ii) Share-based compensation reserve

	2011 HK$'000	2010 HK$'000
At 1 January	**6,419**	10,270
Share options granted	**4,743**	—
Lapse of share options granted	**—**	(3,851)
At 31 December	**11,162**	6,419

This represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(v).

(iii) Capital reserve

The capital reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capitals and share premiums of subsidiaries acquired through a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in October 1998.

(iv) Exchange fluctuation reserve

	2011 HK$'000	2010 HK$'000
At 1 January	**(136)**	(34)
Exchange difference arising on translating the financial statements of foreign operations	**2,946**	(102)
At 31 December	**2,810**	(136)

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(z).

35. CAPITAL AND RESERVES *(CONTINUED)*

(c) Nature and purpose of reserves *(continued)*

(v) Investment revaluation reserve

The investment revaluation reserve represents the change in fair value of the available-for-sale financial assets of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(g).

(vi) Contributed surplus

The contributed surplus of the Company represent (i) the difference between the aggregate net assets value of subsidiaries acquired as a result of the reorganisation in preparation for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition; and (ii) the credit arising from capital reduction during the year ended 31 December 2011.

Under Section 54 of the Bermuda Companies Act, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Convertible notes reserve

	2011 HK$'000	2010 HK$'000
At 1 January	**—**	754,845
Recognition of the equity component of convertible notes	**10,987**	—
Issue of ordinary shares upon conversion	**(10,300)**	(754,845)
At 31 December	**687**	—

The convertible notes reserve comprises the value of the unexercised equity component of convertible notes issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(q).

(viii) Shares to be issued

An obligation to issue a fixed number of the Company's own shares at a fixed amount under the acquisition of Jade Honest Group was an equity instrument and recognised in the reserve (shares to be issued). The balance will be transferred to share capital and share premium once shares are issued. Any excess over the par value of shares issued will be transferred to share premium.

(d) Distributability of reserves

At 31 December 2011, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, the Company's contributed surplus in the amount of HK$567,611,000 (2010: HK$122,864,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,150,568,000 as at 31 December 2011 (2010: HK$3,083,591,000) may be distributed in the form of fully paid bonus shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

35. CAPITAL AND RESERVES *(CONTINUED)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the balance as shown in the consolidated statement of financial position.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The adjusted gearing ratio as at 31 December 2011 and 2010 was as follow:

	2011 **HK$'000**	2010 HK$'000
Bank and other borrowings (note 29)	**165,147**	160,294
Obligations under finance leases (note 30)	**1**	13
Total borrowings	**165,148**	160,307
Less: Cash and cash equivalents (note 26)	**(41,030)**	(114,061)
Net debt	**124,118**	46,246
Total equity	**3,710,723**	3,670,828
Adjusted gearing ratio	**3%**	1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except as disclosed in note 29(c).

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include convertible promissory note receivable, other non-current financial assets, bank and other borrowings, cash and cash equivalents, trade and other receivables and trade and other payables and convertible notes payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) As at 31 December 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated and company statement of financial position after deducting any impairment allowance.

(iii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 45 days (2010: 14 days) from the date of billing.

(iv) In respect of amounts due from subsidiaries, the Company reviews the recoverable amounts of individual debts to ensure that adequate impairment losses are made for irrecoverable amounts.

(v) In respect of trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a certain concentration of credit risk as 40% (2010: 84%) of the total trade and other receivables was due from one (2010: one) debtor of the Group, which is included under "Other receivables" of the Group.

(vi) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their ratings change. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 25.

(vii) In respect of amounts due from subsidiaries, the Company has a concentration of credit risk as 77% (2010: 80%) of the amounts due from subsidiaries are owed from two (2010: two) subsidiaries within the exploration of natural resources segment.

(viii) As set out in note 41, the financial guarantees given by the Group in 2010 was released on 6 April 2010.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval of the board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company is required to pay:

The Group

	2011					2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities										
Trade and other payables	55,366	—	—	55,366	55,366	73,816	—	—	73,816	73,816
Bank and other borrowings	174,258	—	—	174,258	165,147	166,735	—	—	166,735	160,294
Obligations under finance leases	1	—	—	1	1	13	1	—	14	13
Convertible notes payables	10,887	—	—	10,887	10,716	—	—	—	—	—
	240,512	—	—	240,512	231,230	240,564	1	—	240,565	234,123
Financial guarantee issued										
Maximum amount guaranteed (note 41)	—	—	—	—	—	—	—	—	—	—

The amounts included above for financial guarantee contracts represent the maximum amounts that the Group is required to pay if the guarantee was called upon in its entirety.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk *(continued)*

The Company

	2011					2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	6,158	—	—	6,158	6,158	15,256	—	—	15,256	15,256
Other borrowing	44,889	—	—	44,889	42,849	42,813	—	—	42,813	41,400
Convertible notes payables	10,887	—	—	10,887	10,716	—	—	—	—	—
	61,934	—	—	61,934	59,723	58,069	—	—	58,069	56,656
Financial guaranteed issued										
Maximum amount guaranteed (note 41)	—	—	—	—	—	—	—	—	—	—

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings and receivables. Borrowings and receivables at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

The Group's cash flow interest rate risk mainly concentrates on the fluctuation of market interest rate arising from the Group's bank deposits and convertible promissory note receivable.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank deposits and borrowings at the end of the reporting period:

	The Group				The Company			
	2011		2010		2011		2010	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate bank deposits:								
Deposit with banks	0.01%–13.15%	9,079	0.39%–0.45%	40,083	0.675%	9,007		–
Fixed rate borrowings:								
Bank borrowings	6%	582		–		–		–
Other borrowings	4%–7.544%	164,565	3.5%–5.31%	160,294	4%	42,849	3.5%	41,400
Obligations under finance leases	2.85%	1	2.85%	13		–		–
Total borrowings		165,148		160,307		42,849		41,400
Variable rate bank deposits:								
Cash at bank	0.001%–0.675%	30,731	0.001%–0.45%	27,474	0.001%–0.675%	24,267	0.001%–0.45%	17,293
Variable rate receivables:								
Convertible promissory note receivable		–	5.25%	17,724		–	5.25%	17,724

(ii) Sensitivity analysis

All of the bank and other borrowings and deposit with banks of the Group which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 December 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates of variable rate bank deposits and convertible promissory note receivable, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$154,000 (2010: HK$226,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2010.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities and investment in convertible promissory note issued by a foreign company which give rise to convertible promissory note receivable, cash and cash equivalents, trade and other receivables and trade and other payables that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies give rise to this risk are primarily United States dollars and Euros. Presently, there is no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies			
	2011		2010	
	US Dollars HK$'000	**Euros HK$'000**	US Dollars HK$'000	Euros HK$'000
The Group				
Convertible promissory notes receivable	**—**	**—**	17,724	—
Trade and other receivables	**—**	**—**	—	—
Cash and cash equivalents	**2,126**	**16**	7,413	19
Trade and other payables	**—**	**—**	(56,725)	—
Net exposure arising from recognised assets and liabilities	**2,126**	**16**	(31,588)	19

	Exposure to foreign currencies			
	2011		2010	
	US Dollars HK$'000	**Euros HK$'000**	US Dollars HK$'000	Euros HK$'000
The Company				
Convertible promissory notes receivable	**—**	**—**	17,724	—
Cash and cash equivalents	**2**	**14**	2	—
Exposure arising from recognised assets and liabilities	**2**	**14**	17,726	—

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
Euros	**5%**	**—**	5%	—
	–5%	**—**	–5%	(2)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil. The management will consider hedging oil exposure should the need arises.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 22).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2011, it is estimated that an increase/(decrease) of 5% (2010: Nil) in the period return of comparable companies, with all other variables held constant, would have decreased/increased the Group's other comprehensive expense (and investment revaluation reserve) by HK$1,840,000 as a result of the revaluation of available-for-sale financial assets.

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the changes in the stock market index and period return of comparable companies had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the stock market index and period return of comparable companies and that all other variables remain constant.

(g) Fair value measurements recognised in the statement of financial position

(i) The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, 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 markets 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(g) Fair value measurements recognised in the statement of financial position *(continued)*

(i) *(continued)*

2011

	The Group and The Company			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Derivative financial instrument (note 23)	—	—	—	—
Available-for-sale financial assets (note 22)	—	**37,501**	—	**37,501**
	—	**37,501**	—	**37,501**

2010

	The Group and The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Derivative financial instrument (note 23)	—	272	—	272

There were no significant transfers between instruments in Level 1, 2 and 3 during the year.

Included in other comprehensive expenses is an amount of HK$1,754,000 loss (2010: HK$Nil) arising from unlisted equity securities which were held at the end of the reporting period and is reported as changes in investment revaluation reserve.

(ii) ***Fair value of financial instruments carried at other than fair value***

The fair values of convertible promissory note receivable, cash and cash equivalents, trade and other receivables, trade and other payables, bank and other borrowings, obligations under finance leases and convertible notes payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair value has been determined either by reference to the market value at the end of each reporting period or by discounting the relevant cash flows using current interest rates for similar instruments.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(h) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments:

(i) Interest-bearing loans and borrowings and finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) Derivative

The estimate of the fair value of the conversion option embedded in the convertible promissory notes receivable with cash settlement alternatives is measured using the Black-Scholes Option Pricing Model. The fair value of conversion options and assumptions are disclosed in note 23(c).

37. BUSINESS COMBINATION

As the Group is aiming to broaden its business horizon and capture potential growth of its oil and gas properties, on 20 July 2011, the Group acquired 80% equity interest of ET-LA LLC ("ET-LA") by providing fund at the aggregate amount of US$2,500,000 (equivalent to approximately HK$19,481,000). The principal activity of ET-LA is the locating, evaluating, acquiring and developing potential oil and gas properties situated in Texas, United States.

For the period from 20 July 2011 to 31 December 2011, ET-LA contributed revenue and loss of approximately HK$2,030,000 and HK$3,498,000 to the revenue and loss of the Group.

Had the acquisition occurred on 7 January 2011 (date of incorporation of ET-LA), the revenue and loss of the Group for the year ended 31 December 2011 would have been approximately HK$130,015,000 and approximately HK$126,355,000. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

37. BUSINESS COMBINATION *(CONTINUED)*

The fair values of the identifiable assets and liabilities as at the date of acquisition and the corresponding carrying amounts immediately prior to the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment (note 16(a))	5,566	5,566
Exploration and evaluation assets (note 15)	3,447	3,447
Intangible assets (note 17)	23,378	14,054
Inventories	664	664
Trade and other receivables (note (b))	2,654	2,654
Cash and cash equivalents	601	601
Trade and other payables	(6,644)	(6,644)
Provision	(1,621)	(1,621)
Deferred tax liability (note 31(c))	(3,263)	—
Net assets	24,782	18,721
Purchase consideration settled in cash		19,481
Add: Non-controlling interests (note (c))		4,956
Less: Fair value of identifiable net assets acquired		(24,782)
Gain on bargain purchase (note (a))		(345)

	HK$'000
Net cash outflow on acquisition	
Consideration paid in cash	19,481
Less: Cash and cash equivalents balance acquired	(601)
	18,880

Notes:

(a) The gain arose on acquisition of ET-LA was recorded as a gain on bargain purchase in the consolidated income statement. In the opinion of the directors, as the member of ET-LA has no intention to contribute significant funds in the oil production and exploration required and therefore sold 80% equity interest in ET-LA to make an exit for the additional funds required which in turn resulting in a discount in this acquisition. In addition, the discount on the cost of consideration paid to acquire ET-LA was to compensate the inherent risk arising from the oil exploration and production business. The Company has reassessed the fair value of ET-LA's identifiable net assets and considered the value of net assets are measured reliably.

(b) The acquired receivables (which principally comprised trade receivables) with a fair value of HK$2,654,000 had gross contractual amount of HK$2,654,000. The best estimate at acquisition date of contractual cash flows not expected to be collected is HK$Nil.

(c) The non-controlling interests (20%) in ET-LA was measured by reference to proportionate share of the identifiable net assets acquired.

(d) The fair value was determined with reference to the valuation report by an independent appraisal firm, LCH (Asia-Pacific) Surveyors Limited.

38. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of the following subsidiaries:

Name of company	Principal activity	Date of disposal	Group's effective interest %	Consideration received HK$'000
Powerful Union Limited ("Powerful Union")	Dormant	4 October 2011	100%	—
Ever Jumbo Investments Limited ("Ever Jumbo") (Formerly known as "New Times Mining Resources Limited")	Investment holding	21 November 2011	100%	—
秦皇島燕金礦業管理有限公司 ("秦皇島")	Not yet commenced business	21 November 2011	100%	—

Analysis of asset and liabilities over which control was lost:

	Powerful Union HK$'000	Ever Jumbo HK$'000	秦皇島 HK$'000	Total HK$'000
Non-current assets				
Property, plant and equipment (note 16(a))	—	—	1,311	1,311
Current assets				
Cash and cash equivalents	—	—	1	1
Other receivables	—	—	1,123	1,123
Current liabilities				
Other payables	(1)	—	(4,152)	(4,153)
Net liabilities disposed of	(1)	—	(1,717)	(1,718)

38. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

Gain on disposal of subsidiaries:

	Powerful Union HK$'000	Ever Jumbo HK$'000	秦皇島 HK$'000	Total HK$'000
Consideration received	—	—	—	—
Net liabilities disposed of	(1)	—	(1,717)	(1,718)
Gain on disposal	(1)	—	(1,717)	(1,718)

Gain on disposal is included in the loss for the year in the consolidated income statement.

Net cash outflow on disposal of subsidiaries

	2011 HK$'000	2010 HK$'000
Consideration received in cash and cash equivalents	**—**	—
Less: Cash and cash equivalent balances disposed of	**(1)**	—
	(1)	—

39. MATERIAL RELATED PARTY TRANSACTIONS

The Group has a related party relationship with the following parties:

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
CiF Solutions Limited	The company is controlled by Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Nova Insurance Management Limited (Formerly known as "New World Insurance Management Limited")	The company is controlled by a close family member of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Maxipetrol Petroleros de Occidente S.A.	Non-controlling shareholder of the UTE with significant influence

(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 parties during the year.

	Related parties	Nature of transactions	2011 HK$'000	2010 HK$'000
(i)	New World Tower Company Limited	Rent, rates and management fee	**927**	887
(ii)	Nova Insurance Management Limited (Formerly known as "New World Insurance Management Limited")	Insurance	**113**	178
(iii)	CiF Solutions Limited	IT management and support	**54**	66
(iv)	Maxipetrol — Petroleros de Occidente S.A.	Seismic advisory	**1,865**	473

Note:

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

39. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Financing arrangement

	The Group Amounts due from related parties		The Company Amounts due from related parties	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loan to a non-controlling shareholder	**1,134**	2,999	**—**	—
Amount due from non-controlling shareholders	**3,335**	2	**—**	—

Details of the terms and conditions of the loan to a non-controlling shareholder and amounts due from non-controlling shareholders are disclosed in note 25(f) and (g).

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,339**	4,786
Post-employment benefits	**273**	42
Shared based payment	**3,995**	—
	10,607	4,828

Total remuneration is included in "staff costs" (see note 6(b)).

(d) Amount due from/(to) related parties

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
(i) Amounts due from subsidiaries (note 25)	**—**	—	**379,206**	309,555
(ii) Amounts due to subsidiaries (note 27)	**—**	—	**(2,837)**	(12,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

40. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the consolidated financial statement were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted for		
— Activities of exploration	**18,576**	6,649
— Activities of oil exploration and production	**18,720**	—
— Construction of oil tanker (note)	**21,041**	—
— Deposits paid for further acquisition of the Concessions (note 42(a))	**5,000**	—
	63,337	6,649

Note: As disclosed in note 42(c), a termination agreement was entered on 6 February 2012 and there was no commitment for the Group afterwards.

(b) Commitments under operating leases

As at 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**836**	2,383
In the second to fifth year inclusive	**—**	2,971
	836	5,354

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

Included in the balance of approximately HK$711,000 (2010: approximately HK$1,463,000) was paid to a related party of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

40. COMMITMENTS *(CONTINUED)*

(c) Other commitments

Other commitments outstanding at 31 December 2011 not provided for in the consolidated financial statements were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted for		
— Investment cost for potential investment (note)	—	540,000
— Line of credit to Nordaq (note 23)	—	20,994
	—	560,994

Note:

On 16 December 2010, due to certain conditions precedent to completion of the acquisition as disclosed in note 19 had not been satisfied in accordance with the terms of the Agreement, the Company terminated the acquisition. A termination deed was entered on 21 January 2011 and there was no commitment for the Group afterwards. The amount was fully repaid on 14 June 2011.

41. CONTINGENT LIABILITIES — FINANCIAL GUARANTEE

In December 2009, Sihui Zhilai, an indirect subsidiary owned by the Company issued corporate guarantees to a bank in connection with banking facilities granted by the bank to 四會市鯤鵬物資回收有限公司 ("Sihui Kun Peng"), an independent third party of the Group. At 31 December 2009, such facilities was drawn down by Sihui Kun Peng to the extent of USD3,406,000 (equivalent to HK$26,413,000). The maximum liabilities of the Group under the guarantees issued represent the amount drawn down by Sihui Kun Peng of USD3,406,000 (equivalent to HK$26,413,000). No recognition of provision was made because, in the opinion of the director of the Company, the fair value of the guarantees was insignificant and that the directors did not consider it is probable that a claim would be made against the Group under the guarantees. On 6 April 2010, the financial guarantees given together with the relevant bank deposits pledged by the Group were released.

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 December 2011, High Luck Holding (Hong Kong) Limited ("High Luck HK"), a wholly-owned subsidiary entered into a letter of intent (the "LOI") with an independent third party to further acquire 9.25% interests in the Concessions. At the end of the reporting period, High Luck HK had indirectly held 60% interest in the Concessions. Pursuant to the LOI, a refundable deposit of HK$5,000,000 shall be payable immediately upon signing LOI. The amount was fully paid by High Luck HK on 3 January 2012. The terms of the possible acquisition including, among other things, the consideration for the possible acquisition and conditions precedent are yet to be agreed and are subject to further negotiations between both parties. The LOI was valid for a period of nine months, that is, up to 29 September 2012.

(b) On 20 January 2012, the Company entered into the Placing Agreement with Ping An China Securities (Hong Kong) Company Limited and Select Investment Services Limited (the "Placing Agents"), pursuant to which the Company had conditionally agreed to place, through the Placing Agents, up to 90,000,000 placing shares to not less than six independent third parties at the placing price of HK$0.55 per placing share. The maximum number of 90,000,000 placing shares represents (i) approximately 19.80% of the issued share capital of the Company of 454,462,087 shares as at the end of the reporting period; and (ii) approximately 16.53% of the issued shares of the Company as enlarged by the allotment and issue of the 90,000,000 placing shares. The placing was completed on 20 February 2012.

(c) On 15 March 2011, Rich Result Limited, an indirect wholly-owned subsidiary of the Company, entered into a construction management agreement ("CTA Agreement") with CTA Corporation HK Limited ("CTA"), an independent third party, for construction of an oil tanker. The oil tanker will be used for the Company for domestic oil transportation and refuel services. According to the CTA Agreement, the total construction price is RMB24,500,000 and the construction work will be completed on 9 May 2012. Up to 31 December 2011, a total of RMB7,350,000 (equivalent to approximately HK$8,780,000) was paid. The oil tanker was designed for the delivery of crude oil of Hong Kong Zhilai Company Limited ("HK Zhilai"), an indirect subsidiary of the Company.

On 6 February 2012, the CTA Agreement was terminated and the deposit paid will be used as funds for the operation of refined oil trade cooperation agreement in Hong Kong waters ("Cooperation Agreement") (經營香港海域成品油貿易合作協議) entered into between HK Zhilai, CTA and an independent third party on 7 February 2012. The Cooperation Agreement runs for 3 years from 1 December 2012 to 30 November 2015. Under the Cooperation Agreement, HK Zhilai will receive a fixed monthly return of not less than HK$109,500.

(d) On 25 February 2012, Total Belief Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("Memo") with Principal Petroleum Limited in relation to the purchase of interests in the rights to explore and exploit solid, liquid and gaseous hydrocarbons in certain hydrocarbons areas in the provinces of Salta, Jujuy and Formosa in Argentina. The consideration shall be subject to valuation by an independent professional valuer and is expected to be payable (i) in cash; (ii) by issuing of new shares of the Company; (iii) by issuing convertible notes of the Company; or (iv) a combination of any of the above or such other forms of payment to be agreed between both parties. The Memo will be valid for nine months, that is, up to 25 November 2012.

Other than those disclosed above and elsewhere in the financial statements, the Group does not have any other significant events after the end of the reporting period which are required to be disclosed.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period. Note 23, 28, 34 and 36 contain information about the assumptions and their risk factors relating to convertible promissory note receivable, convertible notes payables, equity-settled share-based transactions and financial instruments. Other judgements made by the management in the application of HKFRSs that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

(i) Impairment of exploration and evaluation assets

Recoverable amounts of exploration and evaluation assets are determined when facts and circumstance suggest that the carrying amounts may exceed their recoverable amounts and requires an estimation of the existence and the amounts of hydrocarbons that can be explored in the oil fields. The Group relied on experts to assess the geological risk of discovering hydrocarbons in the oil fields and estimated the value of exploration opportunities and development potential.

The carrying amount of exploration and evaluation assets as at 31 December 2011 was HK$3,639,932,000 (2010: HK$3,501,338,000). Details of impairment on exploration and evaluation assets are set out in note 15.

(ii) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its fair value less cost to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

The carrying amount of property, plant and equipment as at 31 December 2011 was HK$18,560,000 (2010: HK$5,046,000). Details of impairment on property, plant and equipment are set out in note 16.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(a) Key sources of estimation uncertainty *(continued)*

(iii) Impairment of oil production assets included in property, plant and equipment

The carrying amounts of the oil production assets are assessed for impairment where there is impairment indication suggest that the carrying amounts of them may exceed their recoverable amounts. The Group's determination as to whether they 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 in the oil field and estimated the value of oil to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling costs and other exploration and evaluation assets, the Group determined whether the related well costs are to be 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 the oil production assets included in property, plant and equipment as at 31 December 2011 was HK$9,000,000 (2010: HK$Nil). Details of impairment on oil production assets are set out in note 16.

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(iv) Impairment of receivables

The Group maintains an allowance for impairment loss on trade and other receivables based upon an evaluation of the irrecoverability, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required.

The carrying amount of receivables as at 31 December 2011 was HK$6,647,000 (2010: HK$53,386,000). Details of impairment on receivables are set out in note 25.

(v) Impairment for investment in subsidiaries and a jointly-controlled entity

If circumstances indicate that the investment in subsidiaries and a jointly-controlled entity may not be recoverable, investment in subsidiaries and a jointly-controlled entity may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of Assets. The carrying amount of investment in subsidiaries and a jointly-controlled entity is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less cost to sell and the value-in-use. It is difficult to precisely estimate selling prices because quoted market prices for investment in subsidiaries and a jointly-controlled entity are not readily available. In determining the value-in-use, expected cash flows generated by the investment in subsidiaries and a jointly-controlled entity are discounted to their present value, which requires significant judgment relating to level of sales volume, tariffs and amount of operating costs of the subsidiaries and a jointly-controlled entity. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariffs and amount of operating costs of the subsidiaries and a jointly-controlled entity.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(a) Key sources of estimation uncertainty *(continued)*

(v) Impairment for investment in subsidiaries and a jointly-controlled entity (continued)

The carrying amounts of investment in subsidiaries and a jointly-controlled entity as at 31 December 2011 were HK$3,467,005,000 (2010: HK$3,437,642,000) and HK$4,340,000 (2010: HK$6,948,000) respectively. Details of impairment for investment in subsidiaries and a jointly-controlled entity are set out in note 18 and 20 respectively.

(vi) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

The carrying amount of property, plant and equipment and intangible assets as at 31 December 2011 was HK$18,560,000 (2010: HK$5,046,000) and HK$28,621,000 (2010: HK$944,000) respectively. Details of depreciation on property, plant and equipment and amortisation on intangible assets are set out in note 16 and 17 respectively.

(vii) Taxation

The Group is subject to various taxes in the PRC, Argentina and US where Group entities operate. Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of current taxation and deferred tax liabilities as at 31 December 2011 was HK$248,000 (2010: HK$4,564,000) and HK$3,263,000 (2010: HK$Nil) respectively. Details of current taxation and deferred tax liabilities are set out in note 31.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Estimation of oil reserves

Oil reserves are key elements in the Group's investment decision-making process. It is also an important element in provision of contingent consideration and in testing for impairment. Changes in the proven oil reserves may affect the carrying amount of the exploration and evaluation assets. Proven 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, change in the estimation of oil reserves resulting from new information being available from development and production activities have tended to be the most significant cause of annual revisions. A substantial increase in proven reserves over 100,000,000 tons will result in additional considerations required as set out in note 15(d).

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial assets is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $1,754,000 in its 2011 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to profit or loss.

Impairment of intangible assets

Determining whether an intangible asset is impaired requires an estimation of the value in use. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the present value.

Impairment of deposits paid for sub-contracting contract

Impairment of deposits paid is based upon the evaluation of the recoverability of the deposits paid, where applicable at the end of each reporting period. The estimates are based on the level of revenue and operating costs which the deposits paid is related to.

The Group uses all readily available information including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2011.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(CONTINUED)*

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is, not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Amendments to HKFRS 7 Disclosure — Transfer of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(CONTINUED)*

Amendments to HKAS 32 Offering Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement,

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added to HKFRS 10 to deal with complex scenarios.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

(CONTINUED)

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements; jointly-controlled entities, jointly-controlled assets and jointly-controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly-controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structed entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may not have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad, it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

44. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(CONTINUED)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income may be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles to HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purpose of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full of the plan deficit or surplus.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part..

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013.

FIVE YEARS FINANCIAL SUMMARY

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
TURNOVER					
Continuing operations	**128,857**	57,252	9,196	33,020	154,259
Discontinued operations	**—**	—	—	—	1,194
	128,857	57,252	9,196	33,020	155,453
LOSS BEFORE TAXATION					
Continuing operations	**(121,509)**	(73,837)	(36,001)	(26,973)	(30,822)
Discontinue operations	**—**	—	—	(15,024)	(28,676)
	(121,509)	(73,837)	(36,001)	(41,997)	(59,498)
INCOME TAX					
Continuing operations	**(577)**	(6,539)	27	(154)	—
Discontinued operations	**—**	—	—	—	(239)
	(577)	(6,539)	27	(154)	(239)
Net loss from ordinary activities attributable to					
— Owners of the Company	**(87,410)**	(66,057)	(31,934)	(42,151)	(59,737)
— Non-controlling interests	**(34,676)**	(14,319)	(4,040)	—	—
	(122,086)	(80,376)	(35,974)	(42,151)	(59,737)

	As at 31 December				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**3,879,804**	3,642,538	3,292,565	72,037	129,970
Current assets	**67,984**	266,977	243,814	245,800	396,581
Total assets	**3,947,788**	3,909,515	3,536,379	317,837	526,551
Current liabilities	**231,478**	238,686	106,841	6,114	170,222
Non-current liabilities	**5,587**	1	13	25	1,321
Total liabilities	**237,065**	238,687	106,854	6,139	171,543
	3,710,723	3,670,828	3,429,525	311,698	355,008