



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

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

**2012**  
**INTERIM REPORT**

\* For identification purpose only

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## 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

#### Independent Non-executive Directors

Mr. Chan Chi Yuen  
Mr. Fung Siu To, Clement  
Mr. Chiu Wai On

### AUDIT COMMITTEE

Mr. Chiu Wai On (*Chairman*)  
Mr. Chan Chi Yuen  
Mr. Fung Siu To, Clement

### REMUNERATION COMMITTEE

Mr. Chan Chi Yuen (*Chairman*)  
Mr. Fung Siu To, Clement  
Mr. Chiu Wai On

### NOMINATION COMMITTEE

Mr. Chan Chi Yuen (*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

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Note	Unaudited	
		Six months ended 30 June	
		2012	2011
		HK\$'000	HK\$'000
Turnover	3	127,168	14,113
Cost of sales		(125,660)	(13,657)
Gross profit		1,508	456
Other revenue, net income and operating income		3,592	3,120
Gain on termination of sub-contracting agreement		28,796	—
Administrative expenses		(31,344)	(39,724)
Other operating expenses		—	(609)
Profit/(loss) from operations		2,552	(36,757)
Finance costs	4	(3,456)	(4,724)
Share of loss of a jointly controlled entity		(1,259)	(1,870)
Share of loss of an associate		(68)	—
Loss before taxation	5	(2,231)	(43,351)
Income tax	6	(159)	1,851
Loss for the period		(2,390)	(41,500)
Profit/(loss) for the period attributable to:			
Owner of the Company		(5,823)	(33,229)
Non-controlling interests		3,433	(8,271)
		(2,390)	(41,500)
Loss per share	8		
Basic and diluted		(1.12 cents)	(7.46 cents)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012	2011
Note	HK\$'000	HK\$'000
Loss for the period	(2,390)	(41,500)
<b>Other comprehensive expense</b>		
Exchange difference arising on translation of financial statements of overseas subsidiaries, net of tax HK\$nil (2011: HK\$nil)	(21,554)	(575)
Total comprehensive expense for the period	(23,944)	(42,075)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(28,062)	(33,293)
Non-controlling interests	4,118	(8,782)
	(23,944)	(42,075)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
	Note		
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	9	3,636,653	3,639,932
Property, plant and equipment		15,228	18,560
Intangible assets		30,736	28,621
Interest in an associate		309	—
Interest in a jointly controlled entity		3,081	4,340
Deposit paid for a sub-contracting contract		—	80,160
Deposits paid for potential investment		30,000	—
Available-for-sale financial assets		37,501	37,501
Prepayments and other receivables	10	70,027	70,690
		<b>3,823,535</b>	<b>3,879,804</b>
<b>CURRENT ASSETS</b>			
Inventories		4,055	2,516
Trade and other receivables	10	21,257	24,438
Cash and cash equivalents	11	40,248	41,030
		<b>65,560</b>	<b>67,984</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	60,302	55,366
Bank and other borrowings		49,110	165,147
Convertible notes payables	13	—	10,716
Obligations under finance leases		—	1
Current taxation		376	248
		<b>(109,788)</b>	<b>(231,478)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(44,228)</b>	<b>(163,494)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,779,307</b>	<b>3,716,310</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2012

	Note	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Provisions		3,479	2,324
Other borrowing		10,025	—
Deferred tax liabilities		3,248	3,263
		<b>(16,752)</b>	(5,587)
<b>NET ASSETS</b>			
		<b>3,762,555</b>	3,710,723
<b>CAPITAL AND RESERVES</b>			
Share capital	14	284,731	227,231
Share premium and reserves		3,520,609	3,530,395
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>3,805,340</b>	3,757,626
<b>NON-CONTROLLING INTERESTS</b>			
		<b>(42,785)</b>	(46,903)
<b>TOTAL EQUITY</b>			
		<b>3,762,555</b>	3,710,723

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

Unaudited  
Attributable to owners of the Company

	Share capital HK\$ '000	Share premium HK\$ '000	Other reserves HK\$ '000	Accumulated losses HK\$ '000	Total share premium and reserve HK\$ '000	Total HK\$ '000	Non-controlling interests HK\$ '000	Total equity HK\$ '000
At 1 January 2012	227,231	3,150,568	467,237	(87,410)	3,530,395	3,757,626	(46,903)	3,710,723
Loss for the period	—	—	—	(5,823)	(5,823)	(5,823)	3,433	(2,390)
Other comprehensive (expense)/income	—	—	(22,239)	—	(22,239)	(22,239)	685	(21,554)
Total comprehensive expense for the period	—	—	(22,239)	(5,823)	(28,062)	(28,062)	4,118	(23,944)
<b>Transactions with owners</b>								
Shares issued under placement, net of issuing costs	45,000	2,273	—	—	2,273	47,273	—	47,273
Exercise of share options	12,500	14,801	(2,301)	—	12,500	25,000	—	25,000
Equity-settled share based payments	—	—	3,503	—	3,503	3,503	—	3,503
Settlement of convertible notes	—	—	(687)	687	—	—	—	—
Lapse of share options granted under Share Option Scheme	—	—	(6,981)	6,981	—	—	—	—
<b>Total transactions with owners</b>	<b>57,500</b>	<b>17,074</b>	<b>(6,466)</b>	<b>7,668</b>	<b>18,276</b>	<b>75,776</b>	<b>—</b>	<b>75,776</b>
At 30 June 2012	284,731	3,167,642	438,532	(85,565)	3,520,609	3,805,340	(42,785)	3,762,555
At 1 January 2011	825,518	3,083,591	15,868	(236,946)	2,862,513	3,688,031	(17,203)	3,670,828
Loss for the period	—	—	—	(33,229)	(33,229)	(33,229)	(8,271)	(41,500)
Other comprehensive expense	—	—	(64)	—	(64)	(64)	(511)	(575)
Total comprehensive expense for the period	—	—	(64)	(33,229)	(33,293)	(33,293)	(8,782)	(42,075)
<b>Transactions with owners</b>								
Shares issued upon exercise of bonus warrants	72	123	—	—	123	195	—	195
Issue of convertible notes	—	—	10,987	—	10,987	10,987	—	10,987
Shares issued upon conversion of convertible notes	83,334	66,854	(10,300)	—	56,554	139,888	—	139,888
<b>Total transactions with owners</b>	<b>83,406</b>	<b>66,977</b>	<b>687</b>	<b>—</b>	<b>67,664</b>	<b>151,070</b>	<b>—</b>	<b>151,070</b>
At 30 June 2011	908,924	3,150,568	16,491	(270,175)	2,896,884	3,805,808	(25,985)	3,779,823



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Unaudited	
	Six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Net cash used in operating activities	<b>(32,357)</b>	(62,461)
Net cash generated from/(used in) investing activities	<b>75,671</b>	(27,496)
Net cash (used in)/generated from financing activities	<b>(44,096)</b>	160,189
Net (decrease)/increase in cash and cash equivalents	<b>(782)</b>	70,232
Effect of foreign exchange rate changes	—	(91)
Cash and cash equivalents at the beginning of the period	<b>41,030</b>	114,061
Cash and cash equivalents at the end of the period	<b>40,248</b>	184,202

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 30 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2011. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from annual financial statements for the year ended 31 December 2011. The annual financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 30 March 2012.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

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

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

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

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

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

## 3. SEGMENT INFORMATION

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker (“CODM”), 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 the People’s Republic of China (“PRC”).
Exploration of natural resources	This segment is engaged in the exploration of crude oil in Argentina Republic (“Argentina”). The activities carries out in Argentina are through non-wholly-owned subsidiaries.
Oil exploration and production	This segment represents the business of oil exploration and production in the United States (“US”).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30 June 2012*

## 3. SEGMENT INFORMATION (Continued)

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

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in a jointly controlled entity, interest in an associate, deposits paid for potential investments, available-for-sale financial assets and other corporate assets. Segment liabilities include non-current liabilities and current liabilities with the exception of current taxation, deferred tax liabilities, convertible notes payables 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 profit/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, share of loss of an associate and income tax expenses. This is the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance. In addition to receiving segment information concerning the segment result, the CODM is provided with segment information concerning interest income, interest expenses, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

## 3. SEGMENT INFORMATION (Continued)

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

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

	General trading		Exploration of natural resources		Oil exploration and production		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>For the six months ended 30 June</b>								
Revenue from external customers	124,164	14,113	—	—	3,004	—	127,168	14,113
Reportable segment	124,164	14,113	—	—	3,004	—	127,168	14,113
Reportable segment profit/(loss)	25,304	(8,801)	(6,972)	(18,363)	(855)	—	17,477	(27,164)
Depreciation and amortisation	459	989	104	110	744	—	1,307	1,099
Interest income	(2)	(18)	(1)	—	(53)	—	(56)	(18)
Interest expenses	2,374	3,199	—	—	109	—	2,483	3,199
<b>As at 30 June 2012 and 31 December 2011</b>								
Reportable segment assets	18,823	96,251	3,711,513	3,716,669	45,942	43,285	3,776,278	3,856,205
Additions to non-current segment assets during the period/year	—	7,685	13,325	187,210	5,091	47,067	18,416	241,962
Reportable segment liabilities	(22,905)	(135,847)	(26,155)	(29,170)	(16,980)	(11,298)	(66,040)	(176,315)

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>		
Reportable segment revenue	127,168	14,113
Consolidated turnover	127,168	14,113
<b>Loss</b>		
Reportable segment profit/(loss)	17,477	(27,164)
Unallocated operating income and expenses	(17,408)	(12,791)
Finance costs	(973)	(1,526)
Share of post-tax loss of a jointly controlled entity	(1,259)	(1,870)
Share of post-tax loss of an associate	(68)	—
Consolidated loss before taxation	(2,231)	(43,351)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 3. SEGMENT INFORMATION (Continued)

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

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
<b>Assets</b>		
Reportable segment assets	3,776,278	3,856,205
Interest in an associate	309	—
Interest in a jointly controlled entity	3,081	4,340
Deposits paid for potential investments	30,000	—
Available-for-sale financial assets	37,501	37,501
Unallocated corporate assets		
— Cash and cash equivalents	31,823	34,291
— Prepayments, deposits and other receivables	10,103	14,928
— Others	—	523
Consolidated total assets	3,889,095	3,947,788
<b>Liabilities</b>		
Reportable segment liabilities	(66,040)	(176,315)
Current taxation	(376)	(248)
Deferred tax liabilities	(3,248)	(3,263)
Convertible notes payables	—	(10,716)
Unallocated corporate liabilities		
— Other borrowings	(53,771)	(42,849)
— Others	(3,105)	(3,674)
Consolidated total liabilities	(126,540)	(237,065)

#### (c) Geographical information

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 3. SEGMENT INFORMATION (Continued)

#### (c) Geographical information (Continued)

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 available-for-sale financial assets and certain prepayment and other receivables ("Specified non-current assets"). The geographical location of customers refers to the geographical location of the customers, irrespective of the origin of the goods. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment and exploration and evaluation assets; and (ii) the location of the operation to which they are allocated. In the case of interests in a jointly-controlled entity and an associate, it is the location of operation of such jointly controlled entity and associate.

	Revenue from external customers		Specified non-current assets	
	Six months ended		As at	As at
	30 June		30 June	31 December
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	—	8,124	30,247	6,041
The PRC	124,164	5,989	798	88,420
Argentina	—	—	3,695,362	3,696,508
US	3,004	—	49,836	46,994
Australia	—	—	3,081	4,340
	127,168	14,113	3,779,324	3,842,303

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

### 3. SEGMENT INFORMATION (Continued)

#### (d) Information about major customers

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Customer A	127,407	—
Customer B	—	8,124
Customer C	—	2,732
Customer D	—	1,458

All revenue disclosed above are contributed from "General trading" reportable segment.

### 4. FINANCE COSTS

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Interest on bank and other borrowings wholly repayable within five years	3,362	3,917
Effective interest expenses on convertible notes	94	807
Total interest expenses on financial liabilities not at fair value through profit or loss	3,456	4,724



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 5. LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Cost of inventories	125,660	13,657
Depreciation and amortisation	1,521	1,536
Staff costs (including directors' emoluments)		
— Wages, salaries and other benefits	6,735	8,213
— Share-based payment expenses	834	—
— Contributions to defined contribution retirement scheme	525	409
Minimum lease payments under operating leases on leasehold land and buildings	894	1,250
Interest income	(793)	(1,915)
Net foreign exchange (gain)/loss	(97)	8,041
Loss on disposal of intangible assets	—	322
(Gain)/loss on disposal of property, plant and equipment	(10)	98
Consultancy fees	5,575	3,683
Legal and professional expenses	5,448	7,191

### 6. INCOME TAX

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Current tax		
— Hong Kong Profits Tax	159	—
— PRC Enterprise Income Tax	—	239
— Argentina minimum presumed income tax	—	—
Over-provision in respect of prior year		
— Argentina minimum presumed income tax	—	(2,090)
Deferred income tax	—	—
Income tax expense/(credit)	159	(1,851)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30 June 2012*

## 6. INCOME TAX (Continued)

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

The provision for Hong Kong Profits tax for the six months ended 30 June 2012 is calculated at 16.5% of the estimated assessable profits for the period (for the six months ended 30 June 2011: No Hong Kong Profits Tax has been provided for in the financial statements as the Company and its subsidiaries incorporated or operated in Hong Kong have accumulated tax losses brought forward which exceed the estimated assessable profits for the period).

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

Argentina subsidiaries of the Group are subject to Argentina Corporate Income Tax (“CIT”) at 35% and minimum presumed income tax (“MPIT”). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of Argentina subsidiaries of the Group are the higher of CIT and MPIT. No provision is recognised as the subsidiaries operating in Argentina has no assessable profit during the period.

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 period. The subsidiaries are not subject to federal or Louisiana income taxes and no provision is required to be made in the financial statements.

## 7. DIVIDENDS

The directors do not recommend any payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

## 8. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$5,823,000 (for the six months ended 30 June 2011: HK\$33,229,000) and the weighted average number of 521,770,000 ordinary shares (for the six months ended 30 June 2011: 445,220,000 ordinary shares) in issue during the period.

For the six months ended 30 June 2011, the weighted average number of ordinary shares have been adjusted for the effect of share consolidation which occurred in November 2011.

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2012 and 2011 were the same as the basic loss per share as the potential ordinary shares outstanding during the periods had (i) an anti-dilutive effect on the basic loss per share or (ii) the exercise prices of the share options granted by the Company were higher than the relevant average market price of the Company's shares, for both periods.

## 9. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK\$'000	Exploratory drilling HK\$'000	Geological studies HK\$'000	Oil exploration assets HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2011	3,225,172	27,652	210,679	—	37,835	3,501,338
Acquired through business combination	—	—	—	3,447	—	3,447
Additions	13,667	54,785	112,048	1,660	6,735	188,895
Impairment loss	—	(34,550)	—	—	—	(34,550)
Exchange adjustments	(924)	(1,310)	(16,042)	—	(922)	(19,198)
At 31 December 2011 and 1 January 2012	3,237,915	46,577	306,685	5,107	43,648	3,639,932
Additions	—	619	11,923	1,019	779	14,340
Transfer to property, plant and equipment	—	—	—	(689)	—	(689)
Exchange adjustments	(805)	(1,275)	(14,339)	(15)	(496)	(16,930)
At 30 June 2012	3,237,110	45,921	304,269	5,422	43,931	3,636,653

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 9. EXPLORATION AND EVALUATION ASSETS (Continued)

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

### 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Trade receivables (note)	527	657
Other receivables	13,591	8,479
Less: Allowance for impairment loss	(5,972)	(7,157)
	7,619	1,322
Loan to a non-controlling shareholder	198	1,134
Amount due from non-controlling shareholders	2,343	3,335
Amount due from an operator	1,622	199
Amount due from a director	127	—
Amount due from an associate	3,102	—
Amount due from a related company	72	—
Loans and receivables	15,610	6,647
VAT recoverable	63,433	60,834
Other tax recoverable	1,647	2,466
Prepayments and deposits	10,594	25,181
	91,284	95,128
Analysed as:		
Non-current	70,027	70,690
Current	21,257	24,438
	91,284	95,128

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 10. TRADE AND OTHER RECEIVABLES (Continued)

Note:

#### Ageing analysis

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

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
0-14 days	—	—
15-60 days	527	558
61-90 days	—	—
Over 90 days	—	99
	<b>527</b>	<b>657</b>

Trade receivables are due within 45 days from the date of billing.

### 11. CASH AND CASH EQUIVALENTS

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Deposits with banks	63	9,079
Cash at bank and in hand	40,185	31,951
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	<b>40,248</b>	<b>41,030</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

### 12. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	<b>As at 30 June 2012 HK\$'000</b>	As at 31 December 2011 HK\$'000
Trade payables <i>(note)</i>	<b>4,818</b>	5,407
Other payables and accruals	<b>55,484</b>	49,959
Financial liabilities measured at amortised cost	<b>60,302</b>	55,366

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

*Note:*

#### Ageing analysis

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

	<b>As at 30 June 2012 HK\$'000</b>	As at 31 December 2011 HK\$'000
0–30 days	—	237
31–60 days	—	—
61–90 days	—	—
Over 90 days	<b>4,818</b>	5,170
	<b>4,818</b>	5,407

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

*For the six months ended 30 June 2012*

### 13. CONVERTIBLE NOTES PAYABLES

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

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

During the period, the outstanding convertible notes which have not been converted, were fully settled at their principal amount together with any accrued interest in cash upon maturity.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

## 14. SHARE CAPITAL

	As at 30 June 2012		As at 31 December 2011	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
At 1 January				
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	—	—
Share consolidation	—	—	(16,000,000)	—
Ordinary shares of HK\$2.00 each	—	—	4,000,000	8,000,000
Capital reduction	—	—	—	(6,000,000)
At 30 June 2012 and 31 December 2011				
Ordinary shares of HK\$0.50 each	4,000,000	2,000,000	4,000,000	2,000,000
<b>Ordinary shares issued and fully paid:</b>				
At 1 January				
Ordinary shares of HK\$0.10 each	—	—	8,255,185	825,518
Ordinary shares of HK\$0.50 each	454,462	227,231	—	—
Shares issued under placement (note a)	90,000	45,000	—	—
Shares issued for share options exercised (note b)	25,000	12,500	—	—
Shares issued upon bonus warrants exercised	—	—	723	72
Share issued upon conversion of convertible notes	—	—	833,333	83,334
Share consolidation	—	—	(8,634,779)	—
Ordinary shares of HK\$2.00 each	—	—	454,462	908,924
Ordinary shares of HK\$0.50 each	569,462	284,731	—	—
Capital reduction	—	—	—	(681,693)
At 30 June 2012 and 31 December 2011				
Ordinary shares of HK\$0.50 each	569,462	284,731	454,462	227,231



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

## 14. SHARE CAPITAL (Continued)

Notes:

### (a) Shares issued under placement

On 20 January 2012, the Company entered into a placing agreement with two independent placing agents to place an aggregate 90,000,000 new ordinary shares of HK\$0.5 each of the Company to not less than six independent third parties at the placing price of HK\$0.55 per placing share for a total consideration of approximately HK\$49,500,000. The placing was completed on 20 February 2012 and net proceeds of approximately HK\$47,272,500 were credited to the share capital and share premium. The proceeds were used for general working capital purpose and for financing future investment opportunities.

### (b) Shares issued for share options exercised

During the period, 25,000,000 share options were exercised to subscribe for 25,000,000 new ordinary shares of HK\$0.5 each of the Company at the exercise price of HK\$1 per share for a total consideration of approximately HK\$25,000,000, of which HK\$14,801,000 and HK\$12,500,000 were credited to the share capital and share premium, respectively.

## 15. COMMITMENTS

### (a) Capital commitments

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

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Contracted for		
— Activities of exploration	9,430	18,576
— Activities of oil exploration and production	18,614	18,720
— Construction of gas pipelines	278	—
— Acquisition of equipment	122	—
— Construction of oil tanker <i>(note)</i>	—	21,041
— Deposits paid for further acquisition of the concessions	—	5,000
	<b>28,444</b>	<b>63,337</b>
Capital contribution authorised but not contracted for		
— Subsidiary	7,756	—

Note: A termination agreement was entered in February 2012 and there was no commitment for the Group afterwards.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2012

### 15. COMMITMENTS (Continued)

#### (b) Commitments under operating leases

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

	<b>As at 30 June 2012 HK\$'000</b>	As at 31 December 2011 HK\$'000
Within one year	674	836
In the second to fifth year, inclusive	7	—
	<b>681</b>	836

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

### 16. MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
New World Tower Company Limited	The company is an indirectly wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Maxipetrol Petroleros de Occidente S.A.	Non-controlling shareholder of the Union of Temporary Enterprise with significant influence

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 16. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Related parties	Nature of transactions	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
New World Tower Company Limited	Rent, rates and management fee	468	464
Maxipetrol Petroleros de Occidente S.A.	Seismic advisory	936	—

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

#### (b) Financing arrangement

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
	Loan to a non-controlling shareholder	198
Amounts due from non-controlling shareholders	2,343	3,335
Other borrowing from a related company (note)	10,025	—

Note: The company is managed by Mr. Cheng Kam Chiu, Stewart, the chairman and executive director of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 16. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (c) Key management personnel remuneration

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Short-term employee benefits	2,420	2,834
Post-employment benefits	21	30
	2,441	2,864

### 17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group entered into sale and purchase agreements with two United States based companies for the sale of its entire oil and gas properties located in East Texas, US and portion of its oil and gas properties located in Louisiana, US at a total consideration of approximately US\$5,700,000 (equivalent to approximately HK\$44,460,000). The sale of the oil and gas properties was completed in August 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GENERAL REVIEW

For the six months ended 30 June 2012, the Group's turnover was HK\$127.17 million (for the six months ended 30 June 2011: HK\$14.11 million), representing an increase of 801.07%. The Group's loss attributable to owners of the Company decreased to HK\$5.82 million (for the six months ended 30 June 2011: HK\$33.23 million). Administrative expenses related to the searching for and development of energy and natural resources projects in the pre-operation stage around the globe continued to be a major source of the loss.

Administrative expenses of the Group for the period amounted to HK\$31.34 million (for the six months ended 30 June 2011: HK\$39.72 million), representing a decrease of HK\$8.38 million. Administrative expenses for the period under review mainly comprised legal and professional expenses, consultancy fees, staff costs and travelling expenses.

## REVIEW OF BUSINESS OPERATIONS

### Oilfield Exploration and Exploitation Business

The Tartagal Oriental 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 Company holds interests in the Concessions through an indirect wholly-owned subsidiary, and is responsible for carrying out the duties in regard to all legal acts, contracts and operations of the exploration works in the Concessions.

### Exploration, Development and Production in the Concessions

During the period under review, the Group obtained additional geological information from various sources including analysis of the sedimentary information of the ER x-1 exploratory well, and provided the information to an independent technical advisory firm to reassess the prospective resources and reserves in the Tartagal Oriental area. In addition, the Group is planned to reinterpret 2,000 kilometers 2D seismic lines in the Tartagal Oriental area and select a total of 2,187 geochemistry points for the purpose of competition different methods of sampling studies in the Concessions areas. Relevant reports are expected to be completed in 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW OF BUSINESS OPERATIONS (Continued)

#### Exploration, Development and Production in the Concessions (Continued)

During the period under review, the Group continued to improve and develop its production facilities in the CA x-1002 well and CA x-1 well located in the Tartagal Oriental concession. These wells were in trial stage of production, and the income generated from the sales of crude oil was recognised as other net income in the condensed consolidated income statement. For the six months ended 30 June 2012, the Group generated a net gain of approximately HK\$0.57 million (for the six months ended 30 June 2011: HK\$0.46 million) on the sale of crude oil under trial production in these wells.

A summary of expenditure incurred from these activities for the six months ended 30 June 2012 is as follows:

#### Summary of expenditure incurred

Nature of expenditure	Amount HK\$'000
Exploration rights	—
Geological studies	11,923
Exploratory drilling	619
Others	779
Total	13,321

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

During the period under review, the Group recorded gross turnover of HK\$3.00 million (for the six months ended 30 June 2011: Nil) in its oil business in Texas and Louisiana, the United States. In the first half of 2012, the Group cooperated with a Dallas-based drilling fund to establish a joint venture, Caddo Pine Island Venture (CPIV), to exploit and develop six leases in Caddo Parish, Louisiana. To concentrate on the development of CPIV, the Group disposed the oil and gas properties located in east Texas and Louisiana and completed in August 2012. The Group will seek to expand its production volume and improve the profit margin of the business through seeking opportunities for potential investments and by devoting capital investments and resources to the operation of oil and gas properties when appropriate.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### REVIEW OF BUSINESS OPERATIONS (Continued)

#### Investment in Oil and Gas Properties in Utah, the United States

During the period under review, the Group invested in two 50% working interest wells, i.e., Federal 11-18 and Penny 16-7 located in the lower Green River formation of Utah, and a right to earn a 75% interest in the 1,600 acres by drilling five new wells within two years. The Group provided funds of US\$1,100,000 (equivalent to approximately HK\$8,533,000) to workover these two wells and the right. Production of each well is expected to be improved after installation of submersible pumps and initial swabbing. According to the data provided by an independent technical consulting firm, the Proven Developed Reserve (1P), Probable Developed Reserve (2P) and the Possible Undeveloped Reserve (3P) are estimated at 72,000 bbls, 108,000 bbls and 376,000 bbls respectively.

#### Trading Business

In the first half of 2012, the Group continued to operate in its resource-related trading business. During the period under review, the Group recorded sales of approximately HK\$124.16 million (for the six months ended 30 June 2011: HK\$8.12 million), with a gross profit of approximately HK\$2.29 million (for the six months ended 30 June 2011: HK\$0.23 million) in its trading business. Increase in sales was due to the continuous growth and expansion of the current trading business. The Group will dedicate more efforts on bolstering relations with existing partners and customers with the objective to broaden its income sources and growth potential of the business.

#### Termination of Production of Iron Concentrate Business

During the period under review, the Group recorded sales of HK\$nil (for the six months ended 30 June 2011: HK\$5.99 million), with a gross profit/loss of HK\$nil (for the six months ended 30 June 2011: gross profit of approximately HK\$0.23 million) in its business of producing iron concentrates. Meanwhile, the Group recorded a one-and-off income in aggregate of HK\$28.80 million in respect of the early termination of sub-contracting agreement.

In April 2012, the Group and the sub-contractor entered into a termination agreement to early terminate the operating right of the iron mine and refinery factory located in Qinglong Manzu Autonomous County, Hebei Province, PRC obtained by the Group during the year 2010. Upon the termination of the sub-contracting agreement, the Group was refunded in full the deposit paid for the sub-contracting agreement of RMB67.40 million (equivalent to approximately HK\$82.48 million) from the sub-contractor together with an aggregate compensation of RMB32.60 million (equivalent to approximately HK\$39.89 million) in respect of the investment costs incurred. Through the termination of the sub-contracting agreement, the Group took this opportunity to streamline its business and divert its working capital from the non-core businesses to focus on the oil and natural gas business.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### PROSPECTS

As an integrated natural resources company, the Group aims to deliver significant growth in cash flow and reserves to our shareholders by remain focused on establishing and developing our existing operations and at the same time, looking for valuable business opportunities. The Group's existing projects are strategically located in geologically favorable regions in the Noroeste basin in the Province of Salta, Argentina and in the States of Louisiana, Utah and Alaska of the United States of America, with existing production activities and abundant growth potential in oil & gas reserves.

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 Oriental 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 is continually in negotiation with the Vendor on the possible acquisition.

In May 2012, the Group entered into a Sale and Purchase Agreement in relation to the acquisition of several oil and gas concessions in the Provinces of Jujuy, Formosa and Salta in Argentina from Principle Petroleum Limited ("Principle Petroleum") for an aggregate consideration of HK\$116 million, in which HK\$25 million cash deposit was paid. The Group is optimistic about the business prospects and development potential of these concessions. Upon completion of the acquisition, the Group's investment portfolio in the energy and natural resources related business and the future returns will be further enhanced.

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 Oriental and Morillo concessions. Exploration program including technical assessment and geophysical works will continue with the aim to turn prospective oil and gas reserves into proved reserves with substantial potential for commercial production.

On top of our involvement in the mid-continent oilfield region of the United States, the Group invests in 8% equity interest of Nordaq Energy Inc. ("Nordaq"), an oil and gas company in Alaska. For the exploration well drilled by Nordaq in 2011, it indicated that the minimum prospective resources of natural gas volumes are at approximately 1.1 trillion cubic feet (bcf). Nordaq has commissioned an independent technical consulting firm to update the technical report for its portfolio in 2012. The Group is optimistic that this investment will provide satisfactory returns to the Group's investments.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### PROSPECTS (Continued)

In tandem with the Group's strategic advances in oil and gas industry in Argentina and the USA and taking the opportunities of natural gas utilization policy under "Twelfth Five-year Plan" and the full commencement of production in the West-East Gas Pipeline No.2, the Sino-Kazakhstan, and the China-Myanmar natural gas pipelines in China, the Group has been keeping an eye on the robust growth of nature gas sector in China and is in developing the liquefied natural gas (LNG) business in China. The Group will focus on the development in gasification of rural modernization projects in short-term and construction of LNG stations in medium-term. The Group believes that the new LNG business will effectively improve the rate of cash flow and contribute to the Group with steady income, and provide impressive returns to the Group's investments.

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

### LIQUIDITY AND FINANCIAL RESOURCES

#### Capital Structure, Liquidity and Financial Resources

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 31 December 2011; 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.

As at 30 June 2012, the total equity of the Group was HK\$3,762.56 million (31 December 2011: HK\$3,710.72 million) and the net asset value per share was HK\$6.61 (31 December 2011: HK\$8.17). The debt ratio, calculated by total liabilities divided by total assets, was 3.25% as at 30 June 2012 (31 December 2011: 6.01%).

As at 30 June 2012, the total asset value of the Group was approximately HK\$3,889.10 million (31 December 2011: HK\$3,947.79 million) and total cash and bank balances of the Group were approximately HK\$40.25 million (31 December 2011: HK\$41.03 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### LIQUIDITY AND FINANCIAL RESOURCES (Continued)

#### Capital Structure, Liquidity and Financial Resources (Continued)

As at 30 June 2012, the net current liabilities of the Group were approximately HK\$44.23 million (31 December 2011: HK\$163.49 million).

The Group's borrowings as at 30 June 2012 comprised other borrowings of HK\$53.77 million (31 December 2011: HK\$42.85 million), bearing interest at 4% to 5% per annum, a bank borrowing of HK\$nil (31 December 2011: HK\$121.72 million), denominated in Renminbi, bearing interest at 7.54% per annum, and a bank borrowing of HK\$5.36 million (31 December 2011: HK\$0.58 million), denominated in United States dollar, bearing interest at 6% per annum. As at 30 June 2012, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 1.57% (31 December 2011: 4.45%).

#### Charges on Assets

As at 30 June 2012, bank borrowings of HK\$5.36 million (31 December 2011: HK\$0.58 million) borrowed from a bank, bearing interest fixed at 6% per annum, 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.

#### Contingent Liability

As at 30 June 2012 and 31 December 2011, the Group did not have any material contingent liabilities.

#### Capital Commitments

Details of the capital commitments of the Group are set out in note 15 to the condensed consolidated financial statements.

#### Foreign Exchange and Interest Rate Exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

#### **Employees**

As at 30 June 2012, the Group employed a total of 54 employees (31 December 2011: 24 employees) in Hong Kong, the PRC and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK\$8.09 million (for the year ended 31 December 2011: HK\$17.61 million). The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

#### **Share Option Scheme**

Detailed movements of the share option scheme in the first half of 2012 are set out on pages 36 to 38 of the "Other Information" section.

## OTHER INFORMATION

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

As at 30 June 2012, 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 issued share capital
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	—	4,500,000	4,500,000	0.79%
Mr. Cheng Ming Kit	Beneficial owner	1,000	3,000,000	3,001,000	0.53%
Mr. Wong Man Kong, Peter	Beneficial owner	—	450,000	450,000	0.08%
Mr. Chan Chi Yuen	Beneficial owner	—	450,000	450,000	0.08%
Mr. Fung Siu To, Clement	Beneficial owner	30,000	450,000	480,000	0.08%
Mr. Chiu Wai On	Beneficial owner	—	450,000	450,000	0.08%

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

Save as disclosed above, as at 30 June 2012, 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.

## **OTHER INFORMATION** *(Continued)*

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

### **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, seconded, 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.

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 fulltime 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.

## **OTHER INFORMATION** *(Continued)*

### **SHARE OPTION SCHEME** *(Continued)*

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.

## OTHER INFORMATION (Continued)

### SHARE OPTION SCHEME (Continued)

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

During the period under review, 32,300,000 share options were granted to certain employees and consultants of the Company. A summary of the movement of the share options granted under the Scheme are as follows:

Category of grantees	Date of grant	Exercise period	*Exercise Price (HK\$)	Number of share options				
				*Balance at beginning of the period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period
<b>Director</b>								
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 (Resigned on 18 May 2012)	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
<b>Employees in aggregate</b>	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	—	—	(930,000)	690,000
	11.6.2012	11.6.2012 – 10.6.2014	1.00	—	2,300,000	—	—	2,300,000
<b>Other participants in aggregate</b>	8.5.2007	8.5.2007 – 7.5.2012	2.20	866,600	—	—	(866,600)	—
	22.7.2011	22.7.2011 – 21.7.2014	2.20	630,000	—	—	—	630,000
	11.6.2012	11.6.2012 – 10.6.2014	1.00	—	30,000,000	(25,000,000)	—	5,000,000
				13,083,250	32,300,000	(25,000,000)	(2,463,250)	17,920,000

\* 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.

## OTHER INFORMATION *(Continued)*

### DISCLOSEABLE INTERESTS AND SHORT POSITION OF SHAREHOLDERS UNDER THE SFO

As at 30 June 2012, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

#### Long positions:

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary share held	Percentage of the Company's issued share capital
Max Sun Enterprises Limited	(i)	Beneficially owned	66,030,276	11.60%
Chow Tai Fook Nominee Limited	(ii)	Interest in a controlled corporation	66,030,276	11.60%

#### 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.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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



## OTHER INFORMATION *(Continued)*

### CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company had complied with the Code Provisions on Corporate Governance (the “Code Provision(s)”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012 except for the following deviations:

#### **Code provisions 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.

### AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2012.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to the directors and all of the directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2012. The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

ON BEHALF OF THE BOARD

**Cheng Kam Chiu, Stewart**

*Chairman and Executive Director*

Hong Kong, 30 August 2012