新時代能源有限公司*

NEW TIMES ENERGY corporation limited

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

2012
ANNUAL REPORT

* For identification purposes 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 Director
Mr. Wong Man Kong, Peter

Independent Non-executive Directors
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

AUDIT COMMITTEE
Mr. Chiu Wai On *(Chairman)*
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie

REMUNERATION COMMITTEE
Mr. Chan Chi Yuen *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

NOMINATION COMMITTEE
Mr. Chan Chi Yuen *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Yung Chun Fai, Dickie
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
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REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Securities Services (Bermuda) Limited
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Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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WEBSITE
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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 2012.

During the year under review, the Group continually expanded its business through acquisitions of oil and gas properties in the United States. The Group will continue to enrich its oil and gas portfolio to provide a better return to the shareholders.

In 2012, we continued to process our exploration plan at the Tartagal and Morillo concessions (collectively the "Concessions") in Northern Argentina. The Group completed the 2D seismic and 259 km^2 3D seismic acquisitions in Morillo Block. Geological information and data were provided to the independent technical advisory firm to interpretate and analysis. The preliminary result indicated that a number of structures which are prospective as oil and gas reservoirs. We had engaged geographical consultants in Argentina, England and China to interpret the 3D seismic data, and believe once the interpretation has completed, it will provide us with valuable information for planning the proposed drillings in 2013.

Moreover, in May 2012, the Group entered into a sale and purchase agreement with Principle Petroleum Limited ("Principle Petroleum") in relation to the acquisition of several oil and gas concessions in the Provinces of Jujuy, Formosa, and Salta in Argentina. A refundable deposit of HK$30 million was paid to Principle Petroleum. The Group is working closely with Principle Petroleum and trying our best to complete the acquisition once all conditions are being satisfied.

During the year, the Group re-organized our investment portfolio in the United States. In 2012, we 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. We also acquired 7 wells in Uinta Basin, Utah. The Uinta Basin is a geologic structural basin located in eastern Utah, east of the Wasatch Mountains and south of the Uinta Mountains, which is the source of commercial oil and gas production. It is considered a strategic investment area, and the Group was in negotiation with the potential vendor to acquire an additional 37 wells in Uinta Basin. In order to concentrate on the development of CPIV and our oil and gas properties in Uinta Basin, after our diligent consideration, we proposed to sell out certain properties and rights in East Texas and part of the properties in Louisiana. The disposal of the Louisiana properties was completed in 2012. The restructure of our assets in the United States will enhance the return to our shareholders.

The Group diversified to downstream business in China, and started our first gasification of rural modernization project located in Huaiyin District of Huaian City, Jiangsu Province, PRC. The Group also invested in Liquefied natural gas ("LNG")/Compressed natural gas ("CNG") business in Guizhou. The acquisition is expected to be completed in the second quarter of 2013. In February 2013, the Group entered into a memorandum of understandings with China Print Power Group Limited (stock code: 06828) in relation to the disposal of the entire downstream LNG/CNG business operated by the Group. The proposed disposal shows our determination to clearly delineate our upstream business from the downstream LNG/CNG business. The Group believes, in the best interest of our shareholders, the consolidation can enhance the transparency and the Group's asset value, and additional financial resources can also be deployed into our assets in United States and Argentina.

Looking toward 2013, 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. We are confident that the Group's business will grow steadily in 2013.

CHAIRMAN'S STATEMENT

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.

Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

Consolidated turnover of the Group for the year ended 31 December 2012 was HK$129.00 million (31 December 2011: HK$128.86 million), representing an increase of 0.11%. However, the Group recorded a loss attributable to shareholders of approximately HK$39.92 million (31 December 2011: HK$87.41 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 year amounted to approximately HK$72.25 million (31 December 2011: HK$73.34 million), representing a decrease of approximately HK$1.09 million from the previous year. Administrative expenses mainly comprised legal and professional expenses, consultancy fee, staff costs and travelling expenses.

Loss per share for the year was HK$0.07 (31 December 2011: HK$0.19). The Board does not recommend any final dividend for this financial year (31 December 2011: Nil).

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. 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 Concessions

In 2012, the Group obtained additional geological information of the Concessions areas 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 in the Concessions areas.

During the year, completed the 259km^2 3D seismic works in Morillo Block, the Group also performed additional works including carrying out geochemical studies in the Concessions areas, workover the CA x-1002. The Group has engaged certain geographical specialists in Argentina, England and China to interpret these data. The result may enhance the successful drillings in the future.

The well CA x-1002 and CA x-1, located at the Tartagal Oriental area, 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 2012, the Group generated a net loss of approximately HK$0.01 million (31 December 2011: net gain of HK$0.23 million) on the sales of crude oil under trial production in these wells.

The Concessions are currently under exploration and no development or production activity was taken place. Development and production activities will commence once exploration data from the Concessions areas indicated that there are commercial valuable reserves.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS *(Continued)*

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

A summary of expenditure incurred from the exploration activities during the year is as follows:

Nature of expenditure	**Amount** HK$'000
Exploration rights	–
Geological and geochemical studies	2,702
Exploratory drillings	1,265
Others	904
Total	4,871

Update of Resources

Referring to the seismic data from twelve identified prospects over Tartagal Oriental and Morillo license areas, Netherland, Sewell & Associates, Inc. ("NSAI"), an independent qualified technical adviser, prepared a report for the purpose to estimate the undiscovered original hydrocarbons-in-place and unrisked gross (100 percent) prospective resources for prospects in the Tartagal and Morillo license areas located in the Chaco-Parana´ and Chaco-Tarija Basins, Salta Province, Argentina.

The unrisked gross (100 percent) prospective oil and gas resources for the Concessions are as follows:

	Oil (Million of Barrels)			**Gas** (Million of Cubic Feet)		
Prospect [1]	**Low Estimate**	**Best Estimate**	**High Estimate**	**Low Estimate**	**Best Estimate**	**High Estimate**
EM Deep 1	**1.5**	**4.3**	**12.7**	**75.1**	**213.7**	**632.1**
EM Deep 2	**4.1**	**15.2**	**59.4**	**204.3**	**770.1**	**2,990.7**
EM Deep 3	**1.1**	**3.3**	**10.3**	**55.8**	**167.2**	**520.5**
EM Deep 4	**2.3**	**5.7**	**14.0**	**115.0**	**285.8**	**696.6**
PET North	**0.1**	**0.3**	**0.8**	**5.2**	**14.8**	**41.8**
Morillo Deep	**0.3**	**0.9**	**2.4**	**16.7**	**44.5**	**119.3**
ZH South	**27.5**	**56.6**	**110.6**	**23.5**	**47.8**	**96.7**
Tordillo Undip	**5.4**	**10.8**	**21.9**	**4.5**	**9.3**	**19.3**
Los Blancos Southwest	**1.1**	**3.2**	**9.2**	**0.9**	**2.7**	**8.1**
Tordillo Northwest	**4.1**	**10.1**	**24.2**	**3.5**	**8.6**	**21.5**
Los Blancos Northwest	**1.3**	**3.3**	**8.2**	**1.1**	**2.8**	**7.1**
Los Blancos North	**2.3**	**4.7**	**9.7**	**1.9**	**4.0**	**8.6**
Arithmetic Total [2]	**51.1**	**118.4**	**283.4**	**507.5**	**1,571.3**	**5,162.2**

Notes:

(1) The chance of geologic success for the twelve identified prospects ranges from 1 to 16 percent which equals 84 to 99 percent chance of failure and therefore represents moderate risk to very high risk exploration.

(2) The arithmetic total is the sum of multiple probability distributions and may not add because of rounding.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS *(Continued)*

Update of Resources *(Continued)*

Currently, we have requested NSAI to perform an estimation on the undiscovered original hydrocarbons-in-place and unrisked gross (100 percent) prospective resources by taking into consideration of recent technical information from 2D and 3D seismic works in Morillo areas. An updated technical report is expected to be completed during the second quarter of 2013.

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

In 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 major portion of the oil and gas properties located in Louisiana in August 2012. In January 2013, the Group entered into a sale and purchase agreement with BCM Energy Partners in respect of the disposal of the oil and gas properties located in East Texas, United Stated. Beyond the completion of the re-organization of the oil and gas properties mentioned above, the Group's assets in Louisiana are expected to have a better return.

During the year, the Group recorded a gross income of HK$4.91 million (31 December 2011: HK$2.18 million) in its oil business operated in Texas and Louisiana, United States. 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.

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

The Uinta Basin is a geologic structural basin in eastern Utah, east of the Wasatch Mountains and south of the Uinta Mountains, which is the source of commercial oil and gas production. In 2012, the Group invested several oil and gas properties in this area and is proposed to acquire additional oil and gas properties to enhance the Group's investment portfolio, and also the return to our shareholders.

In 2012, 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. 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) of the wells and interest acres are estimated at 72,000 barrels of oil ("bbls"), 108,000 bbls and 376,000 bbls respectively. During the year, the Group provided funds of US$1.1 million (equivalent to approximately HK$8.53 million) to workover these two wells and the right. Through the installation of submersible pumps and initial swabbing, production of each well is expected to be improved. In July 2012, Grey Hawk Exploration Inc. ("Grey Hawk"), a Canadian oil and gas company, interested in and committed to the Group that their plan is to drill 5 additional new wells. To able the Group's fund to be used more flexibly and effectively, the Group assigned the interest of the two wells and the right to Grey Hawk in return of 26% enlarged equity interest of Grey Hawk. Upon the completion of the assignment, together with the existing investment in Grey Hawk made by the Group, the Group in aggregate has approximately 45% equity interest in Grey Hawk. The Group believes that investment in Grey Hawk will contribute a reasonable return.

In addition, the Group further acquired (i) 100% working interest of 7 wells and 280 acres located in the Uinta Basin and (ii) 100% interest of an oil and gas operating company based in Utah, United States. Upon completion of the acquisition, we commenced some pre-production works on these wells. The aggregate production volume from these wells is expected to reach around 40 to 50 barrels per day.

REVIEW OF BUSINESS OPERATIONS *(Continued)*

Investment in Oil and Gas Properties in Utah, the United States *(Continued)*

Meanwhile, to further enhance the investment portfolio in the upstream business in Uinta Basin, the Group entered into a sale and purchase agreement and a supplementary agreement in September 2012 and March 2013 respectively, to acquire (i) the 75% working interest in the 80% net revenue interest of 30 well bores and the surrounding 2,300 acres of tribal and fee land in the Uinta Basin of the State of Utah, United States (the "Properties") and (ii) the right to lease, explore, exploit and develop the option acreage of prospective oil and gas leases adjacent to the 30 well bores and the 2,300 acres of tribal and fee land in relation to the Properties (the "Right"). According to the independent technical report prepared on the 23 wells out of the 30 wells, it indicates that the Proven Developed Reserve (1P) and Probable Developed Reserve (2P) are estimated at 1.3 million bbls and 1.4 million bbls respectively. The Group believes that the acquisition of Properties and Rights will strengthen our assets base in Uinta Basin.

LNG Business

In 2012, the Group commenced the downstream liquefied natural gas ("LNG")/Compressed natural gas ("CNG") business through its first gasification of rural modernization project located in Huaiyin District of Huaian City, Jiangsu Province, People's Republic of China ("PRC"). The phase-one community pipeline construction are nearly complete and will be put into service shortly and start generating revenue to the Group's revenue in LNG operation.

In addition, to further expand our downstream LNG business, in 2012, the Group entered into acquisition agreements with independent parties to acquire a number of projects including (i) LNG/CNG stations, (ii) industrial park integrated natural gas utilisation projects and (iii) residential gas utilization projects.

In order to streamline the Group's corporate structure and consolidate our upstream asset base, in February 2013, the Group entered into a memorandum of understandings with China Print Power Group Limited (stock code: 06828) in relation to the disposal of entire downstream LNG business operated by the Group. The proposed disposal shows our determination to clearly delineate our upstream business from the downstream LNG business. The Group believes that, in the best interest of our shareholders, the consolidation can enhance the transparency and the Group's asset value, and additional financial resources can also be deployed into our invested assets in United States and Argentina.

Trading Business

In 2012, the Group continued to operate in its resources-related trading business. During the year, the Group recorded sales of approximately HK$124.09 million (31 December 2011: HK$126.67 million), with a gross profit of approximately HK$2.20 million (31 December 2011: HK$0.32 million). The Group will maintain continuous growth of the current trading business, and also 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 year, the Group recorded sales of HK$nil (31 December 2011: HK$10.50 million), with a gross profit/loss of HK$nil (31 December 2011: gross profit of approximately HK$1.09 million) in its business of producing iron concentrates. Meanwhile, the Group recorded a one-and-off income in aggregate of HK$29.03 million in respect of the early termination of sub-contracting agreement.

REVIEW OF BUSINESS OPERATIONS *(Continued)*

Termination of Production of Iron Concentrate Business *(Continued)*

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, Heibi 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$82.77 million) from the sub-contractor together with an aggregate compensation of RMB32.60 million (equivalent to approximately HK$40.03 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.

PROSPECTS

In year 2012, the Group is proactively seeking investment opportunities to broaden its revenue base, as well as to diversify its sources of income. Throughout the year, the management has identified a significant future growth opportunity in the LNG/CNG business and entered into two sale and purchase agreements to acquire for a number of LNG projects in Guizhou province, PRC. Through the acquisition and develop our own LNG projects, we successfully expand our business to LNG sector. Currently, the Group is planning to streamline the existing corporate structure and consolidate our upstream asset base through the disposal of our entire downstream LNG/CNG business. A memorandum of understand was entered with China Print Power Group Limited in February 2013 regarding this respect. The disposal will clearly delineate our existing upstream business from the downstream LNG/CNG business. The management believes that separation of the development of upstream and downstream natural resources business will enhance the Group's operation efficiency.

In addition, the Group is continually expanding its business in United States and Argentina. Currently, the Group entered into sale and purchase agreements in acquiring further oil properties in Uinta Basin of State of Utah in United States and concession interests in province of Salta, Formosa and Jujuy in Argentina. Furthermore, an agreement was entered in February 2013 to acquire a further 9.25% interest in the Tartagal Oriental and Morillo concessions.

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. The Group will work closely with its business partners, technical advisors and contractors and bolster its exploration activities at the Tartagal Oriental and Morillo concessions. In the coming year, the Group plans to drill three exploratory wells in the Morillo area.

The management sees the above transactions as attractive opportunities to capitalize on the rising demand for energy, and to streamline and 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 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.

On 30 August 2012, the Company entered into the Placing Agreement with Ping An China Securities (Hong Kong) Company Limited and Orient Securities Limited (the "Placing Agents"), pursuant to which the Company had conditionally agreed to place, through the Placing Agents, up to 300,000,000 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 300,000,000 placing shares represents (i) approximately 52.41% of the issued share capital of the Company of 572,462,087 shares as at 30 August 2012; and (ii) approximately 34.39% of the issued shares of the Company as enlarged by the allotment and issue of the 300,000,000 placing shares. The placing was completed on 14 November 2012 and 103,954,000 out of 300,000,000 placing shares were issued.

On 20 December 2012, the Company entered into the Placing Agreement with Orient Securities Limited (the "Placing Agent"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent, up to 35,000,000 placing shares to not less than six independent third parties at the placing price of HK$0.91 per placing share. The maximum number of 35,000,000 placing shares represents (i) approximately 5.17% of the issued share capital of the Company of 676,416,087 shares as at 20 December 2012; and (ii) approximately 4.92% of the issued shares of the Company as enlarged by the allotment and issue of the 35,000,000 placing shares. The placing was completed on 14 January 2013.

On 18 January 2013, the Company entered into the Placing Agreement with Orient Securities Limited (the "Placing Agent"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent, up to 22,000,000 placing shares to not less than six independent third parties at the placing price of HK$0.91 per placing share. The maximum number of 22,000,000 placing shares represents (i) approximately 3.09% of the issued share capital of the Company of 711,416,087 shares as at 18 January 2013; and (ii) approximately 3.00% of the issued shares of the Company as enlarged by the allotment and issue of the 22,000,000 placing shares. The placing was completed on 29 January 2013.

On 25 January 2013, the Company entered into the Placing Agreement with Orient Securities Limited (the "Placing Agent"), pursuant to which the Company had conditionally agreed to place, through the Placing Agent, up to 14,000,000 placing shares to not less than six independent third parties at the placing price of HK$0.98 per placing share. The maximum number of 14,000,000 placing shares represents (i) approximately 1.97% of the issued share capital of the Company of 711,416,087 shares as at 25 January 2013; and (ii) approximately 1.87% of the issued shares of the Company as enlarged by the allotment and issue of the 22,000,000 placing shares announced on 18 January 2013 and issue of 14,000,000 placing shares under current placement. The placing was completed on 6 February 2013.

As at 31 December 2012, the total equity of the Group was HK$3,796.21 million (31 December 2011: HK$3,710.72 million) and the net asset value per share was HK$5.61 (31 December 2011: HK$8.17). The debt ratio, calculated by total liabilities divided by total assets, was 2.64% as at 31 December 2012 (31 December 2011: 6.01%).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Capital structure, liquidity and financial resources *(Continued)*

As at 31 December 2012, the total asset value of the Group was approximately HK$3,899.27 million (31 December 2011: HK$3,947.79 million) and total cash and bank balances were approximately HK$36.05 million (31 December 2011: HK$41.03 million).

As at 31 December 2012, net current assets of the Group were approximately HK$51.43 million (31 December 2011: net current liabilities of HK$163.49 million).

The Group's borrowings as at 31 December 2012 comprised (i) an other borrowing of HK$30.14 million, bearing interest at 4% per annum, (ii) borrowing from a related company totaling approximately HK$10.28 million, bearing interest at 5% per annum, (iii) a loan from non-controlling shareholder of HK$28.13 million, bearing interest at 4% per annum, and (iv) bank borrowing of approximately HK$2.55 million, denominated in United States dollar, bearing interest at 6% per annum. As at 31 December 2012, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 1.87% (31 December 2011: 4.45%).

Capital expenditure

The Group's capital expenditure during the year amounted to approximately HK$24.68 million (31 December 2011: HK$241.96 million).

Charge on assets

As at 31 December 2012, a bank borrowing of approximately HK$2.55 million (31 December 2011: HK$0.58 million) was secured by the assets of a subsidiary and guaranteed by the manager of the subsidiary, bearing interest fixed at 6% per annum.

Contingent liability

Details of contingent liabilities of the Group as at 31 December 2012 are set out in note 44 to the consolidated financial statements.

Capital commitments

Details of capital commitments of the Group as at 31 December 2012 are set out in note 43(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 39(c) and 39(d) to the consolidated financial statements.

Employees

As at 31 December 2012, the Group employed a total of 62 employees (31 December 2011: 24) in Hong Kong, the PRC, United States and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK$17.39 million (2011: HK$17.61 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

Detailed movements of the share option scheme in the year are set out in 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 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cheng Kam Chiu, Stewart, aged 59, joined the Group in February 2008 as an executive director. Mr. Cheng holds a bachelor degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a master 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 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 executive director of the Company.

Mr. Cheng Ming Kit, aged 39, 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 Stock Exchange.

Mr. Cheng is the nephew of Mr. Cheng Kam Chiu, Stewart, the Chairman and executive director of the Company.

Mr. Sun Jiang Tian, aged 43, joined the Group in March 2012 as executive director and has over 18 years of experience in the oil and gas industry. Mr. Sun 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 64, 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 to 12th 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), Far East Consortium International Limited (stock code: 00035) and MGM China Holdings Limited (stock code: 02282), 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Yuen, aged 46, 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 and an independent non-executive director in May 2012. 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 Noble Century Investment Holdings Limited (formerly known as "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 Sandi Holdings Limited (formerly known as "China Grand Forestry Green Resources Group Limited") (stock code: 00910), Media Asia Group Holdings Limited (stock code: 08075) and U-RIGHT International Holdings Limited (stock code: 00627), which shares are listed on the 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 Group Limited (formerly known as "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 Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. Chiu Wai On, aged 44, 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 14 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 Stock Exchange.

Mr. Yung Chun Fai, Dickie, aged 60, was appointed as an independent non-executive director with effective from 28 March 2013. Mr. Yung holds a Master degree of Business Administration (MBA) from University of East Asia, Macau and is a member of Institute of Management (MIMGT) and a fellow of Chartered Management Institute (FCMI). Mr. Yung has been engaged in finance and banking business for more than 25 years. He was the Chief Deputy Executive of Industrial & Commercial Bank of China (Macau) Limited and the Director, Deputy General Manager and Alternate Chief Executive of Industrial & Commercial International Holdings Limited, a wholly owned subsidiary of Industrial & Commercial Bank of China Limited.

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 2012, save as disclosed below, all code provisions set out in the CG Code were met by the Company.

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.

THE BOARD OF DIRECTORS

Composition

The Board currently comprises three executive directors, one non-executive director and three independent non-executive directors from different business and professional fields. The directors, including non-executive director 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 Director:
Mr. Wong Man Kong, Peter

Independent Non-executive Directors:
Mr. Chan Chi Yuen *(Member of Audit Committee and Chairman of Remuneration and Nomination Committee) (Re-designated on 18 May 2012)*
Mr. Chiu Wai On *(Chairman of Audit Committee and Member of Remuneration and Nomination Committee)*
Mr. Yung Chun Fai, Dickie *(Member of Audit, Remuneration and Nomination Committee) (appointed on 28 March 2013)*

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

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

During the year ended 31 December 2012, Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit performed the role of the Chairman and CEO separately 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.

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 both of Mr. Chiu Wai On and Mr. Chan Chi Yuen have 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.

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 2012 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 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.

BOARD AND COMMITTEE MEETINGS

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. Chan Chi Yuen, and Mr. Yung Chun Fai, Dickie. Mr. Chiu Wai On is the Chairman of the Audit Committee. Mr. Fung Siu To, Clement resigned on 28 March 2013 and replaced by Mr. Yung Chun Fai, Dickie on the same date. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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.

BOARD AND COMMITTEE MEETINGS *(Continued)*

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors of the Company, namely Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On. Mr. Chan Chi Yuen is the Chairman of the Remuneration Committee. Mr. Fung Siu To, Clement resigned on 28 March 2013 and replaced by Mr. Yung Chun Fai, Dickie on the same date.

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.

Nomination Committee

The Nomination Committee comprises three independent non-executive directors of the Company, namely Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On. Mr. Chan Chi Yuen is the Chairman of the Nomination Committee. Mr. Fung Siu To, Clement resigned on 28 March 2013 and replaced by Mr. Yung Chun Fai, Dickie on the same date.

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.

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.

BOARD AND COMMITTEE MEETINGS *(Continued)*

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

The number of meetings held and the attendance of each director for the year ended 31 December 2012 are set out as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders' Meeting
Number of meeting attended/held:					
Executive directors					
Mr. Cheng Kam Chiu, Stewart	15/15	N/A	N/A	N/A	4/4
Mr. Cheng Ming Kit	13/15	N/A	N/A	N/A	3/4
Mr. Sun Jian Tian (Appointed on 18 May 2012)	1/15	N/A	N/A	N/A	0/4
Non-executive directors					
Mr. Wong Man Kong, Peter	1/15	N/A	N/A	N/A	1/4
Independent non-executive directors					
Mr. Chan Chi Yuen (Re-designated on 18 May 2012)	3/15	1/2	0/1	0/1	3/4
Mr. Chiu Wai On	4/15	2/2	1/1	1/1	4/4
Mr. Fung Siu To, Clement (Resigned on 28 March 2013)	3/15	2/2	1/1	1/1	3/4
Mr. Chi Kin (Resigned on 18 May 2012)	1/15	1/2	1/1	1/1	1/4

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 2012 and their corresponding remunerations is as follows:

Nature of services	**Amount** (HK$'000)
Audit services for the year ended 31 December 2012	2,658
Review of preliminary announcement for the year ended 31 December 2012	10
Review of interim result for the six month ended 30 June 2012	340
Review of continuous connected transactions	15
Tax review	15

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.nt-energy.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 2012.

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 principal subsidiaries are set out in note 19 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 15 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 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.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on page 154.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 17 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of convertible notes are set out in note 30 to the consolidated financial statements.

WARRANTS

Details of warrants are set out in note 38 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 2012 are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 38(a) to the consolidated financial statements. Shares were issued during the year under placement and on exercise of share options.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 38(a) to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company had no retained profits available for cash distribution and/or distribution in specie. Pursuant to 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. The Company's share premium account of HK$3,206,921,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 100% and the largest customer accounted for approximately 94% of the Group's total turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 100% and the largest suppliers accounted for approximately 96% 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 knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Pursuant to an offer letter of tenancy (the "Offer Letter") entered into between Jumbo Hope Group Limited, being a wholly owned subsidiary of the Company, and New World Tower Company Limited, a wholly-owned subsidiary of New World Development Company Limited, for a term of three years commencing on 12 December 2012, at a monthly rental of HK$96,915 (exclusive of air-conditioning and management charges and government rates). Rich Result Limited, a wholly-owned subsidiary of the Company, had entered into a car park agreement with New World Tower Company Limited on 7 January 2010 for the lease of a car park space (the "Car Park Agreement") at a monthly fee of HK$4,000. Dato' Dr. Cheng Yu Tung is the Emeritus Chairman of New World Development Company Limited, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited and the sole parent of New World Tower Company Limited. Mr. Cheng Kam Chiu, Stewart, the Chairman and executive director of the Company is the nephew of Dato' Dr. Cheng Yu Tung. Therefore, New World Tower Company Limited is a connected person of the Company under the Listing Rules. The transactions under the Offer Letter and the Car-Park Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the Aggregate Annual Caps for the transactions contemplated under the Offer Letter and the Car Park Agreement exceed 0.1% but less than 5% of the applicable percentage ratios, the entering into the Offer Letter and the Car Park Agreement is therefore subject to the annual review, but exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

Save as disclosed above, all the transactions as set out in notes 42(a) to the consolidated financial statements fall within Rule 14A.31(2) of the Listing Rules and each constitutes a *de minimis* continuing connected transactions which were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(Continued)

As far as the transactions set out in note 42(c) to the consolidated financial statements concerned, the remuneration of the directors as determined pursuant to the service contracts entered into between the directors and the Group were connected transactions fall within Rule 14A.31(6) of the Listing Rules which were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the remaining related party transactions as set out in note 42 to the consolidated financial statements under the heading of "Material Related Party Transactions" did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Confirmation of Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the terms of Offer Letter and Car Park Agreement that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Confirmation of auditors of the Company

Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Crowe Horwath has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 *(Chief Executive Officer)*
Mr. Sun Jiang Tian *(appointed on 1 March 2012)*

Non-executive director
Mr. Wong Man Kong, Peter

Independent non-executive directors
Mr. Chan Chi Yuen
Mr. Chiu Wai On
Mr. Yung Chun Fai, Dickie *(appointed on 28 March 2013)*
Mr. Fung Chi Kin *(resigned on 18 May 2012)*
Mr. Fung Siu To, Clement *(resigned on 28 March 2013)*

In accordance with the clause 87(1) of the Company's Bye-laws, Mr. Cheng Kam Chiu, Stewart, Mr. Chan Chi Yuen, Mr. Sun Jiang Tian and Mr. Yung Chun Fai, Dickie 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 independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the directors of the Group are set out on pages 13 to 15 of this annual 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 of the Company had a significant beneficial interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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	0.67%
Mr. Cheng Ming Kit	Beneficial owner	1,000	3,000,000	3,001,000	0.44%
Mr. Wong Man Kong, Peter	Beneficial owner	–	450,000	450,000	0.07%
Mr. Chan Chi Yuen	Beneficial owner	–	450,000	450,000	0.07%
Mr. Fung Siu To, Clement *(Resigned on 28 March 2013)*	Beneficial owner	30,000	450,000	480,000	0.07%
Mr. Chiu Wai On	Beneficial owner	–	450,000	450,000	0.07%

* 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 2012, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to record in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' 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 or any of its holding companies, subsidiaries or fellow subsidiaries 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 FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Particulars of the directors' remuneration and five individuals with highest emoluments are set out in note 9 and 10 to the consolidated financial statements respectively.

RETIREMENT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") 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$25,000. 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.

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.

SHARE OPTION SCHEME *(Continued)*

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 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.

SHARE OPTION SCHEME *(Continued)*

As at 31 December 2012, 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 Schemes. Each option gives the holder the right to subscribe for one ordinary share of the Company. Details of share options held by the Directors and employees of the Group and movements in such holdings during the year ended 31 December 2012 are as follows:

Category of grantees	Date of grant	Exercise period	#*Exercise Price (HK$)	Number of share options				
				*Balance at beginning of the year	Granted during the year	Exercised during the year	Lapsed 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	1.10	4,500,000	–	–	–	4,500,000
Mr. Cheng Ming Kit	22.7.2011	22.7.2011–21.7.2014	1.10	3,000,000	–	–	–	3,000,000
Mr. Wong Man Kong, Peter	22.7.2011	22.7.2011–21.7.2014	1.10	450,000	–	–	–	450,000
Mr. Chan Chi Yuen	22.7.2011	22.7.2011–21.7.2014	1.10	450,000	–	–	–	450,000
Mr. Fung Chi Kin *(Resigned on 18 May 2012)*	22.7.2011	22.7.2011–21.7.2014	1.10	450,000	–	–	(450,000)	–
Mr. Fung Siu To, Clement *(Resigned on 28 March 2013)*	22.7.2011	22.7.2011–21.7.2014	1.10	450,000	–	–	–	450,000
Mr. Chiu Wai On	22.7.2011	22.7.2011–21.7.2014	1.10	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	1.10	1,620,000	–	–	(930,000)	690,000
	11.6.2012	11.6.2012–10.6.2014	1.00	–	2,300,000	–	(300,000)	2,000,000
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	1.10	630,000	–	–	–	630,000
	11.6.2012	11.6.2012–10.6.2014	1.00	–	30,000,000	(28,000,000)	–	2,000,000
				13,083,250	32,300,000	(28,000,000)	(2,763,250)	14,620,000

* 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.

\# On 24 July 2012, the Company proposed to adjust the terms of the share options granted on 22 July 2011 under the New Option Scheme by reducing the original exercise price from HK$2.20 to HK$1.10. Accordingly, the Company cancelled all the share options granted and granted the replacement share options to the existing share option holders with the new exercise price of HK$1.10. The above mentioned was approved in the special general meeting held on 29 August 2012.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES UNDER THE SFO

At 31 December 2012, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or 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 shares	Number of shares (note (i))	Total Interest	Approximate percentage of the Company's total issued shares as at 31 December 2012
Max Sun Enterprises Limited ("Max Sun")	(ii)	Beneficially owned	77,030,276	100,000,000	177,030,276	26.17%
Chow Tai Fook Nominee Limited ("CTFNL")	(iii)	Interest in a controlled corporation	77,030,276	100,000,000	177,030,276	26.17%

Notes:

(i) The long positions in underlying Shares represent the interest held by Max Sun as at 31 December 2012 in 100,000,000 warrants at the issue price of HK$1.05 per share (subject to adjustment). Each warrant carries the right to subscribe one share within 60 months from the date of issue.

(ii) The entire issued share capital of Max Sun is legally and beneficially owned by CTFNL.

(iii) 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 for the purpose of Securities and Future Ordinance.

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.

REPORT OF THE DIRECTORS

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 annual report, the Company has maintained the prescribed public float under the Listing Rules.

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.4.1. The full details of corporate governance practices adopted by the Company during the year ended 31 December 2012, or where applicable, up to the date of this report, are set out in pages 16 to 21 of this annual report.

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. Saved as disclosed above, 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 2012 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, 28 March 2013

INDEPENDENT AUDITOR'S REPORT

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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 153, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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 16 to the consolidated financial statements. The exploration permits to the Concessions in Argentina will expire in February 2014. According to the legal opinion, the extension of time of primitive term will probably be granted by the Department of Energy in Argentina. The approval of the application cannot presently be determined which, if not obtained, may have a significant effect on the net assets and results of the Group.

In addition, without qualifying our opinion, we draw your attention to note 2(b) to the financial statements which indicates that the Group had incurred a net loss of HK$59,694,000 for the year ended 31 December 2012. Despite the fact that the Group had maintained a net current assets position, the recurring losses of the Group and the capital expenditure to be incurred for its overseas operations indicate the existence of a material uncertainty which 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, derive adequate operating cash flows from its operations and obtain continuing financial support from the Company's substantial shareholders 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 these measures.

We considered that adequate disclosures have been properly made for the above matters in the consolidated financial statements.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2013

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	4 & 15	**129,007**	128,857
Cost of sales		**(132,546)**	(127,564)
Gross (loss)/profit		**(3,539)**	1,293
Other revenue	5(a)	**1,516**	3,553
Other net income/(loss)	5(b)	**14,234**	(223)
Gain on bargain purchase	40	**–**	345
Gain on termination of sub-contracting contract	23	**29,034**	–
Gain on disposal of subsidiaries	41	**10,451**	1,718
Impairment loss on exploration and evaluation assets	16	**–**	(34,550)
Impairment loss on convertible notes receivables	25(a)(i)	**(15,467)**	–
Administrative expenses		**(72,249)**	(73,338)
Other operating expenses		**(17,551)**	(6,875)
Loss from operations		**(53,571)**	(108,077)
Finance costs	6(a)	**(5,067)**	(10,824)
Share of loss of a jointly controlled entity	21	**(1,504)**	(2,608)
Share of losses of associates	22	**–**	–
Loss before taxation	6	**(60,142)**	(121,509)
Income tax	7(a)	**448**	(577)
Loss for the year		**(59,694)**	(122,086)
Loss for the year attributable to:			
Owners of the Company		**(39,917)**	(87,410)
Non-controlling interests		**(19,777)**	(34,676)
		(59,694)	(122,086)
Loss per share	14		
Basic and diluted		**(HK$0.07)**	(HK$0.19)

The notes on pages 42 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
Loss for the year		**(59,694)**	(122,086)
Other comprehensive (expense)/income for the year			
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:			
Exchange differences arising during the year		**(45,272)**	2,966
Reclassification adjustments relating to PRC subsidiaries disposed of during the year	41(a)	**(2,035)**	–
		(47,307)	2,966
Available-for-sale investments:			
Net gain/(loss) arising on revaluation of available-for-sale investments during the year	24(a)	**245**	(1,754)
		245	(1,754)
Total comprehensive expenses for the year (net of tax)		**(106,756)**	(120,874)
Attributable to:			
Owners of the Company		**(88,809)**	(86,218)
Non-controlling interests		**(17,947)**	(34,656)
		(106,756)	(120,874)

The notes on pages 42 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	16	**3,593,059**	3,639,932
Property, plant and equipment	17(a)	**13,501**	18,560
Intangible assets	18	**4,746**	28,621
Interests in associates	22	**–**	–
Interest in a jointly controlled entity	21	**2,836**	4,340
Deposit paid for a sub-contracting contract	23	**–**	80,160
Deposits paid for potential investments	20	**61,992**	–
Convertible notes receivables	25	**8,759**	–
Available-for-sale investments	24	**40,104**	37,501
Prepayment and other receivables	27	**60,665**	70,690
		3,785,662	3,879,804
CURRENT ASSETS			
Inventories	26	**4,037**	2,516
Trade and other receivables	27	**71,196**	24,438
Cash and cash equivalents	28	**36,050**	41,030
		111,283	67,984
Assets held for sale	8	**2,325**	–
		113,608	67,984
CURRENT LIABILITIES			
Trade and other payables	29	**19,354**	55,366
Bank and other borrowings	31	**40,959**	165,147
Convertible notes payables	30	**–**	10,716
Obligations under finance leases	33	**74**	1
Current taxation	34(a)	**500**	248
		(60,887)	(231,478)
Liabilities held for sale	8	**(1,296)**	–
		(62,183)	(231,478)
NET CURRENT ASSETS/(LIABILITIES)		**51,425**	(163,494)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,837,087**	3,716,310
NON-CURRENT LIABILITIES			
Provisions	35	**4,670**	2,324
Other borrowings	31	**30,135**	–
Promissory notes payables	32	**5,003**	–
Obligation under finance lease	33	**340**	–
Deferred tax liabilities	34(c)	**734**	3,263
		(40,882)	(5,587)
NET ASSETS		**3,796,205**	3,710,723

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Share capital	38(b)	**338,208**	227,231
Share premium and reserves		**3,501,139**	3,530,395
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,839,347**	3,757,626
NON-CONTROLLING INTERESTS		**(43,142)**	(46,903)
TOTAL EQUITY		**3,796,205**	3,710,723

Approved and authorised for issue by the board of directors on 28 March 2013

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 42 to 153 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**3,540,052**	3,467,005
		3,540,052	3,467,005
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**365,984**	293,452
Cash and cash equivalents	28	**610**	33,282
		366,594	326,734
CURRENT LIABILITIES			
Other payables	29	**24,180**	6,158
Other borrowings	31	**–**	42,849
Convertible notes payable	30	**–**	10,716
Current taxation	34(a)	**6**	6
		(24,186)	(59,729)
NET CURRENT ASSETS		**342,408**	267,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,882,460**	3,734,010
NON-CURRENT LIABILITIES			
Other borrowings	31	**30,135**	–
Promissory notes payables	32	**5,003**	–
		(35,138)	–
NET ASSETS		**3,847,322**	3,734,010
CAPITAL AND RESERVES	38(a)		
Share capital		**338,208**	227,231
Share premium and reserves		**3,509,114**	3,506,779
TOTAL EQUITY		**3,847,322**	3,734,010

Approved and authorised for issue by the board of directors on 28 March 2013.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 42 to 153

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total share premium and reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	825,518	3,083,591	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														
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:														
Exchange differences arising during the year	–	–	–	–	–	2,946	–	–	–	–	2,946	2,946	20	2,966
Available-for-sale investments:														
Net gain/(loss) arising on revaluation of available-for-sale investments during the year	–	–	–	–	–	–	(1,754)	–	–	–	(1,754)	(1,754)	–	(1,754)
Total comprehensive expense for the year	–	–	–	–	–	2,946	(1,754)	–	–	(87,410)	(86,218)	(86,218)	(34,656)	(120,874)
Shares issued upon exercise of bonus warrants (note 38b)(v))	72	123	–	–	–	–	–	–	–	–	123	195	–	195
Issue of convertible notes (note 30)	–	–	–	–	–	–	–	10,987	–	–	10,987	10,987	–	10,987
Equity-settled share-based payments	–	–	4,743	–	–	–	–	–	–	–	4,743	4,743	–	4,743
Shares issued upon conversion of convertible notes (note 30 and 38(b)(ii))	83,334	66,854	–	–	–	–	–	(10,300)	–	–	56,554	139,888	–	139,888
Share consolidation and capital reduction (note 38(b)(vii))	(681,693)	–	–	–	–	–	–	–	444,747	236,946	681,693	–	–	–
Acquisition of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	–	–	–	4,956	4,956
	(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
At 1 January 2012	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
Loss for the year	–	–	–	–	–	–	–	–	–	(39,917)	(39,917)	(39,917)	(19,777)	(59,694)
Other comprehensive expense														
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:														
Exchange differences arising during the year	–	–	–	–	–	(47,102)	–	–	–	–	(47,102)	(47,102)	1,830	(45,272)
Reclassification adjustments relating to PRC subsidiaries disposed of during the year	–	–	–	–	–	(2,035)	–	–	–	–	(2,035)	(2,035)	–	(2,035)
Available-for-sale investments:														
Net gain arising on revaluation of available-for-sale investments during the year	–	–	–	–	–	–	245	–	–	–	245	245	–	245
Total comprehensive expense for the year	–	–	–	–	–	(49,137)	245	–	–	(39,917)	(88,809)	(88,809)	(17,947)	(106,756)
Issue of warrants (note 38(c)(viii))	–	–	–	–	1,801	–	–	–	–	–	1,801	1,801	–	1,801
Equity-settled share-based payments	–	–	3,502	–	–	–	–	–	–	–	3,502	3,502	–	3,502
Shares issued under placements, net of issuing costs (note 38(b)(iii))	96,977	39,602	–	–	–	–	–	–	–	–	39,602	136,579	–	136,579
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	9,998	9,998
Shares issued under share options scheme	14,000	16,521	(2,521)	–	–	–	–	–	–	–	14,000	28,000	–	28,000
Settlement of convertible notes (note 30)	–	–	–	–	–	–	–	(687)	–	687	–	–	–	–
Lapse of share options granted under share option scheme	–	–	(7,090)	–	–	–	–	–	–	7,090	–	–	–	–
Decrease in non-controlling interests arising from disposal of subsidiaries (note 41(a))	–	–	–	–	–	–	–	–	–	–	–	–	10,919	10,919
Decrease in non-controlling interests arising on acquisition of additional interests in non-wholly owned subsidiaries (note 19(c))	–	–	–	6	–	–	–	–	–	–	6	6	(6)	–
Others	–	–	–	–	–	642	–	–	–	–	642	642	797	1,439
	110,977	56,123	(6,109)	6	1,801	642	–	(687)	–	7,777	59,553	170,530	21,708	192,238
At 31 December 2012	338,208	3,206,691	5,053	9,591	1,801	(45,685)	(1,509)	–	444,747	(119,550)	3,501,139	3,839,347	(43,142)	3,796,205

The notes on pages 42 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(60,142)**	(121,509)
Adjustments for:			
Amortisation of intangible assets	18	**2,464**	1,610
Depreciation	17(a)	**2,217**	2,828
Foreign exchange (gain)/loss		**(5,412)**	25,484
Gain on bargain purchase		**–**	(345)
Interest expenses	6(a)	**5,067**	10,824
Interest income	5(a)	**(512)**	(2,829)
Impairment loss on exploration and evaluation assets		**–**	34,550
Impairment loss on prepayments	16	**–**	3,199
Impairment loss on property, plant and equipment	17(a)	**1,094**	2,262
Impairment loss on assets held for sale	8	**12,194**	–
Impairment loss on convertible notes receivables	25(a)(i)	**15,467**	–
Impairment loss on available-for-sale investment		**1,579**	–
Deemed loss on dilution of interests in available-for-sale investments	24	**252**	–
Gain on disposal of subsidiaries	41	**(10,451)**	(1,718)
Gain on termination of sub-contracting contract	23	**(29,034)**	–
Net fair value loss on financial derivative instruments	5(b)	**31**	457
Loss on disposal of property, plant and equipment and intangible assets		**2,429**	151
Gain on disposal of oil production assets under property, plant and equipment	5(b)	**(3,143)**	–
(Gain)/loss on disposal of oil exploration rights under intangible assets	5(b)	**(6,330)**	324
Reversal of impairment loss on prepayments	6(c)	**(3,199)**	–
Reversal of impairment loss on other receivables	6(c)	**(1,600)**	–
Share of losses of a jointly controlled entity	21	**1,504**	2,608
Share-based payment expenses		**3,502**	4,743
		(72,023)	(37,361)
Changes in working capital:			
Increase in inventories		**(1,901)**	(1,503)
(Increase)/decrease in trade and other receivables		**(42,641)**	28,925
Increase/(decrease) in trade and other payables		**(22,541)**	(56,863)
Increase in provision		**2,761**	–
CASH USED IN OPERATIONS		**(136,345)**	(66,802)
Interest paid		**(5,064)**	(9,233)
Interest received		**222**	2,090
Income tax paid			
— Hong Kong		**(2)**	–
— PRC		**(32)**	(445)
— Argentina		**–**	–
NET CASH USED IN OPERATING ACTIVITIES		**(141,221)**	(74,390)

The notes on pages 42 to 153 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment	15(a)	**(14,665)**	(11,543)
Payment for the purchase of exploration and evaluation assets	14 & 31	**(4,871)**	(159,725)
Payment for the purchase of intangible assets	18	**(388)**	(6,275)
Proceeds from disposal of property, plant and equipment		**12,273**	–
(Payment)/refund of deposit for potential investment	20	**(56,992)**	60,000
Net cash outflows from acquisition of a subsidiary	40	**–**	(18,880)
Net cash inflows/(outflows) from disposal of subsidiaries	41	**191**	(1)
Proceeds from termination of sub-contracting contract	23	**122,800**	–
Convertible note receivable acquired	25	**–**	(20,986)
Repayment from a non-controlling shareholder	27(e)	**1,134**	1,865
Payment of purchase of available-for-sale investments	24	**(377)**	–
Prepayment for right in oil production sharing contract	27(i)	**–**	(4,276)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**59,105**	(159,821)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**27,663**	2,031
Repayment of bank and other borrowings		**(116,103)**	(944)
Capital element of finance lease rental paid		**(5)**	(12)
Interest element of finance lease rentals paid		**(2)**	–
Proceeds from issue of convertible notes	30	**–**	160,000
Issue of new shares, net of transaction costs		**164,579**	195
Issue of warrants, net of transaction costs	38(c)(viii)	**1,801**	–
Capital contributions received by a wholly owned subsidiary from non-controlling interests		**9,998**	–
Redemption of convertible notes	30	**(10,716)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**77,215**	161,270
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(4,901)**	(72,941)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**41,030**	114,061
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(79)**	(90)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	28	**36,050**	41,030

The notes on pages 42 to 153 form part of these financial statements.

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 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

For the year ended 31 December 2012, the Group incurred a net loss of HK$59,694,000. Despite the fact that the Group had maintained a net current assets position, the recurring losses of the Group and the capital expenditure to be incurred for its overseas operations indicate the existence of a material uncertainty which may cast 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 of various measures to improve its financial position which include, but are not limited to, the following:

(i) The continuing financial support from its substantial shareholder through the exercise of warrants (note 38(c)(viii));

(ii) The Company had completed several placings subsequent to the end of the reporting period and derived a cash flow to the Group of approximately HK$65,590,000 (note 45(b));

(iii) The Group will discuss with its banker and other lenders for the renewal of banking facilities and other borrowings upon their maturities;

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Going concern basis *(Continued)*

In light of the measures described above, the directors are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the foreseeable future. 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 2012 comprise the Company and its subsidiaries and the Group's interests in associates and a jointly controlled entity.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). 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 assets and liabilities are carried at their fair value as explained in the accounting policies set out below:

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

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

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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 significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 46.

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. 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.

Changes in the Group's ownership interests in existing subsidiaries

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 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 or, when appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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

An investment in an associate or 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) (see note 2(ab)). 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)(ii)). 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 the consolidated income statement, 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 associate or 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 associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and 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 significant influence over an associate or 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 significant influence or 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 or jointly controlled entity.

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 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.

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 against goodwill. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Business combinations *(Continued)*

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), and 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.

(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, associates and jointly controlled entity, are as follows:

Investments in debt and equity securities are initially carried 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:

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 note 2(y)(iii) and (v).

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)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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)(v) 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)(iii). When these investments are derecognised or impaired (see note 2(n)), 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.

(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, other than construction in progress, are carried in the statement of financial position at cost less any accumulated depreciation and any impairment losses (see note 2(n)(ii)).

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%

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Depreciation of oil production assets is calculated on 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.

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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(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 expense.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Oil exploration assets *(Continued)*

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

(l) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised 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 excepted from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Leased assets *(Continued)*

(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.

(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 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.

(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 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.

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 subsidiaries, associates and a jointly controlled entity (including those 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 unquoted 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 current 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 had been recognised in 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

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 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 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).

— 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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 profits 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 indicates that the carrying amount may not be recoverable:

— 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 mineral resources in the specific area is neither budgeted nor planned.

— exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral 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.

(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 levels 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) and (iii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

(v) Interim financial reporting and impairment (Continued)

Impairment losses recognised in an interim period in respect of 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)).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Convertible notes *(Continued)*

(i) Convertible notes that contain an equity component (Continued)

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 convertible notes 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(v) Share-based payments

(i) 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 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.

At the time when the Group modifies the terms and conditions of the share options previously granted, if the modification increases the fair value of the equity instruments granted measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

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.

(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).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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) Interest income

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

(iv) Commission income

Commission income is recognised when services are rendered.

(v) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Translation of foreign currencies *(Continued)*

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 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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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 (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ab) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ac) Warrants

The issue of warrants will be settled by the exchange of fixed amount of cash for a fixed number of the Company's own equity instruments. When the warrants are subscribed, the fair value of the consideration received is recognised in warrants reserve.

The fair value of the warrant is recognised in warrants reserve until either the warrant is exercised (when it is transferred to the share premium account) or the warrant expires (when it is released directly to accumulated losses).

(ad) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ad) Related parties *(Continued)*

(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.

(ae) 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, i.e. 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 ("HKFRSs")

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

Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

As described below, the application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 7, Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Deferred Tax: Recovery of Underlying Assets

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40 *Investment Property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The application of the amendments to HKAS 12 does not have impact to the Group as the Group currently does not have any investment property.

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:

	2012 HK$'000	2011 HK$'000
Sale of oil products	**121,406**	107,717
Sale of iron concentrates	**–**	10,501
Sale of non-ferrous metals	**2,686**	8,456
Sale of oil products under oil exploration and production	**4,915**	2,183
	129,007	128,857

5. OTHER REVENUE AND NET INCOME

	2012 HK$'000	2011 HK$'000
(a) Other revenue		
Bank interest income	**42**	797
Other interest income	**180**	1,293
Effective interest income on convertible note receivable (note 25)	**290**	739
Total interest income on financial assets not at fair value through profit or loss	**512**	2,829
Sundry income	**1,004**	724
	1,516	3,553
(b) Other net income/(loss)		
Net (loss)/gain on sale of crude oil under trial production	**(7)**	234
Net fair value loss on derivative financial instruments (note 25)	**(31)**	(457)
Gain on disposal of oil production assets under property, plant and equipment	**3,143**	–
Gain on disposal of intangible assets	**6,330**	–
Reversal of impairment loss on prepayment	**3,199**	–
Reversal of impairment loss on other receivables (note 27(b))	**1,600**	–
	14,234	(223)

6. LOSS BEFORE TAXATION

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

	2012 HK$'000	2011 HK$'000
(a) Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**5,062**	9,233
Finance charge on obligations under finance lease	**2**	–
Effective interest expenses on convertible notes payables (note 30)	**–**	1,591
Effective interest expenses on promissory notes payables (note 32)	**3**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**5,067**	10,824
(b) Staff costs (including directors' emoluments)		
Salaries, wages and benefits in kind	**15,201**	12,242
Contributions to defined contribution retirement plans	**1,353**	733
Equity-settled share-based payment expenses	**834**	4,631
	17,388	17,606
(c) Other items		
Auditor's remuneration	**1,875**	1,490
Amortisation of intangible assets (note 18)	**2,464**	1,610
Consultancy fees (note (ii))	**8,239**	12,747
Cost of inventories (note (i) and Note 26(b))	**132,546**	127,564
Depreciation for property, plant and equipment (note 17(a))	**2,217**	2,828
Impairment loss on prepayments	**–**	3,199
Impairment loss on exploration and evaluation assets (note 16)	**–**	34,550
Impairment loss on property, plant and equipment (note 17)	**1,094**	2,262
Impairment loss on assets held for sale (note 8)	**12,194**	–
Impairment loss on convertible notes receivables (note 25(a))	**15,467**	–
Impairment loss on available-for-sale investments (note 24)	**1,579**	–
Deemed loss on dilution of interest in available-for-sale investments (note 24)	**252**	–
Loss on disposal of property, plant and equipment	**2,429**	151
(Gain)/loss on disposal of intangible assets	**(6,330)**	324
Minimum lease payments under operating leases on leasehold land and buildings	**1,810**	2,173
Net foreign exchange loss	**862**	3,688

Notes:

(i) Cost of inventories includes HK$637,000 (2011: HK$626,000) 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$2,668,000 (2011: HK$112,000) equity-settled share-based payment expenses on options granted to the consultants during the year.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	2012 HK$'000	2011 HK$'000
Current tax		
Hong Kong Profits Tax	**42**	210
PRC Enterprise Income Tax	**–**	367
Overprovision in respect of prior years		
Hong Kong Profits Tax	**(208)**	–
	(166)	577
Deferred tax		
Argentina Corporate Income Tax	**(282)**	–
Total	**(448)**	577

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands (the "BVI"), the Group and its subsidiaries incorporated in Bermuda and BVI are not subject to any income tax in Bermuda and the BVI during the year (2011: HK$Nil).

Provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

Subsidiaries of the Group in the People's Republic of China (the "PRC") 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.

Subsidiaries of the Group in Argentina Republic ("Argentina") 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 subsidiaries of the Group in Argentina are the higher of CIT and MPIT. No provision for CIT as the subsidiaries have accumulated tax losses brought forward which exceed the estimated assessable profits for the year.

Subsidiaries of the Group in Texas and Louisiana, United States 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.

Subsidiaries of the Group in Utah, United States are not subject to federal tax. As the subsidiaries have no income during the year, the income taxes paid will be limited to US$100 which is the minimum fee to be charged regardless of income.

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

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

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(60,142)**	(121,509)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the tax jurisdictions concerned	**(4,128)**	(25,069)
Tax effect of non-taxable income	**(23,863)**	(42,232)
Tax effect of non-deductible expenses	**15,658**	54,374
Tax effect of utilisation of tax losses	**(3,096)**	–
Tax effect of tax losses not recognised	**15,177**	12,873
Tax effect of deductible temporary differences not recognised	**12**	631
Over-provision in prior years	**(208)**	–
Actual tax (credit)/expense	**(448)**	577

8. ASSET AND LIABILITIES HELD FOR SALE

On 24 July 2012, ET-LA, LLC ("ET-LA") and ET-LA(2), LLC ("ET-LA(2)"), of which 82.5% equity interests are beneficially owned by the Company, through Novastar Company Limited, had entered into a purchase agreement with an independent third party in relation to the disposal of certain oil and gas interests within the oil exploration and production reportable segment with an aggregate carrying value of approximately US$2,078,000 (equivalent to approximately HK$16,105,000). However, the buyer failed to comply with the payment terms and conditions as stated in the agreement and the agreement was then terminated.

Subsequent on 16 January 2013, ET-LA and ET-LA(2), entered into another sale and purchase agreement with BCM Energy Partners Inc. ("BCM"), an independent third party, in respect of the disposal of those oil and gas interests mentioned above. The total consideration is US$2,800,000 (equivalent to approximately HK$21,700,000), which is satisfied by (i) cash consideration of US$300,000 (equivalent to approximately HK$2,325,000) and (ii) issue of convertible notes in an aggregate principal amount of US$2,500,000 (equivalent to approximately HK$19,375,000) by BCM to the Company.

At 31 December 2012, the assets and liabilities held for sale are as follows:

	2012 HK$'000
Property, plant and equipment	**807**
Intangible assets	**1,518**
Assets held for sale	**2,325**
Provisions (note 35(b))	**(550)**
Deferred tax liabilities (note 34(c))	**(746)**
Liabilities held for sale	**(1,296)**

Impairment losses of approximately HK$12,194,000 on the remeasurement of the asset held for sale to the lower of its carrying amount and its fair value less costs to sell have been included in "Other operating expenses" in the consolidated income statement.

8. ASSET AND LIABILITIES HELD FOR SALE *(Continued)*

Cumulative income or expenses recognised in other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to those assets and liabilities held for sale.

9. DIRECTORS' EMOLUMENTS

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

	Year ended 31 December 2012						
	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 a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	–	817	–	12	829	–	829
Executive directors							
Mr. Cheng Ming Kit, Tommy (note b)	–	1,759	–	14	1,773	–	1,773
Mr. Sun Jiang Tian (note c)	–	742	–	–	742	–	742
Non-executive directors							
Mr. Wong Man Kong, Peter	100	–	–	–	100	–	100
Independent non-executive directors							
Mr. Chan Chi Yuen	100	–	–	–	100	–	100
Mr. Fung Chi Kin (note d)	38	–	–	–	38	–	38
Mr. Chiu Wai On	100	–	–	–	100	–	100
Mr. Fung Siu To, Clement (note e)	100	–	–	–	100	–	100
	438	3,318	–	26	3,782	–	3,782

9. DIRECTORS' EMOLUMENTS *(Continued)*

	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 a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	100	–	–	–	100	1,833	1,933
Executive directors							
Mr. Cheng Ming Kit, Tommy (note b)	–	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:

(a) 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).

(b) Mr. Cheng Ming Kit, Tommy is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(c) Appointed on 1 March 2012.

(d) Resigned on 18 May 2012.

(e) Resigned on 28 March 2013.

The details of the share options are disclosed under the paragraph "Share Option Scheme" in the report of the directors and note 36.

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 2012 and 2011.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: two) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining two (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**1,378**	2,343
Equity-settled share-based payment	**290**	460
Contribution to retirement benefit schemes	**24**	33
	1,692	2,836

Analysis of the emoluments of the remaining two (2011: three) individuals with the highest emoluments by the number of individuals and remuneration range is as follows:

	Number of individuals	
	2012	2011
Band		
Nil–HK$1,000,000	**2**	1
HK$1,000,001–HK$1,500,000	**–**	2

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 2012 and 2011.

11. OTHER COMPREHENSIVE INCOME/EXPENSES

Tax effects relating to each components of other comprehensive income/(expense)

	2012			2011		
	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 and PRC subsidiaries						
— Exchange differences arising during the year	**(45,272)**	**–**	**(45,272)**	2,966	–	2,966
— Reclassification adjustments relating to PRC subsidiaries disposed of during the year	**(2,035)**	**–**	**(2,035)**	–	–	–
	(47,307)	**–**	**(47,307)**	2,966	–	2,966
Net gain/(loss) arising on revaluation of available-for-sale investments	**245**	**–**	**245**	(1,754)	–	(1,754)
	(47,062)	**–**	**(47,062)**	1,212	–	1,212

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK$56,570,000 (2011: HK$106,624,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2012 (2011: Nil).

14. 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$39,917,000 (2011: HK$87,410,000) and the weighted average number of 560,497,000 ordinary shares (2011: 449,879,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	'000	'000
Weighted average number of ordinary shares at 31 December	**560,497**	449,879

(b) Diluted loss per share

Diluted loss per share for both the years ended 31 December 2011 and 2012 were the same as the basic loss per share as the potential ordinary shares 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 and warrants as the exercise prices of those options and warrants were higher than the average market price of shares.

Diluted loss per share for both years do not include the effect of the convertible notes because it would result in a decrease in loss per share.

15. 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 United States. The activities carried out in Argentina and United States are through non-wholly-owned subsidiaries.
Oil exploration and production	This segment represents the business of oil exploration and production in United States.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the board of directors 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, interests in associates, convertible note receivable, deposits paid for potential investments, available-for-sale investments and other corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of convertible notes payables, promissory notes payables, obligation under finance lease 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, share of losses of associates, unallocated interest income, unallocated interest expenses, impairment loss on available-for-sale investments, deemed loss on dilution of interest in available-for-sale investments and income tax expenses. This is the measure reported to the board of directors for the purpose of resources allocation and assessment of segment performance. In addition to receiving segment information concerning the segment result, the board of directors is provided with segment information concerning interest income, interest expenses, income tax expenses, depreciation and amortisation, impairment losses on intangible asset, trade and other receivables, exploration and evaluation assets and property, plant and equipment, assets held for sale 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.

15. SEGMENT INFORMATION *(Continued)*

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

Information regarding the Group's reportable segments as provided to the board of directors for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 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
Reportable segment revenue (note)	124,092	126,674	–	–	4,915	2,183	129,007	128,857
Reportable segment gain/(loss)	34,476	(19,689)	(18,154)	(57,670)	(31,687)	(4,524)	(15,365)	(81,883)
Depreciation and amortisation	511	1,773	200	220	3,496	1,895	4,207	3,888
Interest income	4	35	1	115	193	–	198	150
Interest expenses	2,271	6,970	–	–	203	–	2,474	6,970
Income tax credit	–	–	282	–	–	–	282	–
Impairment loss on								
— exploration and evaluation assets	–	–	–	34,550	–	–	–	34,550
— property, plant and equipment	–	–	–	–	1,094	2,262	1,094	2,262
— assets held for sale	–	–	–	–	12,194	–	12,194	–
Reportable segment assets	4,954	96,251	3,664,213	3,716,669	24,188	43,285	3,693,355	3,856,205
Additions to non-current segment assets during the year	–	7,685	4,871	187,210	19,811	47,067	24,682	241,962
Reportable segment liabilities	(576)	(135,847)	(8,721)	(29,170)	(13,473)	(14,561)	(22,770)	(179,578)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year. (2011: HK$Nil).

15. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Revenue		
Reportable segment revenue	**129,007**	128,857
Unallocated revenue	**–**	–
Consolidated turnover	**129,007**	128,857
Loss		
Reportable segment loss	**(15,365)**	(81,883)
Depreciation and amortisation	**(474)**	(550)
Unallocated interest income	**314**	2,679
Unallocated interest expenses	**(2,593)**	(3,854)
Impairment loss on prepayments	**–**	(3,199)
Impairment loss on available-for-sale investments	**(1,579)**	–
Deemed loss on dilution of interest in available-for-sale investments	**(252)**	–
Unallocated operating income	**3,199**	–
Unallocated operating expenses	**(41,857)**	(31,637)
Share of post-tax loss of a jointly controlled entity	**(1,504)**	(2,608)
Net fair value loss on derivative financial instruments	**(31)**	(457)
Consolidated loss before taxation	**(60,142)**	(121,509)
Assets		
Reportable segment assets	**3,693,355**	3,856,205
Interest in a jointly controlled entity	**2,836**	4,340
Convertible notes receivables	**8,759**	–
Deposits paid for potential investments	**61,992**	–
Available-for-sale investments	**40,104**	37,501
Unallocated corporate assets		
— Cash and cash equivalents	**33,599**	34,291
— Other receivables	**58,202**	14,928
— Others	**423**	523
Consolidated total assets	**3,899,270**	3,947,788
Liabilities		
Reportable segment liabilities	**(22,770)**	(179,578)
Convertible notes payables	**–**	(10,716)
Promissory notes payables	**(5,003)**	–
Obligation under finance lease	**(414)**	–
Unallocated corporate liabilities		
— Other borrowing	**(68,543)**	(42,849)
— Current taxation	**(48)**	(248)
— Others	**(6,287)**	(3,674)
Consolidated total liabilities	**(103,065)**	(237,065)

15. SEGMENT INFORMATION *(Continued)*

(c) Geographical information

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

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 note receivable and available-for-sale investments ("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 allocated, in the case of intangible assets and deposits and prepayments. In the case of interest in a jointly-controlled entity and associates, it is based on the location of the operation of such jointly-controlled entity and associates.

	Revenue from external customers		**Specified non-current assets**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong (place of domicile)	**–**	–	**424**	6,041
PRC	**124,092**	18,957	**26,992**	88,420
Argentina	**–**	–	**3,689,300**	3,696,508
United States	**4,915**	2,183	**17,247**	46,994
Malaysia	**–**	107,717	**–**	–
Australia	**–**	–	**2,836**	4,340
	129,007	128,857	**3,736,799**	3,842,303

(d) Information about major customers

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

	2012 HK$'000	2011 HK$'000
Customer A	**121,407**	–
Customer B	**–**	107,717

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 principle type of products were set out in note 4.

16. 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
Cost						
At 1 January 2011	3,225,172	27,652	210,679	–	37,835	3,501,338
Acquired through business combination (note 40)	–	–	–	3,447	–	3,447
Additions	13,667	54,785	112,048	1,660	6,735	188,895
Exchange adjustments	(924)	(1,310)	(16,042)	–	(922)	(19,198)
At 31 December 2011	3,237,915	81,127	306,685	5,107	43,648	3,674,482
At 1 January 2012	3,237,915	81,127	306,685	5,107	43,648	3,674,482
Additions	–	1,265	2,702	–	904	4,871
Transfer to property, plant and equipment (note 17(a))	–	–	–	(5,093)	–	(5,093)
Exchange adjustments	(1,929)	(14,494)	(34,168)	(14)	(1,488)	(52,093)
At 31 December 2012	3,235,986	67,898	275,219	–	43,064	3,622,167
Accumulated impairment						
At 1 January 2011	–	–	–	–	–	–
Impairment loss recognised (note c)	–	34,550	–	–	–	34,550
At 31 December 2011	–	34,550	–	–	–	34,550
At 1 January 2012	–	34,550	–	–	–	34,550
Exchange adjustments	–	(5,442)	–	–	–	(5,442)
At 31 December 2012	–	29,108	–	–	–	29,108
Carrying amount						
At 31 December 2012	3,235,986	38,790	275,219	–	43,064	3,593,059
At 31 December 2011	3,237,915	46,577	306,685	5,107	43,648	3,639,932

(a) On 29 December 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^{o} 3391/2006 and Decree N^{o} 3388/2006 respectively. The Tartagal Concession and Morillo Concession (collectively the "Concessions") are the concessions in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. Exploration permits and potential exploitation permits were granted for oil and developments of hydrocarbons in the Concession area. 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.

16. EXPLORATION AND EVALUATION ASSETS *(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 mainly responsible for the provision of funding for investments and expenses incurred during the exploration stage, and any cash generated in the Concessions will first be applied to repay the funding provided by High Luck.

In April 2009, the UTE was registered in the Public Register of Commerce as Maxipetrol Petroleros de Occidente — UTE and High Luck became 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 which will carry out the duties with regard to all legal acts, contracts and other operations for 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 (that is, 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.

As advised by the Group management, technical experts and legal advisor, the Group has detailed work plan and sufficient resources to sustain the implementation of the work plan in the near future and as such, they are of the view that there is no indication for the exploration permits not be renewed.

(c) As at 31 December 2012, according to the Group's accounting policy set out in note 2(n)(iii), the management of the Group determines that there are no other facts or circumstances suggest that the carrying amount of the exploration and evaluation assets may not be recovered. As a result, no impairment of exploration and evaluation assets is recognised for the year ended 31 December 2012.

During the year ended 31 December 2011, 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 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 recognised all the direct costs of this unsuccessful well in the income statement for the prior year.

16. EXPLORATION AND EVALUATION ASSETS *(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 surface area, this program only covers about 7% of the total surface area of the Tartagal concession and that unsuccessful well only representing about 0.0002% of the total surface 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 prepared and issued by a firm of independent technical consultants to be appointed by the Company and agreed by the vendors, Mr. Wong Cheung Yiu ("Mr. Wong") and Mr. Chan Koon Wa ("Mr. Chan"), 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 an 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 Mr. Chan and as to HK$520,260,000 to Mr. Wong; 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 at the absolute discretion of the Company.

The above terms and conditions expired on 3 May 2012. During the year, consistent with the classification as at the date of acquisition, the estimated reserves are classified as prospective resources by reference to an updated 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 date of expiry, no additional consideration of HK$780,000,000 were paid to the vendors.

(e) Oil exploration assets arose from (i) acquisition of a non-wholly owned subsidiary, ET-LA set out in note 40 and (ii) subsidiary established during the year ended 31 December 2011 in the United States.

Oil exploration assets with a carrying amount of approximately HK$Nil (2011: HK$3,965,000) were pledged to a bank for the banking facilities granted to the Group (note 31(d)).

17. 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 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 40)	–	–	–	–	–	5,566	–	5,566
Disposal of subsidiary (Note 41(b))	(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
At 1 January 2012	388	4,068	687	1,312	3,705	12,173	3,164	25,497
Exchange adjustments	2	45	7	(72)	(129)	95	34	(18)
Additions	1,336	146	–	621	1,601	11,417	–	15,121
Disposal arising from termination of sub-contracting contract	–	(4,259)	(694)	–	–	–	(3,198)	(8,151)
Transfer from exploration and evaluation assets (note 16)	–	–	–	–	–	5,093	–	5,093
Reclassified as held-for-sale (note 8)	–	–	–	–	–	(7,899)	–	(7,899)
Disposal of subsidiaries (note 41(a))	–	–	–	(113)	(682)	–	–	(795)
Disposal	–	–	–	(225)	–	(9,298)	–	(9,523)
At 31 December 2012	1,726	–	–	1,523	4,495	11,581	–	19,325
Accumulated depreciation and impairment								
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 41(b))	(337)	–	(255)	(177)	–	–	–	(769)
Exchange adjustment	8	4	7	(5)	(16)	(6)	–	(8)
At 31 December 2011	191	225	135	564	2,649	3,173	–	6,937
At 1 January 2012	191	225	135	564	2,649	3,173	–	6,937
Charge for the year	142	279	77	218	471	1,030	–	2,217
Impairment loss (note d)	–	–	–	–	–	1,094	–	1,094
Written back on disposal	–	–	–	(69)	–	(334)	–	(403)
Written back on disposal arising from termination of sub-contracting contract	–	(506)	(274)	–	–	–	–	(780)
Reclassified as held-for-sale (note 8)	–	–	–	–	–	(2,861)	–	(2,861)
Written back on disposal of subsidiary (note 41(a))	–	–	–	(83)	(333)	–	–	(416)
Exchange adjustment	(1)	2	62	(90)	(55)	118	–	36
At 31 December 2012	332	–	–	540	2,732	2,220	–	5,824
Carrying amount								
At 31 December 2012	1,394	–	–	983	1,763	9,361	–	13,501
At 31 December 2011	197	3,843	552	748	1,056	9,000	3,164	18,560

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) During the year, additions to motor vehicle of the Group financed by new finance leases were HK$420,000 (2011 HK$Nil). At the end of the reporting period, the carrying amount of motor vehicle held under finance leases of the Group was HK$406,000 (2011: HK$Nil).

(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$Nil (2011: HK$3,000).

(d) During the year ended 31 December 2012, 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$1,094,000 (2011: 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 discount rate used in measuring value in use was 10% per annum.

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

(e) Oil production assets with a carrying amount of approximately HK$228,000 (2011: HK$8,851,000) were pledged to a bank for the banking facilities granted to the Group (see note 31(d)).

18. INTANGIBLE ASSET

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 2011	3,501	–	–	3,501
Additions	–	4,680	1,595	6,275
Acquired through business combination (note 40)	–	–	23,378	23,378
Disposals	(3,557)	–	–	(3,557)
Exchange adjustments	56	–	(56)	–
At 31 December 2011 and 1 January 2012	–	4,680	24,917	29,597
Additions	–	–	388	388
Disposals	–	(4,680)	(8,121)	(12,801)
Reclassified as held-for-sale (note 8)	–	–	(10,065)	(10,065)
Exchange adjustments	–	–	(60)	(60)
At 31 December 2012	–	–	7,059	7,059
Accumulated amortisation and impairment				
At 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 and 1 January 2012	–	–	976	976
Charge for the year	–	–	2,464	2,464
Disposals	–	–	(377)	(377)
Reclassified as held-for-sale (note 8)	–	–	(584)	(584)
Exchange adjustments	–	–	(166)	(166)
At 31 December 2012	–	–	2,313	2,313
Carrying amounts				
At 31 December 2012	–	–	4,746	4,746
At 31 December 2011	–	4,680	23,941	28,621

18. INTANGIBLE ASSET *(Continued)*

Notes:

(a) The balance represented a coal trading license in PRC held by the Group. The coal trading license had finite useful lives and is amortised on a straight line basis over its remaining useful life of 28 months. The amortisation charge for the year ended 31 December 2011 was included in "Administrative expenses" in the consolidated income statement. The license was disposed during the year ended 31 December 2011.

(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 interests in oil production sharing contract (see note 24(b)).

(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 (2011: 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 amount of HK$4,358,000 (2011: HK$23,378,000) were pledged to a bank for the banking facilities granted to the Group (see note 31(d)).

(e) Impairment test for intangible asset

During the year ended 31 December 2011, the recoverable amount of the rights in oil production sharing contract was 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 amount as at 31 December 2011.

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**2,395,092**	2,395,092
Amount due from subsidiaries (note (a))	**1,220,931**	1,147,884
	3,616,023	3,542,976
Less: Impairment losses (note (b))	**(75,971)**	(75,971)
	3,540,052	3,467,005

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) The amounts were unsecured, interest free and will not be demanded for repayment. In the opinion of the directors, 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 16). Accordingly, impairment loss to reduce the carrying amount of investment cost in subsidiaries was therefore recognised. The impairment loss was charged to the income statement of the Company.

(c) During the year ended 31 December 2012, the Group further acquired 2.5% equity interests in ET-LA and ET-LA (2) respectively, increasing its effective interests to 82.5%. An amount of approximately HK$6,000 has been transferred from non-controlling interests.

(d) Details of the Company's subsidiaries as at 31 December 2012 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 ordinary 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
Jumbo Hope Group Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Cheer Profit Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
High Luck Group Limited **	BVI/Hong Kong/Argentina	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Maxipetrol Petroleros de Occidente — UTE ("UTE") **	Argentina	N/A	60%	–	60%	Exploration of oil and hydrocarbon
ET-LA, LLC **	United States	US$500	82.5%	–	82.5%	Locating, evaluating, acquiring and developing oil and gas properties
ET-LA (2), LLC **	United States	US$1,000	82.5%	–	82.5%	Locating, evaluating, acquiring and developing oil and gas properties
United Resources Trading Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	51%	–	51%	Trading of oil products

19. INVESTMENTS IN SUBSIDIARIES *(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	Held by the Company	Held by a subsidiary	Principal activities
Jade Honest Limited	BVI/Hong Kong	2,700 ordinary shares of US$1 each	100%	100%	–	Dormant
Bright Rise Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Happy Light Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Peak Victory International Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Techno Wealth Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Grand Rich Trading Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Prominent Sino Holdings Limited	BVI/United States	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Novastar Capital Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Value Train Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
High Luck Holding (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Rich Result Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	General trading
United Oil & Resources Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	–	100%	Dormant
NTE-Utah US, LLC **	United States	US$500	100%	–	100%	Not yet commenced business
Tiger Energy Operating LLC **	United States	Nil	100%	–	100%	Not yet commenced business
Clear Elite Holdings Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Shine Great Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Times Gas (Hong Kong) Limited	Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

(c) *(Continued)*

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
New Phoenix Global Limited	BVI/Hong Kong	200 ordinary shares at US$1 each	51%	–	51%	Investment holding
First Alpha Holdings Limited	Hong Kong	1 ordinary share at HK$1	100%	–	100%	Investment holding
Ever Billion Developments Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Celestial Glory Limited	Hong Kong	1 ordinary share at HK$1	100%	–	100%	Investment holding
Ace Diamond Trading Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Absolute Champ Limited	Hong Kong	1 ordinary share at HK$1	100%	–	100%	Investment holding
Cloud Decade Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Crown Castle Limited	Hong Kong	1 ordinary share at HK$1	100%	–	100%	Not yet commenced business
Skyla Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
LA E&P, LLC **	United States	Nil	100%	–	100%	Not yet commenced business
深圳中港新時代能源有限公司*	PRC	Registered capital of RMB100,000,000	100%	–	100%	Not yet commenced business
淮安新時代能源有限公司*	PRC	Registered capital of US$2,000,000	100%	–	100%	Not yet commenced business
徐州新時代能源有限公司*	PRC	Registered capital of US$10,000,000	100%	–	100%	Not yet commenced business
徐州銅北新時代能源有限公司*	PRC	Registered capital of US$4,000,000	100%	–	100%	Not yet commenced business

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

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

20. DEPOSITS PAID FOR POTENTIAL INVESTMENT

	The Group	
	2012	2011
	HK$'000	HK$'000
At 31 December	**61,992**	–

The balance represent deposits paid by the Group in relation to certain possible acquisitions. Details are as follows:

(a) On 25 February 2012, Total Belief Limited ("Total Belief"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Principal Petroleum Limited, an independent third party for 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 "Interests").

On 15 May 2012, Total Belief entered into an acquisition agreement with Principle Petroleum Limited for the acquisition of the entire issued capital of New Choice Group Limited ("New Choice") and Glory Brightness Limited ("Glory Brightness ") at a consideration of HK$116,000,000. Further on 31 July 2012, the companies entered into a supplemental agreement for the proposed acquisition. Pursuant to the supplemental agreement, Total Belief had conditionally agreed to directly acquire the Interests as opposed to acquire the Interests through the acquisition of the entire issued capital of New Choice and Glory Brightness. The period for the fulfillment of the conditions under the supplemental agreement was extended to 31 December 2012.

Further on 24 December 2012, the parties entered into a second supplemental agreement, upon which the total consideration for the acquisition was reduced from HK$116,000,000 to HK$35,000,000. The revised consideration has been determined after arm's length negotiations among the parties, having taking into account the draft valuation reports prepared by an independent valuer indicating the aggregate value of the Interests to be acquired. The period for the fulfillment of the conditions under the second supplemental agreement will be extended from 31 December 2012 to 30 June 2013.

During the year ended 31 December 2012, deposits of HK$25,000,000 were paid in cash by the Group and promissory note in the principal amount of HK$5,000,000 (note 32) carrying interest at a rate of 3% per annum was issued by the Company to Principle Petroleum Limited as deposit payment of the consideration.

20. DEPOSITS PAID FOR POTENTIAL INVESTMENT *(Continued)*

(b) On 22 December 2011, High Luck Holding (Hong Kong) Limited ("High Luck HK"), a wholly-owned subsidiary of the Company, entered into a letter of intent (the "LOI") with Ms. Li LianFang ("Ms. Li"), an independent third party for the possible acquisition of the entire equity interest in Power Jet Group Limited ("Power Jet") which holds 9.25% interests in the Concessions (i.e. Upon completion of this proposed acquisition, the Group will hold 69.25% of the Concessions).

Pursuant to the terms of the LOI, Ms. Li agreed to negotiate exclusively with High Luck HK for a period of 9 months immediately after the signing of the LOI for the acquisition. Immediately after signing of the LOI, a refundable deposit of HK$5,000,000 shall be payable by High Luck HK to Ms. Li in cash in January 2012. In the event that a legally binding sale and purchase agreement has not been entered into within 9 months from the date of the LOI and the exclusivity period of the LOI has not been extended, the LOI will terminate automatically and Ms. Li shall forthwith return the deposit to High Luck HK. Further on 21 September 2012, High Luck HK had entered into an extended LOI to extend the exclusivity period under the LOI to continue the negotiation for a period of six months up to and inclusive of 21 March 2013. On 6 February 2013, the Company, High Luck HK, Ms. Li and Power Jet entered into the acquisition agreement to acquire the entire equity interest of Power Jet at a consideration of HK$150,000,000. The consideration shall be satisfied by: (i) cash consideration of HK$15,000,000; (ii) issuance of convertible notes in an aggregate principle amount of HK$105,000,000 by the Company and (iii) issuance of promissory notes in an aggregate amount of HK$30,000,000 by the Company.

The conditions precedent to the agreement are to be fulfilled on or before 31 December 2013 or any other dates agreed by the parties.

As at 31 December 2012, a refundable deposit of HK$5,000,000 in cash was paid by the Group in relation to the proposed acquisition.

(c) During the year, the Group had entered into two acquisition agreements to acquire legal and contractual interests, rights and benefits in various projects which mainly involved in natural gas refilling in refilling station and natural gas utilization projects in the PRC. Details of the acquisition were as follows:

(i) On 12 November 2012, 深圳中港新時代能源有限公司 ("深圳中港"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with three independent third parties to acquire 100% equity interests in Guizhou Kunyu Trading Company Limited ("Guizhou Kunyu") at the consideration of RMB80,000,000 (equivalent to approximately HK$99,200,000). Guizhou Kunyu will hold legal and contractual interests, rights and benefits in various projects which were mainly involved in natural gas refilling in refilling station and natural gas utilization projects in the PRC.

The consideration will be settled by ways of (i) refundable deposits; (ii) cash and (iii) the issue of convertible bonds.

As at 31 December 2012, refundable deposit of RMB10,000,000 (equivalent to approximately HK$12,280,000) was paid in cash by the Group in relation to the proposed acquisition.

(ii) On 1 December 2012, 深圳中港 entered into another acquisition agreement with four independent third parties to acquire 100% equity interests in Guizhou Shunyao Energy Investment Company Limited ("Guizhou Shunyao") at the consideration of RMB35,000,000 (equivalent to approximately HK$43,564,500). Guizhou Shunyao will hold interests, rights and benefits in various projects which were mainly involved in natural gas refilling in refilling station and natural gas utilization projects in the PRC.

20. DEPOSITS PAID FOR POTENTIAL INVESTMENT *(Continued)*

(c) *(Continued)*

(ii) *(Continued)*

The consideration will be settled by ways of (i) refundable deposits (ii) cash and (iii) the issue of convertible bonds. Further on 10 December 2012, the companies entered into a supplemental agreement in relation to the terms on allotment and issue of conversion shares upon exercise of convertible bonds.

As at 31 December 2012, a refundable deposit of RMB7,000,000 (equivalent to approximately HK$8,596,000) was paid in cash by the Group for the proposed acquisition.

On 5 March 2013, the Group entered into two supplemental agreements for the above acquisitions, pursuant to which 淮安新時代能源有限公司, an indirect wholly-owned subsidiary of the Company, shall replace 深圳中港 in the acquisitions, with all terms and conditions remained unchanged under the acquisition agreements.

(d) On 24 December 2012, Total Belief entered into a memorandum of understanding for a possible acquisition of 10% of the issued share capital in Rich Joint Group Limited ("Rich Joint"), a company incorporated in BVI. The principal activity of Rich Joint and its subsidiaries is the exploitation of old oil and gas wells in PRC. The exclusivity period is of three months commencing the date of the memorandum of understanding for the parties to enter into a formal agreement. On 29 January 2013, the parties entered into an addendum and to extend the time for negotiation for the purchase on or before 31 March 2013 ("Exclusivity Period"). Further on 25 March 2013, Total Belief and the Vendor entered into a supplemental memorandum of understand whereas the Exclusivity Period was amended and extended for a further three months to 23 June 2013. The parties are still negotiating the terms of the agreement.

During the year ended 31 December 2012, the Group had paid RMB5,000,000 (equivalent to approximately HK$6,116,000) to the vendor as refundable earnest money which shall be fully refunded to Total Belief within 14 days after the expiration of the Exclusivity Period in the event that the parties are unable to enter into a formal agreement.

(e) On 6 February 2010. Techno Wealth Limited ("Techno Wealth"), an indirect wholly-owned subsidiary of the Company, an independent third party ("Vendor"), 青龍滿族自治縣宏文黃金有限責任公司 (Qinglong Manzu Autonomous County Hongwen Gold Company Limited) ("Hongwen Gold") and Mr. Sun Jingzu ("Mr. Sun"), 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.

Further 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 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.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**2,836**	4,340

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:

	2012	2011
	HK$'000	HK$'000
Current assets	**2,836**	4,340
Current liabilities	**–**	–
Net assets	**2,836**	4,340
Income	**506**	7
Expenses	**(2,010)**	(2,615)
Loss for the year	**(1,504)**	(2,608)

Pursuant to the 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. Malcom 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 year 2009, due to failure of Empire Energy's 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.

21. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

On 9 September 2010, Smart Win commenced a legal proceeding against Empire Energy and Mr. Malcolm Bendall (together "the Defendants"), to the Supreme Court of State of New York ("the Court") to recover the loan principle of 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 defend the complaint by Smart Win and counterclaim for damages alleged to be in excess of US$3,000,000,000 together with attorneys' fees. The counterclaim was based on Smart Win's breach of contract, breach of covenant of good faith and fair dealing and breach of fiduciary duty by suspending the remaining loan of approximately AUD1,114,000.

Smart Win filed a motion for summary judgment seeking an order of the Court granting the above sought relief and dismissing Defendants' counterclaims on 18 March 2011. By order dated 24 August 2011, as confirmed by the legal representative of Smart Win, the Court held that the case should not proceed until further substantive information was available.

According to the legal opinion letter obtained from Stewart Occhipinti LLP, the legal representative of Smart Win on 20 March 2013, presently, the parties are collecting further information, which is scheduled to be completed by 30 May 2013. Upon receiving further information, the legal advisor of Smart Win will re-file a summary judgment motion on behalf of Smart Win for judgment on its claims. Part of the re-file will also seek judgment dismissing the counterclaims. Also, in the opinion of the legal adviser, of Smart Win, there is no basis for liability against Smart Win as the damages sought by the Defendants are purely speculative. The management of the Company are of the opinion that the counterclaim to Smart Win should be remote.

22. INTERESTS IN ASSOCIATES

	The Group	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Share of net assets	**–**	–
	–	–

On 17 December 2012, Shenzhen Yuanxie, an indirect wholly-owned subsidiary of the Company, entered into an agreement with 北京惠合華商貿有限公司 ("北京惠合華") to sell 11% equity interests held in 深圳志來貿易有限公司 ("深圳志來") at a consideration of RMB550,000 (equivalent to approximately HK$684,000). 深圳志來 was originally owned as to 51% and 49% by Shenzhen Yuanxie and 北京惠合華 respectively.

22. INTERESTS IN ASSOCIATES *(Continued)*

Upon the disposal, Shenzhen Yuanxie held 40% interests in 深圳志來. 深圳志來, together with its wholly-owned subsidiaries, 四會志來貿易有限公司 ("Sihui Zhilai") and Hong Kong Zhilai Company Limited ("HK Zhilai") became associates of the Group. The principal activities of Sihui Zhilai and HK Zhilai were trading of scrap copper and exploration and exploitation of iron ore and trading of oil products respectively. Both companies did not have any trading activities during the year and up to the date of disposal.

The following list contains the particulars of associates, all of which are unlisted corporate entities. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
深圳志來*	PRC	Registered capital RMB5,000,000	40%	–	40%	Investment holding
Sihui Zhilai*	PRC	Registered capital RMB5,000,000	40%	–	40%	Trading of scrap copper and exploration and exploitation of iron ore
HK Zhilai	Hong Kong	15,500,000 shares of HK$1	40%	–	40%	Trading of oil products

* Private limited liability company

Summarised financial information of the Group's associates is as follows:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit/ (loss) HK$'000
2012					
100 per cent	**48,165**	**(45,854)**	**(2,311)**	**55**	**(288)**
Group's effective interest	**19,266**	**(18,341)**	**(925)**	**22**	**(115)**
2011					
100 per cent	–	–	–	–	–
Group's effective interest	–	–	–	–	–

During the year ended 31 December 2012, the unrecognised share of losses of associates amounted to approximately HK$115,000 (2011: HK$Nil).

23. DEPOSIT PAID FOR A SUB-CONTRACTING CONTRACT

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**80,160**	79,301
Deposit paid	**–**	–
Less: Refund of deposit paid upon termination	**(82,770)**	–
Less: Sub-contracting fee for the year	**–**	(1,647)
Exchange adjustment	**2,610**	2,506
At 31 December	**–**	80,160

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) and refinery factory located at Qinglong Manzu Autonomous County (青龍滿族自治縣) in the PRC. Pursuant to the sub-contracting agreement, Sihui Zhilai has 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 was charged at RMB150 (equivalent to HK$180) per ton on every iron concentrate sold which sum should be offset against the deposit paid. 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, the balance represents the deposit paid after net-off the sub-contracting fee of RMB1,375,000 (equivalent to approximately HK$1,647,000) recognised for the year. The sub-contracting fee was included in "Cost of sales" in the consolidated income statement.

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 there. Pursuant to the termination agreement, the Group will receive an aggregate sum of RMB100 million (equivalent to approximately HK$122.8 million), being (i) the refund of the Deposit at the amount of RMB67.4 million (equivalent to approximately HK$82.77 million); (ii) the investment costs incurred by Sihui Zhilai for developing and improving the fundamental infrastructure and technological facilities of Qinglong Chengyi at the amount of approximately RMB18.5 million (equivalent to approximately HK$22.72 million); and (iii) the compensation for the early termination of the sub-contracting contract at the amount of approximately RMB14.1 million (equivalent to approximately HK$17.31 million). The compensation was fully received by the Group before June 2012.

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	The Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investment, at fair value (note (a))	**37,746**	37,501
Unlisted equity investment, at cost (note (b))	**4,189**	–
Less: Impairment loss	**(1,579)**	–
Less: Deemed loss on dilution	**(252)**	–
	2,358	–
Total	**40,104**	37,501
Analysed for reporting purpose as:		
Non-current assets	**40,104**	37,501

Notes:

(a) The Group holds approximately 7% (2011: 8%) of the equity interest 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 25(b). The directors of the Company do not believe that the Group is able to exercise significant influence over Nordaq.

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 and movement in market share of comparable companies with similar business to Nordaq.

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

As at 31 December 2012, gain of HK$245,000 (2011: loss of HK$1,754,000) arising on revaluation has been included in "Other comprehensive expense" in the consolidated statement of comprehensive income in accordance with the policy set out note 2(g).

(b) During year ended 31 December 2012, the Group holds equity interest of Grey Hawk Exploration Inc. ("Grey Hawk"), a private company incorporated in Canada and engaged in exploration and rework of oil and gas properties in Utah, United States.

The unlisted equity investment was stated at cost less impairment because the range of reasonable estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

As at 31 December 2012, impairment loss of HK$1,579,000 (2011: HK$Nil) and deemed loss on dilution of HK$252,000 (2011: HK$Nil) was recognised to reduce the carrying amount to its recoverable amount. The impairment loss have been included in "Other operating expenses" on the consolidated income statement.

25. CONVERTIBLE NOTES RECEIVABLE

(a) For the year ended 31 December 2012

(i) On 2 August 2012, ET-LA entered into a sale and purchase agreement with BCM, an independent third party for the disposal of oil and gas interests in Texas and Louisiana in the United States. The total consideration is US$2,718,000 (equivalent to approximately HK$21,064,000), which was satisfied by (i) cash consideration of US$405,000 (equivalent to approximately HK$3,139,000) and (ii) issue of convertible notes in an aggregate principal amount of US$2,313,000 (equivalent to approximately HK$17,925,000), bearing interest at 8% per annum, by the purchaser to the Company.

The convertible notes bears interest at the rate of 8% per annum and shall be compounded monthly with maturity date on 31 May 2014. The outstanding principal amount of the convertible notes may be converted at any time prior to the close of business on 31 May 2014.

The oil and gas interests disposed of included “oil exploration rights” under intangible assets and “oil production assets” under property, plant and equipment respectively.

The movement in the carrying amount of the convertible notes during the year ended 31 December 2012 were set out below:

The Group

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2012	–	–	–
Acquired during the year	17,894	31	17,925
Effective interest credited during the year	94	–	94
Changes in fair value during the year	–	(31)	(31)
Impairment loss recognised (note)	(15,467)	–	(15,467)
Exchange adjustments	618	–	618
At 31 December 2012	3,139	–	3,139

Note :

Impairment loss is determined based on the latest financial position of BCM. During the year ended 31 December 2012, impairment losses of approximately HK$15,467,000 was recognised.

25. CONVERTIBLE NOTES RECEIVABLE *(Continued)*

(a) For the year ended 31 December 2012 *(Continued)*

(i) *(Continued)*

As the convertible notes includes an embedded derivative financial instrument, that is, a conversion option, and loan receivables, the carrying value of the convertible notes have been allocated as follows:

— Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period is calculated by applying an effective interest rate of 8% to the loan receivables since the convertible notes were issued on 2 August 2012.

— Embedded financial derivative comprises the fair value of the conversion option of the Company to convert the convertible notes into BCM's shares.

— 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 2 August 2012	As at 31 December 2012
Stock price	US$1.20	US$0.002
Exercise price	US$2.90	US$2.90
Risk-free rate	0.214%	0.185%
Expected option period	1.827 years	1.414 years
Expected volatility	32.056%	31.640%
Expected dividend yield	0%	0%

The stock price of BCM was determined by adopting the market-based approach as at the date of the convertible notes issued and as at the end of the reporting period. 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 convertible notes. The expected volatility was determined by applying the average historical of three comparable companies over the expected option period. The dividend yield was estimated by Bloomberg database regarding the historical dividend payout of BCM.

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

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

25. CONVERTIBLE NOTES RECEIVABLE *(Continued)*

(a) For the year ended 31 December 2012 *(Continued)*

(ii) During the year, Prominent Sino Holdings Limited ("Prominent Sino"), an indirect wholly owned subsidiary of the Company, entered into two agreements with Grey Hawk and its subsidiary, Grey Hawk Exploration (USA) Inc. ("Grey Hawk USA"), in relation to the assignment of (i) rights for the oil production in the oil and gas properties and (ii) share in oil production activities. Details were as follows:

(a) On 23 February 2012, Prominent Sino entered into an agreement for the assignment of its right for the oil production in the oil and gas properties in Utah, United States with carrying amount of US$600,000 (equivalent to approximately HK$4,680,000 (note 18(b)). The consideration shall be as follows:

— Grey Hawk and Grey Hawk USA shall grant and deliver to Prominent Sino a 8% convertible note in the principal amount of US$300,000 (equivalent to approximately HK$2,334,000). The note will have a two years' term and bears interest at a rate of 8%. The note and any interest accrued thereon may be convertible by Prominent Sino at any time after the date of grant, into common shares of Grey Hawk at a deemed price of CAD$0.10 per share;

— Grey Hawk shall issue 5,000,000 common shares at CAD$0.10 per share to Prominent Sino at a total consideration of CAD$500,000 (equivalent to approximately HK$3,812,000).

(b) On 1 July 2012, Prominent Sino entered into another agreement with Grey Hawk for the assignment of its rights to share in oil production activities. As consideration, Grey Hawk shall grant and deliver to Prominent Sino a 8% convertible note in the principal amount of US$400,000 (equivalent to approximately HK$3,112,000).

The two convertible notes bear interest at the rate of 8% per annum with maturity on 1 July 2014. The outstanding principal amount of the convertible notes may be converted at any time before 1 July 2014.

The movements in the carrying amount of the convertible notes during the year ended 31 December 2012 was set out below:

The Group

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2012	–	–	–
Acquired during the year	5,174	272	5,446
Effective interest credited during the year	196	–	196
Exchange adjustments	(22)	–	(22)
At 31 December 2012	5,348	272	5,620

25. CONVERTIBLE NOTES RECEIVABLE *(Continued)*

(a) For the year ended 31 December 2012 *(Continued)*

(ii) *(Continued)*

As the convertible notes includes an embedded derivative financial instrument, that is, a conversion option, and loan receivables. The carrying amount of the convertible notes has been allocated as follows:

— Loan receivable was initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment losses. The interest credited for the period was calculated by applying an effective interest rate of 10.51% to the loan receivable since the convertible notes were issued on 1 July 2012.

— Embedded financial derivative comprises the fair value of the conversion option of the Company to convert the convertible notes into Grey Hawk's shares.

(c) The fair value of the embedded financial derivative was calculated using the Binomial Model. The major inputs used in the model as at the following dates were as follows:

	As at 1 July 2012	As at 31 December 2012
Stock price	US$0.02	US$0.038
Conversion price	US$0.15	US$0.15
Risk-free rate	1.028%	1.1211%
Expected volatility	233.3064%	332.56%
Expected dividend yield	0%	0%

The stock price is the share price of Grey Hawk as of the valuation date. The risk-free rate was the yield of Canada Government Zero Coupon Bond Yield with maturity matching that of the convertible notes as of the valuation date as obtained from Bloomberg database. The expected volatility is the historical volatility of Grey Hawk over the most recent period commensurate with that of the convertible notes and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The dividend yield was obtained from Bloomberg database regarding the dividend declared in prior years.

The valuation were carried out by an independent appraisal firm, Ascent Partners Valuation Service Limited, who have appropriate qualifications and recent experiences in the valuation of similar financial instruments being valued.

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

25. CONVERTIBLE NOTES RECEIVABLE *(Continued)*

(b) For the year ended 31 December 2011

On 21 December 2010, the Company and Nordaq 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 its right, title and interest in 392,336 common shares of Nordaq as collateral. Meanwhile, a convertible promissory note 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 convertible promissory notes was received. The convertible promissory notes 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 with the first instalment falling due on 1 July 2011. The outstanding principal amount of the convertible promissory notes 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 by Nordaq.

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

On 26 April 2011, the Company exercised the conversion options in full to convert the convertible promissory notes into Nordaq's shares at a conversion price of US$12.7442 per share. After the conversion of the convertible promissory notes, the Company holds approximately 8% equity interest of Nordaq, and the investment in Nordaq's shares is classified as "Available-for-sale investments" in the consolidated statement of financial position (note 24(a)).

The movements in the carrying amount of the convertible promissory notes during the year ended 31 December 2011 were set out below:

The Group

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
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 24(a))	(39,254)	(1)	(39,255)
Exchange adjustments	(9)	–	(9)
At 31 December 2011	–	–	–

25. CONVERTIBLE NOTES RECEIVABLES *(Continued)*

(b) For the year ended 31 December 2011 *(Continued)*

As the convertible promissory notes includes an embedded derivative financial instrument, that is, a conversion option, and loan receivables, the carrying value of the convertible promissory notes have been allocated as follows:

— Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period was calculated by applying an effective interest rate to the loan receivables since the convertible promissory notes were 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%

— Embedded financial derivative comprised the fair value of the conversion option of the Company to convert the convertible promissory notes into Nordaq's shares.

— 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 is determined by adopting the market-based approach as at the date of the convertible promissory notes were 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 convertible promissory notes. The expected volatility is determined by applying the average historical volatility of three comparable companies over the expected option period.

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

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

26. INVENTORIES

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Oil products	**822**	1,555
Consumable stores	**3,215**	961
	4,037	2,516

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

	2012	2011
	HK$'000	HK$'000
Carrying amount of inventories sold (note 6(c))	**132,546**	127,564

27. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (note (a) and (d))	**–**	657	**–**	–
Less: Allowance for impairment loss (note (b))	**–**	–	**–**	–
	–	657	**–**	–
Other receivables (note (k))	**22,387**	8,479	**76**	–
Less: Allowable for impairment loss (note (b))	**–**	(7,157)	**–**	–
	22,387	1,322	**76**	–
Amounts due from subsidiaries (note (j))	**–**	–	**473,733**	379,206
Less: Allowance for impairment loss (note (c))	**–**	–	**(115,569)**	(86,699)
	–	–	**358,164**	292,507
Loan to a non-controlling shareholder (note (e))	**–**	1,134	**–**	–
Amount due from associates (note (j))	**5,697**	–	**1,887**	–
Amount due from a related company (note (m))	**96**	–	**–**	–
Amount due from a director (note (l))	**108**	–	**–**	–
Amount due from non-controlling shareholders (note (f))	**21,012**	3,335	**–**	–
Amount due from an operator (note (g))	**1,565**	199	**–**	–
Loans and receivables	**50,865**	6,647	**360,051**	292,507
VAT recoverable (note h)	**60,665**	60,834	**–**	–
Other tax recoverable	**6,585**	2,466	**–**	–
Prepayment and deposits	**13,746**	25,181	**5,933**	945
	131,861	95,128	**365,984**	293,452
Analysed as:				
Non-current (note (i))	**60,665**	70,690	**–**	–
Current	**71,196**	24,438	**365,984**	293,452
	131,861	95,128	**365,984**	293,452

27. 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	
	2012	2011
	HK$'000	HK$'000
0–45 days	**–**	558
46–90 days	**–**	–
Over 90 days	**–**	99
	–	657

Trade receivables are due within 30 days (2011: 45 days) from the date of billing. Further details on the Group's credit policy are set out in note 39(a).

(b) Allowance for impairment loss

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 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	
	2012	2011
	HK$'000	HK$'000
At 1 January	**7,157**	12,844
Impairment loss recognised	**–**	–
Exchange adjustment	**–**	222
Less: amount written off	**(5,557)**	(5,909)
Less: amount reversed during the year	**(1,600)**	–
At 31 December	**–**	7,157

At 31 December 2012, the Group's trade and other receivables of HK$Nil (2011: HK$7,157,000) were individually determined to be impaired. These individually impaired receivables were related to a customer and a debtor that were involved in lawsuit with the Group in respect of the outstanding debts. The management assessed that the recovery of the receivables was unlikely. Consequently, specific allowances for impairment loss had been recognised in prior years. No further impairment was recognised during the year. The Group does not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Note: *(Continued)*

(c) Impairment of amounts due from subsidiaries

Movement in the allowance for impairment loss:

	The Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**86,699**	44,157
Impairment loss recognised	**30,757**	42,542
Less: amount reversed during the year	**(1,887)**	–
At 31 December	**115,569**	86,699

During the year ended 31 December 2012, 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 impairment loss of HK$30,757,000 (2011: HK$42,542,000) on the amounts due from these subsidiaries should be made. The impairment loss were recognised in the profit or loss 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	
	2012	2011
	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 related to customer for whom there was no recent history of default.

In 2011, receivable that was past due but not impaired related to a customer who had a good track record with the Group. Management believed that no impairment allowance was necessary in this balance as it was considered fully recoverable.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Note: *(Continued)*

(e) The loan to a non-controlling shareholder was unsecured, interest free and repayable by monthly installment of US$20,000 (equivalent to approximately HK$156,000) until full settlement. The amount was neither past due nor impaired. The balance was fully settled during the year ended 31 December 2012.

(f) Except for an amount of approximately HK$18,073,000 (2011: HK$Nil), which is interest-bearing at 4% per annum and repayable on 10 November 2013, the remaining balances is unsecured, interest-free and repayable on demand.

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

(h) Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditures incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future revenue which the Group expects would be generated from sales of oil and gas, with reference to the current exploration and evaluation stages of the oil field and oil production from wells. During the year ended 31 December 2012, the directors of the Company expects an amount of HK$60,665,000 (2011: HK$60,834,000) will 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.

(i) The balance represented (i) Argentina VAT recoverable of HK$60,665,000 (2011: HK$60,834,000) as disclosed in note (h) above; (ii) prepayments of approximately HK$Nil (2011: HK$4,276,000) for the purchase of oil production assets and rights to share in oil production activities and (iii) prepayments of approximately HK$Nil (2011: HK$5,580,000) for construction work to be carried out. The amounts are expected to be recovered after one year and are classified as non-current assets in the consolidated statement of financial position.

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

(k) The amount mainly represented: (i) receivables from an independent third party of HK$8,779,000 (2011: HK$Nil) upon termination of the operation of refined oil trade cooperation agreement entered into in 2011, and (ii) fund advanced to Guizhou Kunyu and Guizhou Shunyao of HK$8,758,000 (2011: HK$Nil) for certain natural gas projects. During the year, the Group had entered into two acquisition agreements in relation to the acquisition of these two PRC companies (see note 20(c)).

(l) The balance represented amount due from Mr. Sun Jiang Tian, an executive director of the Company. The balance is unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year was approximately HK$108,000.

(m) The balance represented amount due from a related company, 深圳大乘能源投資有限公司, which Mr. Sun Jiang Tian is the legal representative. The balance is unsecured, interest-from and repayable on demand. The maximum outstanding balance during the year was approximately HK$2,000,000.

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Deposits with banks	**64**	9,079	**–**	9,007
Cash at bank and in hand	**35,986**	31,951	**610**	24,275
Cash and cash equivalents in the statement of financial position and statement of cash flows	**36,050**	41,030	**610**	33,282

As at 31 December 2012, the interest rates on the cash at bank and deposits with banks ranged from 0.001% to 0.385% (2011: 0.001% to 13.15%) per annum.

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade payables (note (a))	**–**	5,407	**–**	–
Other payables and accruals (note (c))	**19,354**	49,959	**5,211**	3,321
Amounts due to subsidiaries (note (b))	**–**	–	**18,969**	2,837
Financial liabilities measured at amortised cost	**19,354**	55,366	**24,180**	6,158

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	
	2012 HK$'000	2011 HK$'000
0–30 days	**–**	237
31–60 days	**–**	–
61–90 days	**–**	–
Over 90 days	**–**	5,170
	–	5,407

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

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

30. CONVERTIBLE NOTES PAYABLES

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 of the Company. The convertible notes bear interest at 9% per annum payable semi-annually and are unsecured and freely transferable.

30. CONVERTIBLE NOTES PAYABLES *(Continued)*

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 are 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 ended 31 December 2011 and 2012 was 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
As at 1 January 2012	10,716	687	11,403
Settled upon maturity date	(10,716)	(687)	(11,403)
As at 31 December 2012	–	–	–

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.

During the year ended 31 December 2011, as a result of the share consolidation and capital reduction (note 38(b)(vii)), the remaining 50,000,000 ordinary shares of HK$0.20 each issuable under the convertible notes was adjusted to 2,500,000 ordinary shares of HK$4 each.

31. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Bank loans, secured and guaranteed (note a)	**2,551**	582	**–**	–
Other borrowings, unsecured and unguaranteed (note b)	**68,543**	164,565	**30,135**	42,849
	71,094	165,147	**30,135**	42,849

The analysis of the carrying amount was as follows:

	The Group		The Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Current liabilities	**40,959**	165,147	**–**	42,849
Non-current liabilities	**30,135**	–	**30,135**	–
	71,094	165,147	**30,135**	42,849

Note:

(a) The bank borrowings represented approximately US$329,000 (2011: US$75,000) (equivalent to approximately HK$2,551,000 (2011: HK$582,000)) borrowed from a bank secured by the intangible assets and oil production assets of a non wholly-owned subsidiary and guaranteed by the non-controlling shareholder of this subsidiary and two companies under the control of this non-controlling shareholder. The borrowings bear interest fixed at 6% (2011: 6%) per annum. Upon renewal in October 2012, the repayment date was extended from 22 March 2013 to 15 September 2013.

The banking facilities are subject to the fulfillment of covenants, including: (i) financial ratio requirements; (ii) submission of annual financial statements within 90 days of its fiscal year end; (iii) submission of annual personal financial statements of each of the guarantor within 90 days of the same fiscal year end under (i); (iv) 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 at 31 December 2011, the subsidiary failed to comply with the financial ratio requirements covenants as stated in the agreement, the outstanding balance became repayable on demand and to be settled within one year.

Further to the amendment to the loan agreement entered on 24 October 2012, the bank agreed to waive the covenants stated in the original loan agreement. No breach of the covenants existed as at 31 December 2012.

31. BANK AND OTHER BORROWINGS *(Continued)*

Note: *(Continued)*

(b) The other borrowings mainly comprise:

(i) HK$30,135,000 (2011: HK$42,849,000) borrowed from an independent third party, bearing interest at 4% per annum (2011: 4% per annum) and is repayable on 21 February 2014. As at 31 December 2011, the loan was repayable on 22 December 2012 and was classified under current liabilities. The agreement has been renewed on 22 November 2012.

(ii) HK$28,132,000 (2011: HK$Nil) borrowed from a non-controlling shareholder of an indirectly-owned subsidiary, of which HK$10,060,000 bears interest at 4% per annum and HK$18,072,000 is interest-free loan. Both loans are repayable on 10 November 2013.

(iii) HK$10,276,000 (2011: HK$Nil) borrowed from a related company, China Venturetechno International Co., Ltd. bearing interest at 5% per annum and repayable on 10 July 2013. Mr. Cheng Kam Chiu, the chairman and executive director of the Company, is a common director.

(iv) At 31 December 2011, RMB100,000,000 (equivalent to approximately HK$121,716,000) was borrowed from an independent third party, bearing interest at 7.544% per annum and is repayable on 20 October 2012. The loan was fully repaid during the year ended 31 December 2012.

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

	2012	2011
Effective interest rates:		
Fixed-rate borrowings	**4%–6%**	4%–7.544%

(d) At 31 December 2012, the banking facilities of the Group are secured by intangible assets of approximately HK$4,358,000 (2011: HK$23,378,000) (note 18(d)), oil exploration assets under exploration and evaluation assets of approximately HK$Nil (2011: HK$3,965,000) (see note 16(e)) and oil production assets under property, plant and equipment of approximately HK$228,000 (2011: HK$8,851,000) (see note 17(e)) respectively. Such banking facilities amounting to US$375,000 (equivalent to HK$2,912,000) were utilised to the extent of US$329,000 (2011: US$75,000) (equivalent to approximately HK$2,551,000 (2011: HK$582,000)) at 31 December 2012.

At 31 December 2012, the Group has the following undrawn credit facilities:

	2012 **HK$'000**	2011 HK$'000
Fixed rate:		
— expiring within one year	**361**	–
— expiring beyond one year	**–**	2,330
	361	2,330

32. PROMISSORY NOTES PAYABLES

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
At 1 January	**–**	–
Issued during the year (note 20(a))	**5,000**	–
Effective interest charged (note 6(a))	**3**	–
At 31 December	**5,003**	–

As detailed in note 20(a), the Company issued promissory notes of HK$5,000,000 to Principle Petroleum Limited, with maturity date falling on the second anniversary of the date of issue for the settlement of part of the consideration for the proposed acquisition. The promissory notes bear interest at 3% per annum payable on the maturity date and are unsecured and freely transferrable.

33. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2012, the Group had obligation under finance leases repayable as follows:

	The Group			
	2012		2011	
	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	**74**	**99**	1	2
After 1 year but within 2 years	**79**	**99**	–	–
After 2 years but within 5 years	**261**	**287**	–	–
	340	**386**	–	–
	414	**485**	1	2
Less: total future interest expenses		**(71)**		(1)
Present value of lease obligations		**414**		1

34. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group		The Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Hong Kong Profits Tax				
— Provision for the year	**42**	211	**–**	–
— Provisional tax paid	**(2)**	–	**–**	–
	40	211	**–**	–
PRC Enterprise Income Tax				
— Provision for the year	**–**	367	**–**	–
— Balance of provision in prior years	**37**	–	**–**	–
— Provisional tax paid	**(32)**	(445)	**6**	6
— Exchange adjustments	**3**	115	**–**	–
	8	37	**6**	6
Argentina minimum presumed income tax (note)				
— Provision for the year	**452**	–	**–**	–
— Provision tax paid	**–**	–	**–**	–
	452	–	**–**	–
	500	248	**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 basis 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.

34. 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 approximately HK$24,744,000 (2011: approximately HK$51,365,000) and Argentina MPIT credit of approximately HK$Nil (2011: HK$8,847,000) 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 RMB5,703,000 (equivalent to approximately HK$7,003,000) (2011: RMB23,210,000 (equivalent to approximately HK$27,678,000) in PRC which is available for carry forward to set-off future assessable income for a period of five years. Argentina MPIT credit of Argentine Peso ("AR$") Nil (equivalent to approximately HK$Nil) (2011: AR$4,914,000 (equivalent to approximately HK$8,847,000)) 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

	PRC tax losses		Argentina MPIT credit	
Year	**2012** **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
2013	**–**	3,424	**–**	–
2014	**652**	14,505	**–**	–
2015	**743**	9,749	**–**	–
2016	**5,608**	–	**–**	–
2020	**–**	–	**–**	6,421
2021	**–**	–	**–**	2,426
	7,003	27,678	**–**	8,847

During the year ended 31 December 2011, Inland Revenue Department has issued revised tax assessment to disallow the tax losses claimed for the year of assessment 2010/11 amounted 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.

34. 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 2011	–
Acquired under business combination (note 40)	(3,263)
At 31 December 2011	(3,263)
At 1 January 2012	(3,263)
(Credited)/charged to profit or loss	–
Reversed upon disposal	2,171
Reclassified as liabilities held for sale (note 8)	746
Exchange adjustment	(388)
At 31 December 2012	(734)

35. PROVISIONS

(a) Provision for compensation to surface owners

The Group

	2012 **HK$'000**	2011 HK$'000
As 1 January	**–**	–
Exchange adjustment	**–**	–
Additional provisions made	**(3,489)**	–
Provisions utilised	**116**	–
At 31 December	**(3,373)**	–

35. PROVISIONS *(Continued)*

(a) Provision for compensation to surface owners *(Continued)*

The Group (Continued)

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 16, the Group is obliged to indemnify the surface owners for the damages caused by the activities conducted by the Group in the exploration area. During the year, provision of approximately HK$3,489,000 were made based on the expected liabilities for the compensation to be made.

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.

(b) Provision for asset retirement obligations

The Group

	2012 **HK$'000**	2011 HK$'000
As 1 January	**(2,324)**	–
Exchange adjustment	**(251)**	–
Provisions made for the year	**(73)**	(2,324)
Reclassified as liabilities held for sale (note 8)	**550**	–
Reversed upon disposal	**801**	–
Provisions utilised	**–**	–
At 31 December	**(1,297)**	(2,324)

In accordance with the relevant rules and regulations in the United States, the Group is obliged to pay for the costs relating to the future costs of plugging and abandonment of 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 retirement obligations has been determined by the directors based on their best estimates of the level of expenditure and extent of work required.

36. 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 and consultants, 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 2012, 676,416,000 shares of the Company were in issue (2011: 454,462,000 shares were in issue).

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) *(Continued)*

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.

(i) The terms and conditions of the grants that existed as at 31 December 2011 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	–	Immediate from date of grant	5 years
Options granted to employees:			
— on 8 May 2007	216,650	Immediate from date of grant	5 years
Options granted to consultants:			
— on 8 May 2007	866,600	Immediate from date of grant	5 years
	1,083,250		

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(a) *(Continued)*

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

	2012		2011	
	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$12**	**1,083,250**	HK$0.6	21,665,000
Lapsed during the year	**HK$12**	**(1,083,250)**	HK$0.6	–
Adjusted during the year upon completion of share consolidation and capital reduction (note 38(b)(vii))		**–**		(20,581,750)
Outstanding at the end of the year		**–**	HK$12	1,083,250
Exercisable at the end of the year		**–**	HK$12	1,083,250

As at 31 December 2012, the number of shares in respect of options under the 2002 Share Option Scheme had been lapsed.

The share options outstanding at 31 December 2011 had an exercise price of HK$12 and a weighted average remaining contractual life of 0.4 year.

As at 31 December 2011, the number of shares in respect of options under the 2002 Share Option Scheme that had been granted and remained outstanding was 1,083,250, representing approximately 0.24% of the shares of the Company in issue at 31 December 2011.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. The closing price of the Company's shares immediately before 8 May 2007, the date of grant of the options was HK$0.55.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(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.

— On 22 July 2011, the Company granted 12,000,000 share options to the directors, employees and consultants of the Company under the New Share Option Scheme, as adjusted for the effect of share consolidation which occurred during the year ended 31 December 2011.

— On 11 June 2012, the Company granted 32,300,000 share options to the employees and consultants of the Company under the New Share Option Scheme.

— On 10 August 2012, the Company adjusted the terms of the New Share Option Scheme by reducing the original exercise price of HK$2.20 for share options granted on 22 July 2011 to the adjusted exercise price of HK$1.10. Accordingly, the Company cancelled all the outstanding share options granted on 22 July 2011 and yet to be exercised and granted new share options to the share option holders ("Replacement Share Options") with the new exercise price of HK$1.10.

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 2012, 676,416,000 shares were in issue (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.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) *(Continued)*

(i) The terms and conditions of the grants that existed as at 31 December 2012 are as follows:

	Number of shares issuable under options	Exercise prices	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 10 August 2012	9,300,000	HK$1.10	Immediate from date of grant	2 years
Options granted to employees:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	690,000	HK$1.10	Immediate from date of grant	2 years
Options granted to consultants:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	630,000	HK$1.10	Immediate from date of grant	2 years
	14,620,000			

The terms and conditions of the grants that existed as at 31 December 2011 were as follows:

	Number of shares issuable under options	Exercise prices	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 22 July 2011	9,750,000	HK$2.2	Immediate from date of grant	3 years
Options granted to employees:				
— on 22 July 2011	1,620,000	HK$2.2	Immediate from date of grant	3 years
Options granted to consultants:				
— on 22 July 2011	630,000	HK$2.2	Immediate from date of grant	3 years
	12,000,000			

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) *(Continued)*

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

	2012		2011	
	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$2.2**	**12,000,000**		
Granted during the year (note 1)	**HK$1.0**	**32,300,000**	HK$0.11	240,000,000
Granted with modification during the year (note 1 and 2)	**HK$1.1**	**10,620,000**		
Cancelled with modification during the year (note 2)	**HK$2.2**	**(10,620,000)**		
Exercised during the year (note 3)	**HK$1.0**	**(28,000,000)**		
Lapsed during the year (note 4)	**HK$1.0**	**(1,680,000)**		
Adjusted during the year upon completion of share consolidation and capital reduction (note 38(b)(vii))		**–**		(228,000,000)
Outstanding at the end of the year	**HK$1.07**	**14,620,000**	HK$2.2	12,000,000
Exercisable at the end of the year	**HK$1.07**	**14,620,000**	HK$2.2	12,000,000

Notes:

1. On 11 June 2012 and 10 August 2012, 32,300,000 and 10,620,000 share options were granted respectively. The closing price of the Company's shares immediately before the respective date of grant was HK$0.95 and HK$0.94 respectively.

   On 22 July 2011, 240,000,000 share options was granted. The closing price of the Company's shares immediately before the date of grant was HK$0.105.

2. During the year, 10,620,000 share options previously granted on 22 July 2011 with an exercise price of HK$2.2 were cancelled and the same number of share options were granted to the option holder with the revised terms as follows:

	No. of Replacement Share options	**Exercise price per share**	**Vesting conditions**	**Exercisable period**
Directors	9,300,000	HK$1.10	Immediately from date of grant	2 years
Employees	690,000	HK$1.10	Immediately from date of grant	2 years
Consultants	630,000	HK$1.10	Immediately from date of grant	2 years
Total	10,620,000			

   The replacement were accounted for as a modification of the original grant. The incremental fair value arising from the modification of terms is approximately HK$834,000.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) *(Continued)*

(ii) *(Continued)*

Notes: *(Continued)*

3. On 13 June 2012, 18 June 2012 and 6 July 2012, 10,000,000, 15,000,000 and 3,000,000 share options were exercised. The weighted average closing market price of the Company's shares immediately before the respective dates on which the share options were exercised was HK$0.97.

4. 1,680,000 shares options were lapsed due to the resignation of director and employees after the vesting period.

The share options outstanding at 31 December 2012 had an exercise price of HK$1.0 and HK$1.1 (note 38(b)(vi)) and a weighted average remaining contractual life of 1.6 years.

As at 31 December 2012, the number of shares in respect of options under the New Share Option Scheme that had been granted and remained outstanding was 14,620,000 (2011: 12,000,000), representing approximately 2% (2011: approximately 3%) of the shares of the Company in issue at the year end date.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

(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.

	22 July 2011	11 June 2012	10 August 2012
Fair value of share options	HK$0.02	HK$0.36	HK$0.34
Share price	HK$0.105	HK$0.95	HK$0.94
Exercise price	HK$0.11	HK$1.0	HK$1.10
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	44.714%	110.519%	110.64%
Option life (expressed as weighted average life used in the modeling under the Black-Scholes Option Pricing Model)	1.5 years	0.999 year	0.947 year
Expected dividends	–	–	–
Risk-free interest rate (based on Exchange Fund Notes)	0.23%	0.155%	0.17%

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.

36. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) *(Continued)*

(iii) *(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 2012, option offers to subscribe for 30,000,000 and 630,000 shares under the New Share Option Scheme were granted by the Company to the consultants of the Group, which entitles the holders thereof to subscribe for an aggregate of 30,000,000 and 630,000 ordinary shares of HK$0.5 each in the capital of the Company with an exercise price of HK$1.0 and HK$1.1 per share during the exercisable period from 11 June 2012 to 10 June 2014 and from 10 August 2012 to 21 July 2014 respectively. During the year ended 31 December 2012, 28,000,000 shares were exercised.

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$0.5 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 ended 31 December 2011, 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 21,665,000 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.

37. 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$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

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

The Group also participates in a state-managed scheme. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of HK$1,353,000 (2011: HK$733,000) represents contributions payable to these schemes by the Group in respect of the current reporting period. As at 31 December 2012, none of the contributions due in respect of the reporting period had not been paid over to the schemes.

38. 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:

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	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Warrant reserve 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 201	825,518	3,083,591	6,419	122,864	–	–	(353,571)	2,859,303	3,684,821
Changes in equity for 2012									
Share issued upon exercise of bonus warrants (note 38(b)(v))	72	123	–	–	–	–	–	123	195
Issue of convertible notes (note 30)	–	–	–	–	–	10,987	–	10,987	10,987
Shares issued upon conversion of convertible notes (note 30 and 38(b)(ii))	83,334	66,854	–	–	–	(10,300)	–	56,554	139,888
Share consolidation and capital reduction (note 38(b)(vii))	(681,693)	–	–	444,747	–	–	236,946	681,693	–
Equity settled share based payments	–	–	4,743	–	–	–	–	4,743	4,743
Loss and total comprehensive expense for 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
At 1 January 202	227,231	3,150,568	11,162	567,611	–	687	(223,249)	3,506,779	3,734,010
Changes in equity for 2012									
Issue of warrants (note 38(c)(viii))	–	–	–	–	1,801	–	–	1,801	1,801
Settlement of convertible notes (note 30)	–	–	–	–	–	(687)	687	–	–
Shares issued under placements, net of issuing costs (note 38(b)(iii))	96,977	39,602	–	–	–	–	–	39,602	136,579
Share options issued under share option scheme	14,000	16,521	(2,521)	–	–	–	–	14,000	28,000
Equity settled share based payments	–	–	3,502	–	–	–	–	3,502	3,502
Lapse of share options granted under share option scheme	–	–	(7,090)	–	–	–	7,090	–	–
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(56,570)	(56,570)	(56,570)
At 31 December 2012	338,208	3,206,691	5,053	567,611	1,801	–	(272,042)	3,509,114	3,847,322

38. CAPITAL AND RESERVES *(Continued)*

(b) Share capital

(i) Authorised and issued share capital

	2012 Number of shares '000	2012 HK$'000	2011 Number of shares '000	2011 HK$'000
Authorised:				
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 (note 38(b)(vii))	–	–	(16,000,000)	–
Ordinary shares of HK$2.00 each	–	–	4,000,000	8,000,000
Capital reduction (note 38(b)(vii))	–	–	–	(6,000,000)
At 31 December				
Ordinary Shares of HK$0.50 each	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Ordinary shares, issued and fully paid:				
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 for bonus warrants exercised (note 38(b)(v))	–	–	723	72
Share issued upon exercise of convertible notes (note 38(b)(ii))	–	–	833,333	83,334
Share consolidation (note 38(b)(vii))	–	–	(8,634,779)	–
Shares issued under placement (note 38(b)(iii))	**193,954**	**96,977**	–	–
Shares issued under share option scheme (note 38(b)(iv))	**28,000**	**14,000**	–	–
Ordinary shares of HK$2 each	–	–	454,462	908,924
Ordinary shares of HK$0.50 each	**676,416**	**338,208**	–	–
Capital reduction (note 38(b)(vii))	–	–	–	(681,693)
At 31 December				
Ordinary share of HK$0.50 each	**676,416**	**338,208**	454,462	227,231

The owners 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.

38. 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 (note 30). 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.

(iii) Shares issued under placements

— On 20 January 2012, the Company entered into a placing agreement with two independent placing agents to place up to 90,000,000 new ordinary shares at HK$0.55 per share for a total consideration of HK$49,500,000. The placing was completed on 20 February 2012. The proceeds, net of transaction costs of approximately HK$2,227,500 were used for the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities.

— On 30 August 2012 and 11 September 2012, the Company entered into a placing agreement and supplemental agreement with two independent placing agents to place up to 300,000,000 new ordinary shares at a price of not less than the minimum price of HK$0.90 per share. The placing was completed on 14 November 2012 and 103,954,000 shares out of the proposed placement of 300,000,000 placing shares have been placed at the price of HK$0.90 per share. The proceeds, net of transaction costs of approximately HK$3,541,000 was used to for financing future investment opportunities which are expected to improve the profitability and/or broaden the revenue streams of the Group.

(iv) Share issued under share option scheme

During the year ended 31 December 2012, options were exercised to subscribe for 28,000,000 ordinary shares (2011: nil ordinary shares) in the Company for a total consideration of approximately HK$28,000,000 (2011: HK$Nil), of which HK$14,000,000 (2011: HK$Nil) was credited to the share premium account. An amount of HK$2,521,000 (2011: HK$Nil) has been transferred from share-based compensation reserve to the share premium account in accordance with the policy set out in note 2(v).

(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 warrants were listed on the Main Board of the Stock Exchange and exercisable on the date of issue and expire on the date immediately preceding the first anniversary, that is, 24 June 2011.

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 were expired and lapsed.

38. CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

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

Exercisable period	Exercise price (Note)	**2012 Number of shares issuable under option granted**	2011 Number of shares issuable under option granted
8 May 2007 to 7 May 2012	HK$12	**–**	1,083,250
22 July 2011 to 21 July 2014	HK$2.20	**–**	12,000,000
11 June 2012 to 10 June 2014	HK$1.0	**4,000,000**	–
10 August 2012 to 21 July 2014	HK$1.10	**10,620,000**	–
		14,620,000	13,083,250

Note:

Each option entitles the holder to subscribe for one ordinary share of the Company. Further details of these options are set out in note 36 to the financial statements.

(vii) During the year ended 31 December 2011, 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 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.

(c) Nature and purpose of reserves

(i) *Share premium*

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

38. CAPITAL AND RESERVES *(Continued)*

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

(ii) Share-based compensation reserve

	2012	2011
	HK$'000	HK$'000
At 1 January	**11,162**	6,419
Share options granted	**3,502**	4,743
Lapse of share options granted	**(7,090)**	–
Exercise of share options	**(2,521)**	–
At 31 December	**5,053**	11,162

This comprises the portion of the grant date fair value of unexercised share options granted to eligible participants of the Company that has been 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 (i) the decrease in non-controlling interests arising on acquisition of additional interests in non-wholly owned subsidiaries during the year ended 31 December 2012 and (ii) the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital 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

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).

38. 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 Group represented the credit arising from capital reduction during the year ended 31 December 2011 (note 38(b)(vii)).

The contributed surplus of the Company represents (i) the difference between the aggregate net asset 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

	2012 **HK$'000**	2011 HK$'000
At 1 January	**687**	–
Recognition of the equity component of convertible notes	**–**	10,987
Issue of ordinary shares upon conversion	**–**	(10,300)
Settlement upon maturity date	**(687)**	–
At 31 December	**–**	687

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

(viii) Warrants reserve

The balance represents the amount received from Max Sun Enterprises Limited ("Max Sun"), a substantial shareholder of the Company on 17 July 2012 pursuant to the warrant subscription agreement entered into between the Company and Max Sun for an aggregate of 100,000,000 warrants (conferring the rights to subscribe for 100,000,000 ordinary shares of the exercise price of HK$1.05 per share) at the issue price of HK$0.02 per warrant, less issuance costs of approximately HK$199,000. The subscription rights will be exercisable within 60 months from the date of issue of warrants.

38. CAPITAL AND RESERVES *(Continued)*

(d) Distributability of reserves

At 31 December 2012, 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 (2011: HK$567,611,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,206,691,000 as at 31 December 2012 (2011: HK$3,150,568,000) may be distributed in the form of fully paid bonus shares.

(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 2012, the Group's strategy, which was unchanged from 2011, 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 2012 and 2011 was as follow:

	2012 **HK$'000**	2011 HK$'000
Bank and other borrowings (note 31)	**71,094**	165,147
Convertible notes payables (note 30)	**–**	10,716
Promissory notes payables (note 32)	**5,003**	–
Obligations under finance leases (note 33)	**414**	1
Total borrowings	**76,511**	175,864
Less: Cash and cash equivalents (note 28)	**(36,050)**	(41,030)
Net debt	**40,461**	134,834
Total equity	**3,796,205**	3,710,723
Adjusted gearing ratio	**1%**	4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include available-for-sale investments, convertible note receivables, bank and other borrowings, cash and cash equivalents, trade and other receivables and trade and other payables, convertible note payables and promissory notes payables.

The Company's major financial instruments include cash and cash equivalents, other receivables, other payables, other borrowings, convertible note payables and promissory note 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 financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) As at 31 December 2012, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated and Company statements of financial position after deducting any impairment allowance.

(iii) The Group's credit risk is primarily attributable to trade and other receivables and convertible notes receivable. In order to minimize 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 debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 30 days (2011: 45 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 and convertible notes receivable, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk. As at 31 December 2012, the Group had a certain concentration of credit risk as 45% (2011: 40%) of the total trade and other receivables was due from a debtor and a non-controlling shareholder (2011: due from non-controlling shareholders) of the Group.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

(vi) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

(vii) 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.

(viii) In respect of amounts due from subsidiaries, the Company has a concentration of credit risk as 71% (2011: 77%) of the amounts due from subsidiaries are owed from two (2011: two) subsidiaries within the exploration of natural resources segment.

(ix) Except for the financial guarantees given by the Company as set out in note 44, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 44.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27.

(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.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

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 can be required to pay:

The Group

	2012					2011				
	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	19,354	–	–	19,354	19,354	55,366	–	–	55,366	55,366
Bank and other borrowings	41,350	31,200	–	72,550	71,094	174,258	–	–	174,258	165,147
Obligations under finance leases	99	99	287	485	414	1	–	–	1	1
Convertible notes payable	–	–	–	–	–	10,887	–	–	10,887	10,716
Promissory notes payable	–	5,252	–	5,252	5,003	–	–	–	–	–
	60,803	36,551	287	97,641	95,865	240,512	–	–	240,512	231,230
Financial guarantee issued										
Maximum amount guaranteed (note 44)	–	–	–	–	–	–	–	–	–	–

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.

The Company

	2012					2011				
	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	24,180	–	–	24,180	24,180	6,158	–	–	6,158	6,158
Other borrowings	–	31,200	–	31,200	30,135	44,889	–	–	44,889	42,849
Promissory notes payables	–	5,252	–	5,252	5,003	–	–	–	–	–
Convertible notes payables	–	–	–	–	–	10,887	–	–	10,887	10,716
	24,180	36,452	–	60,632	59,318	61,934	–	–	61,934	59,723
Financial guaranteed issued										
Maximum amount guaranteed (note 44)	–	–	–	–	–	–	–	–	–	–

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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.

(i) Interest rate profile

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

	2012		2011	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate bank deposits:				
Deposit with banks		**–**	0.01%–13.15%	9,079
Total bank deposits		**–**		9,079
Fixed rate borrowings:				
Bank borrowings	**6%**	**2,551**	6%	582
Other borrowings	**4%–5%**	**50,471**	4%–7.544%	164,565
Obligations under finance leases	**6.54%**	**414**	2.85%	1
Promissory notes payables	**3%**	**5,003**	–	–
Total borrowings		**58,439**		165,148
Fixed rate receivables				
Amount due from non-controlling shareholder	**4%**	**18,073**	–	–
Amount due from an operator	**6%**	**1,565**	6%	199
Convertible notes receivable	**8%–10.51%**	**8,487**		–
		28,125		199
Variable rate bank deposits:				
Cash at bank	**0.001%–0.385%**	**36,041**	0.001%–0.675%	30,731

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile (Continued)

The Company

	2012 Effective interest rates %	2012 HK$'000	2011 Effective interest rates %	2011 HK$'000
Fixed rate bank deposits:				
Deposit with banks		–	0.675%	9,007
Fixed rate borrowings:				
Other borrowings	4%	30,135	4%	42,849
Promissory notes payables	3%	5,003	–	
Total borrowings		35,138		42,849
Variable rate bank deposits:				
Cash at bank	0.001%–0.385%	608	0.001%–0.675%	24,267

(ii) Sensitivity analysis

All of the bank and other borrowings, receivables and deposit with banks of the Group and the Company 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 2012, it is estimated that a general increase/decrease of 50 basis points in interest rates of variable rate bank deposits, with all other variables held constant, would decrease/increase the Group's and Company's loss after tax and accumulated losses by approximately HK$180,000 and HK$3,000 respectively (2011: HK$154,000 and HK$121,000 respectively). 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 based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for 2011.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities, convertible notes receivables issued by a foreign company and cash and cash equivalents 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. For presentation purpose, the amounts of the exposures are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currencies			
	2012		2011	
	United States Dollars HK$'000	**Euros HK$'000**	United States Dollars HK$'000	Euros HK$'000
The Group				
Convertible notes receivable	**8,759**	**–**	–	–
Cash and cash equivalents	**33,358**	**–**	2,126	16
Net exposure arising from recognised assets and liabilities	**42,117**	**–**	2,126	16

	Exposure to foreign currencies			
	2012		2011	
	United States Dollars HK$'000	**Euros HK$'000**	United States Dollars HK$'000	Euros HK$'000
The Company				
Cash and cash equivalents	**29**	**–**	2	14
Exposure arising from recognised assets and liabilities	**29**	**–**	2	14

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous 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. 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 Group

	2012		2011	
	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
United States Dollars	**1%**	**(352)**	1%	(17)
	(1%)	**352**	(1%)	17
Euros	**5%**	**–**	5%	–
	(5%)	**–**	(5%)	–

No sensitivity analysis is presented by the Company as the exposure is considered insignificant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2011.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(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.

(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 24).

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 2012, it is estimated that an increase/(decrease) of 5% (2011: 5%) in the net worth of comparable companies, with all other variables held constant, would have decreased/increased the Group's other comprehensive expense (and increase/(decrease) investment revaluation reserve) by HK$979,000 (2011: HK$1,840,000) as a result of the revaluation of available-for-sale investments.

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 net worth 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.

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(g) Fair value measurements recognised in the consolidated 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.

2012

	The Group and The Company			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss				
Available-for-sale investments (note 24)	**–**	**37,746**	**–**	**37,746**
Derivative financial instrument (note 25)	**–**	**272**	**–**	**272**
	–	**38,018**	**–**	**38,018**

2011

	The Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
Available-for-sale investments (note 24)	–	37,501	–	37,501

There was no significant transfers between instruments in Level 1 and Level 2 during the years ended 31 December 2012 and 2011.

Included in other comprehensive income/(expense) is an amount of HK$245,000 gain (2011: HK$ 1,754,000 loss) arising from unlisted equity securities which were held at the end of the reporting period and is reported as charges of "investment revaluation reserve".

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

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

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

In respect of cash and cash equivalents, trade and other receivables, and trade and other payables, bank and other borrowings and obligations under finance lease, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of convertible note receivables and promissory notes payables, the carrying amounts are not materially different from their fair values at 31 December 2012. The fair values are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

In respect of derivative financial instruments, the fair value of which are measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Unlisted investments for which their fair values cannot be reliably measured are stated at cost less impairment losses.

(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 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 notes receivable with cash settlement alternatives is measured using the Binomial Model and Black-Scholes Option Pricing Model. The fair value of conversion options and assumptions are disclosed in note 25.

40. BUSINESS COMBINATION

For the year ended 31 December 2011

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 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 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.

The fair values of the identifiable assets and liabilities arising from the acquisition 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 17(a))	5,566	5,566
Exploration and evaluation assets (note 16)	3,447	3,447
Intangible assets (note 18)	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 34(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

40. BUSINESS COMBINATION *(Continued)*

For the year ended 31 December 2011 *(Continued)*

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 vendor 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 was 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 the 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.

41. DISPOSAL OF SUBSIDIARIES

(a) As detailed in note 22, during the year ended 31 December 2012, the Group disposed of 11% equity interest in 深圳志來 at a consideration of RMB550,000 (equivalent to approximately HK$684,000) decreasing its effective interest in 深圳志來 from 51% to 40%. Accordingly, 深圳志來 and its wholly-owned subsidiaries. Sihui Zhilai and HK Zhilai ceased to be subsidiaries of the Group. These subsidiaries were included under "General trading" reportable segments.

	2012 HK$'000
Consideration received in cash and cash equivalents	684
Total consideration received	684
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	493
Trade and other receivables	1,152
Non-current assets	
Property, plant and equipment (note 17(a))	379
Current liabilities	
Trade and other payables	(20,675)
Net liabilities disposed of	(18,651)
Gain on disposal of a subsidiary	
Consideration received	684
Net liabilities disposed of	18,651
Non-controlling interests	(10,919)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	2,035
Gain on disposal	10,451
Net cash inflow on disposal of subsidiaries	
Consideration received in cash and cash equivalents	684
Less: cash and cash equivalent balances disposed of	(493)
	191

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) During the year ended 31 December 2011, 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 17(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)

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) *(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 ended 31 December 2011 in the consolidated income statement.

Net cash outflow on disposal of subsidiaries

	HK$'000
Net cash outflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	–
Less: Cash and cash equivalent balances disposed of	(1)
	(1)

42. MATERIAL RELATED PARTY TRANSACTIONS

The followings are considered related parties of the Group:

Name of party	Relationship
New World Tower Company Limited	The company is an indirect 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
CiF Solutions Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of controlled by Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Nova Insurance Management Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of controlled by a close 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
深圳大乘能源投資有限公司	The company is wholly-owned by Mr. Sun Jiang Tian, an executive director of the Company
China Venturetechno International Co., Ltd.	Mr. Cheng Kam Chiu, Stewart, the chairman and executive director of the Company, is a common director

(a) Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

	Related parties	Nature of transactions	2012 HK$'000	2011 HK$'000
(i)	New World Tower Company Limited	Rent, rates and management fee	**961**	927
(ii)	Nova Insurance Consultants Limited (Formerly known as "New World Insurance Management Limited")	Insurance	**203**	113
(iii)	CiF Solutions Limited	IT management and support	**82**	54
(iv)	Maxipetrol — Petroleros de Occidente S.A.	Seismic advisory	**1,134**	1,865
(v)	深圳大乘能源投資有限公司	Consultancy fee	**983**	–
(vi)	China Venturetechno International Co., Ltd.	Interest expenses	**276**	–

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

42. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other short-term employee benefits	**4,854**	6,339
Post employment benefits	**43**	273
Shared based payment	**–**	3,995
	4,897	10,607

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

43. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the consolidated financial statements were as follows:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Contracted for		
— Activities of exploration	**–**	18,576
— Activities of oil exploration and production	**–**	18,720
— Acquisition of subsidiaries (note 20(c)(ii))	**121,889**	–
— Construction of oil tanker (note)	**–**	21,041
— Acquisition of interests in the nights of oil exploration and exploitation (note 20(a))	**5,000**	–
— Deposit paid for further acquisition of the Concessions (note 20(b))	**–**	5,000
— Acquisition of the Concessions (note 20(b))	**145,000**	–
	271,889	63,337

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

43. COMMITMENTS *(Continued)*

(b) Commitments under operating leases

As at 31 December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,163**	836
In the second to fifth year inclusive	**2,263**	–
	3,426	836

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$3,426,000 (2011: approximately HK$711,000) was paid to a related party of the Group, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company.

44. FINANCIAL GUARANTEE

During 2012, the Company had given a corporate guarantee to a bank in connection with banking facilities granted by the bank to a subsidiary. At 31 December 2012, such facilities were drawn down by the subsidiary to the extent of HK$Nil. The maximum liability of the Company at 31 December 2012 under the guarantee issued represents the amount drawn down by the subsidiary of HK$Nil. No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

45. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed elsewhere in the financial statements, the following events took place after the reporting period:

(a) On 22 January 2013, Total Belief entered into an acquisition agreement (the "Agreement") with Ms. Lin Ru Xiang ("Ms. Lin"), pursuant to which Total Belief has conditionally agreed to acquire and Ms. Lin has conditionally agreed to sell 22% equity interest of New Phoenix Global Limited ("New Phoenix") for a total consideration of HK$13,900,000, which will be satisfied by (i) cash consideration of HK$2,000,000 and (ii) issuance of convertible bonds in an aggregate principle amount of HK$11,900,000 by the Company to Ms. Lin. The Agreement will be valid up to 22 April 2013.

Further on 23 January 2013, Total Belief had entered into a supplementary agreement with Ms. Lin, pursuant to which additional conditions precedents have been included.

The acquisition was completed on 25 March 2013 and the convertible bonds in the principal amount of HK$11,900,000 have been issued and the cash consideration of HK$2,000,000 has been paid to Ms. Lin as consideration.

As at 31 December 2012, the equity interest of New Phoenix is owned as to 51% and 49% by Total Belief and Ms. Lin respectively. Upon completion, New Phoenix will be owned as to 73% and 27% by Total Belief and Ms. Lin respectively.

(b) Placing of new shares

(i) On 20 December 2012, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place up to 35,000,000 placing shares at a price of HK$0.91 per share to not less than six independent third parties.

The placing was completed on 14 January 2013. A total of 35,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.91 per placing share.

(ii) On 18 January 2013, the Company had entered into a placing agreement with an independent placing agent Limited, pursuant to which the Company had conditionally agreed to place, through this placing agent, up to 22,000,000 placing shares at a price of HK$0.91 per share to not less than six independent third parties.

The placing was completed on 29 January 2013. A total of 22,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.91 per placing share.

(iii) On 25 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, up to 14,000,000 placing shares at a price of HK$0.98 per share to not less than six independent third parties.

The placing was completed on 6 February 2013. A total of 14,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.98 per placing share.

45. EVENT AFTER THE REPORTING PERIOD *(Continued)*

(c) Grant of share options

— On 24 January 2013, a total of 17,090,000 share options were granted to certain eligible participants, to subscribe for up to a total of 17,090,000 ordinary shares of HK$0.50 each of the Company under the New Share Option Scheme of the Company.

— On 4 February 2013, a total of 10,000,000 share options were granted to certain eligible participants, to subscribe for up to a total of 10,000,000 ordinary shares of HK$0.50 each of the Company under the New Share Option Scheme of the Company.

(d) On 7 February 2013, Total Belief and Goldlink Capital Limited, a wholly-owned subsidiary of China Print Power Group Limited (stock code: 6828.HK) ("China Print Power") entered into a non-legally binding memorandum of understanding ("Memo") in relation to the proposed disposal of up to 100% of the issued share capital of Shine Great Investments Limited, a wholly-owned subsidiary of Total Belief which, through its subsidiaries in the PRC, holds certain natural gas projects in the PRC. The consideration shall be determined with reference to the valuation report to be prepared by an independent third party and shall be satisfied by one or a combination of (i) cash; (ii) newly issued ordinary shares of China Print Power; and (iii) newly issued convertible bonds of China Print Power. The Memo shall be valid for up to 60 days after the execution of the Memo, that is, 6 April 2013 or such period as extended. Up to the date when the financial statements are authorised for issue, no legally binding agreement has been entered into.

46. 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 36 and 39 contain information about the assumptions and their risk factors relating to equity-settled share-based transactions and fair value of 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 financial year, are discussed below.

(i) Impairment of exploration and evaluation assets

The carrying amounts of the exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amounts of the exploration and evaluation assets may exceed their recoverable amounts. The future recoverability of exploration and evaluation expenditure is dependent on a number of factors, including the level of proved and probable petroleum reserves, future technological changes which could impact the cost of drilling, future changes relevant to regulations on exploration, drilling and production of oil and gas in Argentina, charges to the commodity prices, future drilling plan of the Group and the ability of raising financing to meet the drilling plan. The Group's determination as to whether the exploration and evaluation assets are impaired requires an estimation of the recoverable amount of the assets. The directors of the Company exercise their judgement in estimating the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

The carrying amount of exploration and evaluation assets as at 31 December 2012 was HK$3,593,059,000 (2011: HK$3,639,932,000). Details of impairment on exploration and evaluation assets are set out in note 16.

46. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(ii) 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.

The Group's carrying value of the oil production assets included in property, plant and equipment as at 31 December 2012 was HK$9,361,000 (2011: HK$9,000,000). Details of impairment on oil production assets are set out in note 17.

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.

(iii) 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 2012 was HK$50,865,000 (2011: HK$6,647,000). Details of impairment on receivables are set out in note 27.

(iv) Impairment for investment in subsidiaries, a jointly controlled entity and associates

If circumstances indicate that the investment in subsidiaries, a jointly controlled entity and associates may not be recoverable, investment in subsidiaries, a jointly controlled entity and associates 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, a jointly controlled entity and associates 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, a jointly controlled entity and associates are not readily available. In determining the value in use, expected cash flows generated by the investment in subsidiaries, a jointly controlled entity and associates 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, a jointly controlled entity and associates. 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, a jointly controlled entity and associates.

46. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iv) Impairment for investment in subsidiaries, a jointly controlled entity and associates (Continued)

The carrying amounts of investment in subsidiaries, a jointly controlled entity and associates as at 31 December 2012 were HK$3,540,052,000 (2011: HK$3,467,005,000), HK$2,836,000 (2011: HK$4,340,000) and HK$Nil respectively. Details of impairment for investment in subsidiaries, a jointly controlled entity and associates are set out in note 19, 21 and 22 respectively.

(v) Impairment of non-financial assets (other than oil production assets included in property, plant and equipment)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Depreciation and amortisation

Property, plant and equipment (other than oil production assets) 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 2012 was HK$13,501,000 (2011: HK$18,560,000) and HK$4,746,000 (2011: HK$28,621,000) respectively. Details of depreciation on property, plant and equipment and amortisation on intangible assets are set out in note 17 and 18 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 recognizes 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 2012 was HK$500,000 (2011: HK$248,000) and HK$734,000 (2011: HK$3,263,000) respectively. Details of current tax and deferred tax liabilities are set out in note 34.

46. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(viii) Provisions

Provisions for compensation to surface owners and future costs of plugging and abandonment of oil and gas properties are determined by the management based on their best estimates of the current and future cost and past experiences. If the expectation differs from the original estimate, such difference will impact the cost of production charged in the year in which such estimate is changed.

As at 31 December 2012, the carrying amount for provision was HK$4,670,000 (2011: HK$2,324,000). Details are set out in note 35.

(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.

(i) 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 estimated proven oil reserves may affect the carrying amount of the exploration and evaluation assets and provisions. Proven reserve estimates are subject to revision, either upward or downward, based on the 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. An substantial increase in proven reserves over 100,000,000 tons will result to the addition consideration required as set out in note 16(d).

(ii) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investments 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 $1,509,000 in its 2012 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale investments to profit or loss.

47. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2012 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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. Except as described below, the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 on-going 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. Specific transitional provisions are provided to entities that apply HK (IFRIC)-Int 20 for the first time. However, HK (IFRIC)–Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The directors anticipate that HK (IFRIC)-Int 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**129,007**	128,857	57,252	9,196	33,020
Discontinued operations	**–**	–	–	–	–
	129,007	128,857	57,252	9,196	33,020
LOSS BEFORE TAXATION					
Continuing operations	**(60,142)**	(121,509)	(73,837)	(36,001)	(26,973)
Discontinued operations	**–**	–	–	–	(15,024)
	(60,142)	(121,509)	(73,837)	(36,001)	(41,997)
INCOME TAX					
Continuing operations	**448**	(577)	(6,539)	27	(154)
Discontinued operations	**–**	–	–	–	–
	448	(577)	(6,539)	27	(154)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO					
— Owners of the Company	**(39,917)**	(87,410)	(66,057)	(31,934)	(42,151)
— Non-controlling interests	**(19,777)**	(34,676)	(14,319)	(4,040)	–
	(59,694)	(122,086)	(80,376)	(35,974)	(42,151)

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**3,785,662**	3,879,804	3,642,538	3,292,565	72,037
Current assets	**113,608**	67,984	266,977	243,814	245,800
Total assets	**3,899,270**	3,947,788	3,909,515	3,536,379	317,837
Current liabilities	**62,183**	231,478	238,686	106,841	6,114
Non-current liabilities	**40,882**	5,587	1	13	25
Total liabilities	**103,065**	237,065	238,687	106,854	6,139
	3,796,205	3,710,723	3,670,828	3,429,525	311,698