



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

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

2013
INTERIM REPORT

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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. Wong Tai Cheung, Andrew
(*Chief Financial Officer*)

Independent Non-executive Directors

Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On
Mr. Wong Man Kong, Peter

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 Hong Kong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

<http://www.nt-energy.com>

STOCK CODE

00166

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

| | Note | Unaudited | |
|--|------|--------------------------|--------------|
| | | Six months ended 30 June | |
| | | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 |
| Turnover | 3 | 177,663 | 127,168 |
| Cost of sales | | (175,747) | (125,660) |
| Gross profit | | 1,916 | 1,508 |
| Other revenue and other net income | | 7,832 | 3,592 |
| Gain on termination of sub-contracting agreement | | – | 28,796 |
| Gain on bargain purchase | 16 | 40,121 | – |
| Net gain on disposal of oil properties | | 29,287 | – |
| Reversal of impairment loss on convertible notes receivables | | 5,243 | – |
| Administrative expenses | | (47,585) | (31,344) |
| Other operating expenses | | (496) | – |
| Profit from operations | | 36,318 | 2,552 |
| Finance costs | 4 | (4,887) | (3,456) |
| Share of loss of a joint venture | | (9) | (1,259) |
| Share of losses of associates | | – | (68) |
| Profit/(loss) before taxation | 5 | 31,422 | (2,231) |
| Income tax | 6 | (222) | (159) |
| Profit/(loss) for the period | | 31,200 | (2,390) |
| Profit/(loss) for the period attributable to: | | | |
| Owner of the Company | | 39,072 | (5,823) |
| Non-controlling interests | | (7,872) | 3,433 |
| | | 31,200 | (2,390) |
| Earnings/(loss) per share | 8 | | |
| Basic and diluted | | 4.96 cents | (1.12 cents) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

| | Note | Unaudited | |
|---|------|--------------------------|----------|
| | | Six months ended 30 June | |
| | | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 |
| Profit/(loss) for the period | | 31,200 | (2,390) |
| Other comprehensive expense for the period | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of financial statements of overseas subsidiaries, net of tax HK\$nil (2012: HK\$nil) | | (31,733) | (21,554) |
| Total comprehensive expense for the period | | (533) | (23,944) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | 2,976 | (28,062) |
| Non-controlling interests | | (3,509) | 4,118 |
| | | (533) | (23,944) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

| | Note | As at 30 June 2013 (Unaudited) HK\$'000 | As at 31 December 2012 (Audited) HK\$'000 |
|---|------|---|---|
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation assets | 9 | 3,565,821 | 3,593,059 |
| Property, plant and equipment | 10 | 13,564 | 13,501 |
| Intangible assets | 10 | 173,358 | 4,746 |
| Interests in associates | | – | – |
| Interest in a joint venture | | 2,827 | 2,836 |
| Deposits paid for potential investments | | 82,639 | 61,992 |
| Preferred stocks | | 2,715 | – |
| Available-for-sale investments | | 39,718 | 40,104 |
| Convertible notes receivables | | 47,747 | 8,759 |
| Prepayment and other receivables | 11 | 61,284 | 60,665 |
| Deferred tax assets | | 1,006 | – |
| | | 3,990,679 | 3,785,662 |
| CURRENT ASSETS | | | |
| Inventories | | 3,511 | 4,037 |
| Trade and other receivables | 11 | 92,055 | 71,196 |
| Convertible notes receivables | | 9,053 | – |
| Pledged bank deposit | | 18,800 | – |
| Cash and cash equivalents | 12 | 14,084 | 36,050 |
| | | 137,503 | 111,283 |
| Assets held for sale | | – | 2,325 |
| | | 137,503 | 113,608 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 17,128 | 19,354 |
| Bank and other borrowings | | 69,651 | 40,959 |
| Promissory notes payables | | 43,215 | – |
| Obligations under finance leases | | 76 | 74 |
| Current taxation | | 969 | 500 |
| | | (131,039) | (60,887) |
| Liabilities held for sale | | – | (1,296) |
| | | (131,039) | (62,183) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2013

| | As at 30 June 2013 (Unaudited) HK\$'000 | As at 31 December 2012 (Audited) HK\$'000 |
|---|---|---|
| Note | | |
| NET CURRENT ASSETS | 6,464 | 51,425 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 3,997,143 | 3,837,087 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 3,038 | 4,670 |
| Other borrowings | 10,000 | 30,135 |
| Promissory notes payables | 5,078 | 5,003 |
| Convertible notes payables | 38,765 | – |
| Obligations under finance leases | 301 | 340 |
| Deferred tax liabilities | 55,530 | 734 |
| | (112,712) | (40,882) |
| NET ASSETS | 3,884,431 | 3,796,205 |
| CAPITAL AND RESERVES | | |
| Share capital | 452,364 | 338,208 |
| Share premium and reserves | 3,439,202 | 3,501,139 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 3,891,566 | 3,839,347 |
| NON-CONTROLLING INTERESTS | (7,135) | (43,142) |
| TOTAL EQUITY | 3,884,431 | 3,796,205 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

| Unaudited Attributable to owners of the Company | | | | | | | | |
|--|---------------------------|---------------------------|----------------------------|--------------------------------|---|-------------------|---------------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | Accumulated losses HK\$'000 | Total share premium and reserve HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total equity HK\$'000 |
| At 1 January 2012 | 227,231 | 3,150,568 | 467,237 | (87,410) | 3,530,395 | 3,757,626 | (46,903) | 3,710,723 |
| Loss for the period | - | - | - | (5,823) | (5,823) | (5,823) | 3,433 | (2,390) |
| Other comprehensive (expense)/income | - | - | (22,239) | - | (22,239) | (22,239) | 685 | (21,554) |
| Total comprehensive expense for the period | - | - | (22,239) | (5,823) | (28,062) | (28,062) | 4,118 | (23,944) |
| Transactions with owners | | | | | | | | |
| Shares issued under placement, net of issuing costs | 45,000 | 2,273 | - | - | 2,273 | 47,273 | - | 47,273 |
| Exercise of share options | 12,500 | 14,801 | (2,301) | - | 12,500 | 25,000 | - | 25,000 |
| Equity-settled share-based payments | - | - | 3,503 | - | 3,503 | 3,503 | - | 3,503 |
| Settlement of convertible notes | - | - | (687) | 687 | - | - | - | - |
| Lapse of share options granted under share option scheme | - | - | (6,981) | 6,981 | - | - | - | - |
| Total transactions with owners | 57,500 | 17,074 | (6,466) | 7,668 | 18,276 | 75,776 | - | 75,776 |
| At 30 June 2012 | 284,731 | 3,167,642 | 438,532 | (85,565) | 3,520,609 | 3,805,340 | (42,785) | 3,762,555 |
| At 1 January 2013 | 338,208 | 3,206,691 | 413,998 | (119,550) | 3,501,139 | 3,839,347 | (43,142) | 3,796,205 |
| Profit/(loss) for the period | - | - | - | 39,072 | 39,072 | 39,072 | (7,872) | 31,200 |
| Other comprehensive (expense)/income | - | - | (36,096) | - | (36,096) | (36,096) | 4,363 | (31,733) |
| Total comprehensive income/(expense) for the period | - | - | (36,096) | 39,072 | 2,976 | 2,976 | (3,509) | (533) |
| Transactions with owners | | | | | | | | |
| Shares issued under placement, net of issuing costs | 35,500 | 27,270 | - | - | 27,270 | 62,770 | - | 62,770 |
| Exercise of share options | 10,734 | 14,540 | (4,022) | - | 10,518 | 21,252 | - | 21,252 |
| Equity-settled share-based payments | - | - | 7,910 | - | 7,910 | 7,910 | - | 7,910 |
| Transaction with non-controlling interest | - | - | (170,655) | - | (170,655) | (170,655) | 39,516 | (131,139) |
| Issuance of convertible notes | - | - | 1,440 | - | 1,440 | 1,440 | - | 1,440 |
| Issuance of consideration shares | 10,725 | 4,934 | - | - | 4,934 | 15,659 | - | 15,659 |
| Shares issued upon conversion of convertible notes | 57,197 | 55,110 | (1,440) | - | 53,670 | 110,867 | - | 110,867 |
| Lapse of share options granted under Share Option Scheme | - | - | (198) | 198 | - | - | - | - |
| Total transactions with owners | 114,156 | 101,854 | (166,965) | 198 | (64,913) | 49,243 | 39,516 | 88,759 |
| At 30 June 2013 | 452,364 | 3,308,545 | 210,937 | (80,280) | 3,439,202 | 3,891,566 | (7,135) | 3,884,431 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

| | Note | Unaudited | |
|--|------|--------------------------|----------|
| | | Six months ended 30 June | |
| | | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | | (76,149) | (32,357) |
| Net cash (used in)/generated from investing activities | | (37,339) | 75,671 |
| Net cash generated from/(used in) financing activities | | 91,572 | (44,096) |
| Net decrease in cash and cash equivalents | | (21,916) | (782) |
| Cash and cash equivalents at the beginning of the period | | 36,050 | 41,030 |
| Effect of foreign exchange rate changes | | (50) | – |
| Cash and cash equivalents at the end of the period | 12 | 14,084 | 40,248 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 29 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2012. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 28 March 2013.

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

For the six months ended 30 June 2013

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

| | |
|-----------------------|--|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKFRS 7 | Disclosures — Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| Revised HKAS 19 | Employee Benefits |
| Amendments to HKAS 1 | Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

The Group has not applied any new standards or interpretations that is not yet effective for the current accounting period.

Amendments to HKAS 1, Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and Separate Financial Statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special Purpose Entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

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

For the six months ended 30 June 2013

2. CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 11, Joint Arrangements

HKFRS 11, which replaces HKAS 31, *Interests in Joint Ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangement and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassifications does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12, Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Revised HKAS 19, Employee Benefits

Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the “corridor method” under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The application of this revised standard does not have any material impact on the financial position and the financial results of the Group.

Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and liabilities in note 3.

Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial Instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The adoption of the amendments does not have an impact on the Group’s interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

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

For the six months ended 30 June 2013

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

HK (IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK (IFRIC) Int-20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. 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.

3. SEGMENT INFORMATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

(a) Information about profit or loss, assets and liabilities

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

| | General trading | | Exploration of natural resources | | Oil exploration and production | | Total | |
|--|------------------|------------------|----------------------------------|------------------|--------------------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| For the six months ended 30 June | | | | | | | | |
| Revenue from external customers | 175,785 | 124,164 | - | - | 1,878 | 3,004 | 177,663 | 127,168 |
| Reportable segment revenue | 175,785 | 124,164 | - | - | 1,878 | 3,004 | 177,663 | 127,168 |
| Reportable segment profit/(loss) | 1,048 | 25,304 | (5,370) | (6,972) | 70,569 | (855) | 66,247 | 17,477 |
| Depreciation and amortisation | - | 459 | 103 | 104 | 1,834 | 744 | 1,937 | 1,307 |
| Interest income | 4 | 2 | - | 1 | 756 | 53 | 760 | 56 |
| Interest expenses | 161 | 2,374 | - | - | 58 | 109 | 219 | 2,483 |
| As at 30 June 2013 and 31 December 2012 | | | | | | | | |
| Reportable segment assets | 17,232 | 4,954 | 3,628,306 | 3,664,213 | 249,864 | 24,188 | 3,895,402 | 3,693,355 |
| Reportable segment liabilities | (904) | (576) | (6,509) | (8,721) | (62,167) | (13,473) | (69,580) | (22,770) |

Segment profit/loss represents the profit earned/loss resulted by each segment without allocation of central administration costs including directors' emoluments, share of loss of a joint venture, share of losses of associates, unallocated interest income, unallocated interest expenses, impairment loss on available-for-sale investment and income tax expenses. This is the measure reported to the board of directors for the purpose of resource 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 and depreciation and amortisation used by the segments in their operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

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

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Revenue | | |
| Reportable segment revenue | 177,663 | 127,168 |
| Consolidated turnover | 177,663 | 127,168 |
| Profit/(Loss) | | |
| Reportable segment profit | 66,247 | 17,477 |
| Depreciation and amortisation | (487) | (214) |
| Unallocated operating income and expenses | (36,121) | (17,216) |
| Interest income | 702 | 22 |
| Finance costs | (4,668) | (973) |
| Impairment loss on available-for-sale investment | (385) | – |
| Net fair value gain on derivative financial instruments | 6,143 | – |
| Share of post-tax loss of a joint venture | (9) | (1,259) |
| Share of post-tax loss of associates | – | (68) |
| Consolidated profit/(loss) before taxation | 31,422 | (2,231) |

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

For the six months ended 30 June 2013

4. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Interest on bank and other borrowings wholly repayable within five years | 1,253 | 3,362 |
| Finance charge on obligations under finance lease | 13 | – |
| Effective interest expenses on convertible notes payables | 1,996 | 94 |
| Effective interest expenses on promissory notes payables | 1,362 | – |
| Total interest expenses on financial liabilities not at fair value through profit or loss | 4,624 | 3,456 |
| Other finance costs | 263 | – |
| Total finance costs | 4,887 | 3,456 |

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

For the six months ended 30 June 2013

5. PROFIT/(LOSS) BEFORE TAXATION

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

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Cost of inventories | 175,747 | 125,660 |
| Depreciation and amortisation | 2,424 | 1,521 |
| Staff costs (including directors' emoluments) | | |
| — Wages, salaries and other benefits | 10,457 | 6,735 |
| — Share-based payment expenses | 1,123 | 834 |
| — Contributions to defined contribution retirement scheme | 848 | 525 |
| Minimum lease payments under operating leases on leasehold land and buildings | 1,392 | 894 |
| Interest income | (1,462) | (78) |
| Net foreign exchange loss/(gain) | 1,286 | (97) |
| Net gain on disposal of property, plant and equipment | (22) | (10) |
| Impairment loss on available-for-sale investment | 385 | — |
| Inventories written off | 280 | — |
| Consultancy fees | 11,552 | 5,575 |

6. INCOME TAX

| | Six months ended 30 June | |
|-------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Current tax | | |
| — Hong Kong Profits Tax | 222 | 159 |
| Deferred income tax | — | — |
| | 222 | 159 |

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

For the six months ended 30 June 2013

6. INCOME TAX (Continued)

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands ("BVI"), the Company and its subsidiaries incorporated in Bermuda and the BVI are not subject to any income tax in the Bermuda and the BVI for the six months ended 30 June 2013 (2012: HK\$ Nil).

Provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the period.

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

US Subsidiaries of the Group 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 six months ended 30 June 2013. The subsidiaries are not subject to federal or Louisiana income taxes and no provision is required to be made in the financial statements (2012: HK\$ Nil).

Subsidiaries of the Group in Utah, United States are not subject to federal tax during the six months ended 30 June 2013 (2012: HK\$ Nil).

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

For the six months ended 30 June 2013

7. DIVIDENDS

The directors do not recommend any payment of an interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately HK\$39,072,000 (for the six months ended 30 June 2012: loss of approximately HK\$5,823,000) and the weighted average number of 787,756,000 ordinary shares (for the six months ended 30 June 2012: 521,770,000 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the six months ended 30 June 2013 and 2012 were the same as the basic earnings/(loss) per share as the exercise prices of the share options granted and the unlisted warrants and convertible notes issued by the Company were higher than the relevant average market price of the Company's shares, for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

9. EXPLORATION AND EVALUATION ASSETS

| | Exploration rights HK\$'000 | Exploratory drilling HK\$'000 | Geological studies HK\$'000 | Oil exploration assets HK\$'000 | Others HK\$'000 | Total HK\$'000 |
|---|--------------------------------|----------------------------------|--------------------------------|------------------------------------|--------------------|-------------------|
| Cost | | | | | | |
| 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 | - | - | - | (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 |
| At 1 January 2013 | 3,235,986 | 67,898 | 275,219 | - | 43,064 | 3,622,167 |
| Additions | 1,398 | 165 | 11 | - | - | 1,574 |
| Exchange adjustments | (1,553) | (4,560) | (24,362) | - | (1,226) | (31,701) |
| At 30 June 2013 | 3,235,831 | 63,503 | 250,868 | - | 41,838 | 3,592,040 |
| Accumulated impairment | | | | | | |
| At 1 January 2012 | - | 34,550 | - | - | - | 34,550 |
| Exchange adjustments | - | (5,442) | - | - | - | (5,442) |
| At 31 December 2012 | - | 29,108 | - | - | - | 29,108 |
| At 1 January 2013 | - | 29,108 | - | - | - | 29,108 |
| Exchange adjustments | - | (2,889) | - | - | - | (2,889) |
| At 30 June 2013 | - | 26,219 | - | - | - | 26,219 |
| Carrying amount | | | | | | |
| At 30 June 2013 | 3,235,831 | 37,284 | 250,868 | - | 41,838 | 3,565,821 |
| At 31 December 2012 | 3,235,986 | 38,790 | 275,219 | - | 43,064 | 3,593,059 |

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

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

For the six months ended 30 June 2013

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period under review, the Group disposed its oil properties in Louisiana to independent third parties for an aggregate consideration of approximately US\$5,245,000 (equivalent to approximately HK\$40,666,000). The disposal assets were with carrying value of HK\$15,819,000 in property, plant and equipment and of HK\$4,360,000 in intangible assets. As a result from the disposal, net gain on disposal of these assets amounting to HK\$20,487,000 was recognized in the condensed consolidated statement of profit or loss.

Save for as disclosed above and in note 16 to the condensed consolidated financial statements, there was no significant additions and disposals during the period under review.

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

For the six months ended 30 June 2013

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|--------------------------------------|--|
| Trade receivables <i>(note)</i> | 177 | – |
| | 177 | – |
| Other receivables | 27,735 | 22,387 |
| Less: Allowance for impairment loss | (32) | – |
| | 27,703 | 22,387 |
| Loan to a non-controlling shareholder | 18,513 | – |
| Amount due from associates | 5,860 | 5,697 |
| Amount due from a related company | 106 | 96 |
| Amount due from a director | – | 108 |
| Amount due from non-controlling shareholders | 2,146 | 21,012 |
| Amount due from an operator | 1,566 | 1,565 |
| Loans and receivables | 56,071 | 50,865 |
| VAT recoverable | 55,080 | 60,665 |
| Other tax recoverable | 4,026 | 6,585 |
| Prepayments and deposits | 38,162 | 13,746 |
| | 153,339 | 131,861 |
| Analysed as: | | |
| Non-current | 61,284 | 60,665 |
| Current | 92,055 | 71,196 |
| | 153,339 | 131,861 |

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

For the six months ended 30 June 2013

11. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

Ageing analysis

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

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--------------|--------------------------------------|--|
| 0-30 days | 177 | – |
| 31-60 days | – | – |
| 61-90 days | – | – |
| Over 90 days | – | – |
| | 177 | – |

Trade receivables are due within 30 days (2012: 30 days) from the date of billing.

12. CASH AND CASH EQUIVALENTS

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|--------------------------------------|--|
| Deposits with banks | 19 | 64 |
| Cash at bank and in hand | 14,065 | 35,986 |
| Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows | 14,084 | 36,050 |

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

For the six months ended 30 June 2013

13. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|--------------------------------------|--|
| Trade payables | – | – |
| Other payables and accruals | 17,128 | 19,354 |
| Financial liabilities measured at amortised cost | 17,128 | 19,354 |

14. SHARE CAPITAL

| | As at 30 June 2013 | | As at 31 December 2012 | |
|---|-----------------------------|--------------------|-----------------------------|--------------------|
| | Number of shares '000 | Amount HK\$'000 | Number of shares '000 | Amount HK\$'000 |
| Authorised: | | | | |
| Ordinary shares of HK\$0.50 each | 4,000,000 | 2,000,000 | 4,000,000 | 2,000,000 |
| Ordinary shares of HK\$0.50 each, issued and fully paid: | | | | |
| At 1 January | 676,416 | 338,208 | 454,462 | 227,231 |
| Shares issued under placement (note a) | 71,000 | 35,500 | 193,954 | 96,977 |
| Shares issued for share option scheme (note b) | 21,468 | 10,734 | 28,000 | 14,000 |
| Shares issued upon conversion of convertible notes (note c) | 114,394 | 57,197 | – | – |
| Issuance of consideration shares (note d) | 21,450 | 10,725 | – | – |
| At 30 June 2013 and 31 December 2012 | 904,728 | 452,364 | 676,416 | 338,208 |

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

For the six months ended 30 June 2013

14. SHARE CAPITAL (Continued)

Notes:

(a) Shares issued under placement

- (i) On 20 December 2012, the Company had entered into 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, pursuant to which the Company had conditionally agreed to place 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.

(b) Shares issued under share options scheme

During the period, options were exercised to subscribe for 21,468,000 ordinary shares in the Company at a consideration of HK\$21,252,000, of which HK\$10,734,000 was credited to the share capital and HK\$14,540,000 was credited to the share premium account. An amount of HK\$4,022,000 has been transferred from share-based compensation reserve to the share premium account.

(c) Shares issued upon conversion of convertible notes

- (i) On 13 March 2013, the Company issued convertible notes in an aggregate principal amount of HK\$38,475,000. During the period, convertible notes for a principal amount of HK\$5,000,000 were converted into 5,555,555 ordinary shares of the Company of HK\$0.50 each at the conversion price of HK\$0.90 each.

- (ii) On 25 March 2013, the Company issued convertible notes in an aggregate principal amount of HK\$11,900,000, and were fully converted into 11,900,000 ordinary shares of the Company of HK\$0.50 each at the conversion price of HK\$1.00 each during the period.

- (iii) On 11 April 2013, the Company issued convertible notes in an aggregate principal amount of HK\$105,000,000. During the period, convertible notes for a principal amount of HK\$95,000,000 were converted into 96,938,773 ordinary shares of the Company of HK\$0.50 each at the conversion price of HK\$0.98 each.

(d) Issuance of consideration shares

During the period, the Company issued 21,450,000 ordinary shares of the Company of HK\$0.50 each at the issue price of HK\$0.80 per consideration share upon completion of the acquisition in May 2013.

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

For the six months ended 30 June 2013

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

| | Fair value measurements as at 30 June 2013 using | | | |
|---|--|---|---|---|
| | Fair value at 30 June 2013 <i>HK\$'000</i> | Quoted prices in active market for identical assets (Level 1) <i>HK\$'000</i> | Significant other observable inputs (Level 2) <i>HK\$'000</i> | Significant unobservable inputs (Level 3) <i>HK\$'000</i> |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Available-for-sale investments | | | | |
| — Unlisted | 37,746 | - | 37,746 | - |
| Derivative financial instruments: | | | | |
| — Conversion and call options embedded in convertible notes receivables | 178 | - | 178 | - |
| Financial liabilities: | | | | |
| Derivative financial instruments: | | | | |
| — Conversion and call options embedded in convertible notes payables | 10,766 | - | 10,766 | - |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

| | Fair value at 31 December 2012 HK\$'000 | Fair value measurements as at 31 December using | | |
|---|--|--|---|--|
| | | Quoted prices in active market for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Available-for-sale investments — Unlisted | 37,746 | - | 37,746 | - |
| Derivative financial instruments: | | | | |
| — Conversion and call options embedded in convertible notes receivables | 272 | - | 272 | - |

Recurring fair value measurement

Financial assets:

Available-for-sale investments — Unlisted 37,746 - 37,746 -

Derivative financial instruments:

— Conversion and call options
embedded in convertible notes
receivables 272 - 272 -

During the six months ended 30 June 2013, there was no transfers between Level 1 and level 2, or transfers into or out of Level 3 (2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

- (a) The fair value of the conversion and call options embedded in the convertible notes receivables and payables is determined based on option pricing models; and
- (b) The fair value of other financial assets and financial liabilities (excluding derivative financial instruments) is estimated by using market approach with reference to the market value of these instruments.

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

For the six months ended 30 June 2013

15. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30 June 2013 and 31 December 2012.

16. BUSINESS COMBINATION

On 13 March 2013, the Group acquired 100% equity interest of Golden Giants Limited ("Golden Giants"), which in turn have 75% interest on 30 wells in Altamont-Bluebell area of Uinta Basin. At completion date, an aggregate consideration of HK\$54,475,000 was paid by the Company by issuance of HK\$38,475,000 convertible notes and HK\$16,000,000 promissory notes. Golden Giants and its subsidiary (the "Target Group") are engaged in oil exploitation and production business and its principal activity is developing, exploiting and producing of potential oil and gas properties in Altamont-Bluebell areas of Uinta Basin. The acquisition provided the Group an opportunity to broaden its investment portfolio in Utah, and as well can provide synergy to the existing business in Natural Buttes area of Uinta Basin.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

16. BUSINESS COMBINATION (Continued)

The provisional fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition are as follows:

| | Acquirees' provisional fair value at acquisition date HK\$'000 |
|---|---|
| Intangible assets | 172,990 |
| Cash | 5,823 |
| Deferred tax liabilities | (55,530) |
| Net identifiable assets | 123,283 |
| Non-controlling interest (25% of the net assets fair value) | (30,821) |
| Total net identifiable assets acquired | 92,462 |
| Less: Consideration paid | (52,341) |
| Gain on bargain purchase (note (a)) | 40,121 |

Included in the profit for the period is approximately HK\$1,146,000 loss attributable to the oil business generated by Golden Giants. During the period under review, Golden Giants did not generate any revenue.

Net cash inflow on acquisition:

| | HK\$'000 |
|--|----------|
| Consideration paid in cash | – |
| Less: Cash and cash equivalents balance acquired | (5,823) |
| | (5,823) |

Notes:

- (a) The gain on bargain purchase of HK\$40,121,000 arising from the acquisition of Golden Giants is mainly due to the recognition of fair value of oil reserves.
- (b) The gain on bargain purchase arising from the acquisition of Golden Giants is determined on a provisional basis as the Company is in the process of identifying and obtaining independent valuation to assess the fair value of the identifiable tangible and intangible assets. The gain on bargain purchase may be adjusted upon the completion of initial accounting year.

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

For the six months ended 30 June 2013

17. COMMITMENTS

(a) Capital commitments

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

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|--------------------------------------|--|
| Contracted for | | |
| — Activities of oil exploration and production | 776 | — |
| — Acquisition of subsidiaries | 105,278 | 121,889 |
| — Acquisition of interests in the rights of oil exploration and exploitation | 5,000 | 5,000 |
| | 111,054 | 126,889 |

(b) Commitments under operating leases

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

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|--|--------------------------------------|--|
| Within one year | 2,726 | 2,151 |
| In the second to fifth year, inclusive | 5,179 | 4,788 |
| | 7,905 | 6,939 |

The Group leases its office under operating lease arrangements. The leases for properties are negotiated for a term ranged from one to five years (31 December 2012: one to three years). None of the leases includes contingent rentals.

Included in the balance of approximately HK\$2,849,000 (2012: HK\$3,426,000) will be payable 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.

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

For the six months ended 30 June 2013

18. MATERIAL RELATED PARTY TRANSACTIONS

| 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 |
| 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 Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company |
| Maxipetrol Petroleros de Occidente S.A. | Non-controlling shareholder of the Union of Temporary Enterprise with significant influence |
| China Venturetechno International Co., Limited | Mr. Cheng Kam Chiu, Stewart, the chairman and executive director of the Company is a common director |
| Cheung Hung Development (Holdings) Limited | Mr. Cheng Kam Chiu, Stewart, the chairman and executive director of the Company is a common director |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

| Related parties | Nature of transactions | Six months ended 30 June | |
|---|---|--------------------------|------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 |
| New World Tower Company Limited | Rent, rates and management fee | 654 | 468 |
| Nova Insurance Management Limited | Insurance | 110 | – |
| Maxipetrol Petroleros de Occiderte S.A. | Seismic advisory | – | 936 |
| China Venturetechno International Co. Limited | Interest expenses | 248 | – |
| Cheung Hung Development (Holdings) Limited | Share of rent, rates and management fee | 101 | – |

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

(b) Financing arrangement

Save as disclosed in elsewhere in the notes to the condensed consolidated financial statements, the Group has the following financing arrangement:

| | As at 30 June 2013 HK\$'000 | As at 31 December 2012 HK\$'000 |
|---|--------------------------------------|--|
| Other borrowing from a related company (note) | 10,525 | 10,276 |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2013

18. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

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

| | Six months ended 30 June | |
|------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Short-term employee benefits | 4,098 | 2,420 |
| Post-employment benefits | 30 | 21 |
| Share-based payment | 765 | – |
| | 4,893 | 2,441 |

19. EVENTS AFTER THE REPORTING PERIOD

- (a) On 7 June 2013, the Group had entered into a placing agreement with an independent placing agent, pursuant to which the Company has conditionally agreed to place convertible bonds of up to an aggregate principal amount of HK\$50,000,000 at a conversion price of HK\$0.79 per conversion share to not less than six independent third parties.

The placing was completed on 3 July 2013. The convertible bonds of an aggregate principal amount of HK\$50,000,000 have been issued to not less than six independent third parties at a conversion price of HK\$0.79 per conversion share.

- (b) On 19 June 2013 and 27 June 2013, the Company entered into a subscription agreement and a supplementary agreement respectively with an independent third party, pursuant to which, the Company has undertaken to issue and allot and the independent third party has undertaken to subscribe for an aggregate of 34,370,000 subscription shares at subscription price of HK\$0.58 per subscription share and an aggregate of HK\$22,684,200 in face value of warrants at nil consideration conferring the rights to subscribe for an aggregate of 34,370,000 warrant shares at the exercise price of HK\$0.66 per warrant share.

The subscription was completed on 5 July 2013. An aggregate of 34,370,000 subscription shares at the subscription price of HK\$0.58 per subscription share and an aggregate of 34,370,000 warrants at nil consideration conferring the rights to subscribe for an aggregate of 34,370,000 warrant shares at the exercise price of HK\$0.66 per warrant share have been allotted and issued.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

For the six months ended 30 June 2013, the Group's turnover was HK\$177.66 million (for the six months ended 30 June 2012: HK\$127.17 million), representing an increase of 39.70%. During the period under review, the Group's financial performance changed from loss to profit and have a profit attributable to owners of the Company of HK\$39.07 million (for the six months ended 30 June 2012: loss attributable to owners of the Company of HK\$5.82 million). The change is mainly resulted in (i) gain on disposal of oil and gas interest in Texas and Louisiana of the United States; (ii) reversal of impairment loss on convertible notes issued by BCM Energy Partners Inc.; and (iii) gain on bargain purchase arising from the acquisition of Golden Giants Limited. Administrative expenses during the period under review mainly related to the continuous searching for and development of energy and natural resources projects in the pre-operation stage around the globe remains the major expenses of the Group.

Administrative expenses of the Group for the period amounted to HK\$47.59 million (for the six months ended 30 June 2012: HK\$31.34 million), representing an increase of HK\$16.25 million. Administrative expenses for the period under review mainly comprised consultancy fee, staff cost, legal and professional expenses and travelling expenses.

REVIEW OF BUSINESS OPERATIONS

Oilfield Exploration and Exploitation Business

The Tartagal Oriental concession and Morillo concession (collectively the "Concessions") located in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively, remain the core assets and business of the Group. To enhance the Group's asset portfolio in Argentina, the Group further acquired 9.25% interest in the Concessions on 11 April 2013. As a result, the Group's aggregate interests in the Concessions increased from 60% to 69.25%.

Exploration, Development and Production in the Concessions

In the first half of 2013, the Group performed some geochemical surveys in the Concessions areas, which will provide general focus on our future efforts. Several geographical specialists from Argentina, England and China are currently interpreting and preparing the updated reports for the Concessions. These reports are expected to be completed in the third quarter of 2013. Based on these information, the Company will plan to drill an appraisal well in Morillo Block.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS *(Continued)*

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

During the period under review, the expenditures incurred from these activities are as follows:

| Nature of Expenditure | Amount <i>HK\$ million</i> |
|------------------------------------|-------------------------------|
| Exploration rights | 1.40 |
| Geological and geochemical studies | 2.00 |
| Exploratory drillings | 0.17 |
| Others | – |
| <hr/> | |
| Total | 3.57 |

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

In the first half of 2013, the Group restructured its investment in the United States through a number of acquisitions and disposals of oil and gas assets in east Texas and Louisiana. As of 30 June 2013, the Group has no oil and gas properties situated at east Texas and Louisiana of the United States.

During the period under review, the Group record a net gain of approximately HK\$29.29 million from the disposal of the east Texas and Louisiana assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF BUSINESS OPERATIONS (Continued)

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

In March 2013, the Group completed the acquisition of Golden Giants Limited holding 75% indirectly interest of the wells in Altamont-Bluebell area of Uinta Basin. This acquisition provided the Group an opportunity to broaden our investment portfolio in Utah, and as well can provide synergy to our existing business in Natural Buttes area of Uinta Basin. Since the acquisition is accounted for as a business combination according to the HKFRS, a gain on bargain purchase of HK\$40.12 million was resulted.

In the first half of year 2013, the Group reworked six wells located in Natural Buttes area of Uinta Basin, which one of them put back into production. The expenditure incurred on these activities during the period under review included HK\$0.52 million operating costs and HK\$0.99 million capital expenditures.

During the period under review, these wells produced approximately 2,000 barrels of oil and contributed appropriately HK\$1.09 million (for the six months ended 30 June 2012: HK\$nil) revenue to the Group. It is a good start showing our effort in these wells and the Group believes our investment in Utah can become a good revenue drive of the Group in the coming future.

Natural gas downstream business

In February 2013 and June 2013, the Group entered into a memorandum of understanding (“MOU”) and a supplemental MOU with China Print Power Group Limited (stock code: 06828) respectively in relation to the disposal of the entire natural gas downstream business of the Group. The proposed disposal shows our determination to clearly delineate our upstream business from natural gas downstream business. The Group believes that, in the best interest of our shareholders, the consolidation can enhance the transparency and the Group’s assets value, and additional financial resources can also be deployed into our invested assets in the United States and Argentina.

Trading business

In the first half of 2013, the Group continued to operate in its resource-related trading business. During the period under review, the Group recorded sales of approximately HK\$175.78 million (for the six months ended 30 June 2012: HK\$124.16 million), with a gross profit of approximately HK\$3.36 million (for the six months ended 30 June 2012: HK\$2.29 million) in its trading business. Increase in sales was due to the growth of the current trading business. The Group will dedicate more efforts to bolstering relations with existing partners and customers with the objective to broaden its income sources and growth potential of this business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS

In the first half of 2013, the Group completed four acquisitions, representing acquired (i) acquisition of entire issued share capital of Golden Giants Limited which holds 75% interest indirectly in the oil and gas properties situated at Altamont-Bluebell area of Uinta Basin, (ii) an additional 22% equity interest in New Phoenix Global Limited, which engaged in LNG supply system installation and LNG supply services in Tongshan District of Xuzhou City, PRC, (iii) an additional 9.25% interest in the Tartagal and Morillo Concessions and (iv) 55% interest of the oil and gas properties situated at Caddo Parish of Louisiana. Completion of these acquisitions expanded the Group's current business in the United States and Argentina.

In addition, after the reassessment of our current investments in the United States, the Group changed its investment strategy. During the year under review, the Group disposed all oil and gas properties in Texas to a US company for preferred stocks. In addition, the Group disposed the remaining oil and gas properties in Louisiana to a US oil company in return for its convertible notes. The management believes holding of the convertible notes of this oil company can provide the Group an opportunity to enjoy a return from their success.

Currently, the Group entered into agreements for acquiring concession interest in province of Salta, Formosa and Jujuy in Argentina. Regarding the acquisitions of LNG projects in Guizhou Province, the management expects the acquisitions can be completed in 2013. 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 will continue to look for strategic acquisitions and partnership opportunities in line with its expansion strategy or provide synergy to its principal business activities. The Group will also seek for new investment opportunities to enhance shareholders' value.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure, Liquidity and Financial resources

On 14 January 2013, the Company completed a placement and issued 35,000,000 new ordinary shares of HK\$0.50 each (aggregate nominal value of HK\$17.50 million) to independent third parties at the price of HK\$0.91 per share pursuant to the placing agreement dated 20 December 2012. The closing market price on the date of issue was at HK\$0.94 per share. Net proceeds of approximately HK\$30.48 million (equivalent to approximately HK\$0.87 per share) were received and used for general working capital and financing investment opportunities identified by the Group.

On 29 January 2013, the Company completed the second placement of this year and issued 22,000,000 new ordinary shares of HK\$0.50 each (aggregate nominal value of HK\$11.00 million) to independent third parties at the price of HK\$0.91 per share pursuant to the placing agreement dated 18 January 2013. The closing market price on the date of issue was at HK\$0.98 per share. Net proceeds of approximately HK\$19.14 million (equivalent to approximately HK\$0.87 per share) were received and used for general working capital and financial investment opportunities identified by the Group.

On 6 February 2013, the Company completed the third placement of this year and issued 14,000,000 new ordinary shares of HK\$0.50 each (aggregate nominal value of HK\$0.70 million) to independent third parties at the price of HK\$0.98 per share pursuant to the placing agreement dated 25 January 2013. The closing market price on the date of issue was at HK\$0.97 per share. Net proceeds of approximately HK\$13.11 million (equivalent to approximately HK\$0.94 per share) were received and used for general working capital and financial investment opportunities identified by the Group.

On 13 March 2013, the Company issued convertible notes for an aggregate principal amount of HK\$38.48 million at a conversion price of HK\$0.90 per share in accordance with the agreement of acquisition of 100% equity interest in Golden Giants Limited. Upon full conversion of all the said convertible notes, a number of 42,750,000 ordinary shares will be issued and allotted. As at 30 June 2013, HK\$5.00 million convertible notes were converted into 5,555,555 ordinary shares of the Company, and the principal amount of HK\$33.48 million of the said convertible notes is outstanding.

On 25 March 2013, the Company issued convertible bonds for an aggregate principal amount of HK\$11.90 million at a conversion price of HK\$1.00 per share in accordance with the agreement of acquisition of 22% equity interest in New Phoenix Global Limited. Upon full conversion of all the said convertible bonds, a number of 11,900,000 ordinary shares will be issued and allotted. All convertible notes were converted and 11,900,000 ordinary shares of the Company were issued during the period under review. There was no outstanding convertible bond as at 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Capital Structure, Liquidity and Financial resources (Continued)

On 11 April 2013, the Company issued convertible notes for an aggregate principal amount of HK\$105.00 million at a conversion price of HK\$0.98 per share in accordance with the agreement of acquisition of 100% equity interest in Power Jet Group Limited. Upon full conversion of all the said convertible notes, a number of 107,142,857 ordinary shares will be issued and allotted. As at 30 June 2013, HK\$95.00 million convertible notes were converted into 96,938,773 ordinary shares of the Company, and the principal amount of HK\$10.00 million of the said convertible notes is outstanding.

On 29 May 2013, the Company issued 21,450,000 new ordinary shares of HK\$0.50 each (aggregate nominal value of approximately HK\$10.73 million) in accordance with the agreement of acquisition of interest in the oil and gas properties situated at Caddo Parish, Louisiana of the United States.

On 3 July 2013, the Company issued convertible bonds for an aggregate principal amount of HK\$50.00 million at a conversion price of HK\$0.79 in accordance with the placing agreement dated 7 June 2013. Upon full conversion of the rights attached to the convertible bonds, 63,291,139 ordinary shares will be issued. No convertible bond is converted upon their issuance. Net proceeds of approximately HK\$47.80 million are intended to be used for the purposes of enhancing the production of the wells situated in the United States.

On 5 July 2013, the Company issued 34,370,000 new ordinary shares and 34,370,000 warrants at the exercise price of HK\$0.66 per share in accordance with the subscription agreement dated 19 June 2013. No warrant is exercised upon their issuance. The closing market price on the date of issue was at HK\$0.65 per share. Net proceeds of approximately HK\$19.80 million are intended to be used as general working capital and for any possible acquisitions when opportunities arise.

On 19 July 2013, the Company issued a HK\$10.00 million 7-year bonds to an independent third party, which bearing interest at 5% per annum. Net proceeds of approximately HK\$9.95 million are intended to be used as general working capital of the Group.

As at 30 June 2013, the total equity of the Group was HK\$3,884.43 million (31 December 2012: HK\$3,796.21 million) and the net asset value per share was HK\$4.29 (31 December 2012: HK\$5.61). The debt ratio, calculated by total liabilities divided by total assets, was 5.90% as at 30 June 2013 (31 December 2012: 2.64%).

As at 30 June 2013, the total asset value of the Group was approximately HK\$4,128.18 million (31 December 2012: HK\$3,899.27 million) and total cash and bank balances (including pledged bank deposits) of the Group were approximately HK\$32.88 million (31 December 2012: HK\$36.05 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings

The Group's borrowings as at 30 June 2013 comprised:

- (i) other borrowing of HK\$30.73 million (31 December 2012: HK\$30.14 million), bearing interest at 4% per annum;
- (ii) borrowing from a related company totaling approximately HK\$10.53 million (31 December 2012: HK\$10.28 million), bearing interest at 5% per annum. On 28 June 2013, the Group re-negotiated with the related company for an extension of current loan facilities. The term was renewed for one year to 12 July 2014 which interest will bear at 5.5% per annum;
- (iii) a loan from a non-controlling shareholder of HK\$18.07 million (31 December 2012: HK\$28.13 million) bearing interest at 4% per annum;
- (iv) bank borrowing of HK\$2.56 million (31 December 2012: HK\$2.55 million), denominated in United States dollar, bearing interest at 6% per annum; and
- (v) bank borrowing of HK\$17.76 million (31 December 2012: HK\$nil), bearing interest at Hong Kong Interbank Offered Rate (HIBOR) plus 1.9%.

For the Group's borrowings HK\$79.65 million, their maturity periods are as follow:

| | 30 June 2013 HK\$ (in million) | As a percentage of total borrowings | 31 December 2012 HK\$ (in million) | As a percentage of total borrowings |
|---------------|---|--|---|--|
| Within 1 year | 69.65 | 87.4% | 40.96 | 57.6% |
| 1–2 years | 10.00 | 12.6% | 30.13 | 42.4% |
| | 79.65 | 100.0% | 71.09 | 100.0% |

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Gearing ratio

As at 30 June 2013, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 2.92% (31 December 2012: 1.87%).

Charge on Assets

As at 30 June 2013, the following assets were charged:

- (i) bank borrowing of HK\$2.56 million (31 December 2012: HK\$2.55 million) was secured by the assets of a subsidiary and guaranteed by the manager of the subsidiary, bearing interest fixed at 6% per annum; and
- (ii) bank deposit of HK\$18.80 million (31 December 2012: HK\$nil) was pledged to a bank to secure for a revolving bank borrowing facilities of the Group.

Contingent Liability

As at 30 June 2013 and 31 December 2012, the Group did not have any material contingent liabilities.

Capital Commitments

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

Foreign Exchange and Interest Rate Exposure

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

Employees

As at 30 June 2013, the Group employed a total of 74 employees (31 December 2012: 62 employees) in Hong Kong, the PRC, the United States and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK\$12.43 million (for the six months ended 30 June 2012: HK\$8.09 million). The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Material Acquisitions and Disposals

During the period under review, the Group had the following material acquisition and disposals.

Acquisitions

- (a) In March 2013, the Group completed the acquisition of 100% equity interest of Golden Giants Limited for a consideration of HK\$54.48 million, which was satisfied by issued HK\$38.48 million convertible notes and HK\$16.00 million promissory notes. Upon completion, the Group indirectly has 75% interest on 30 well bores located in Uinta Basin of the State of Utah in the United States.

During the period under review, HK\$5.00 million convertible notes were exercised and converted into 5,555,555 ordinary shares of the Company.

- (b) Further in late March 2013, the Group completed the acquisition of 22% equity interest of New Phoenix Global Limited, which is a non-wholly owned subsidiary of the Group, for a consideration of HK\$13.90 million which was satisfied by paid HK\$2.00 million cash and issued HK\$11.90 million convertible notes. Upon completion, the acquisition enhanced the Group's position in the PRC energy resources market, and provided the Group a better opportunity for further project development in the same sector in the PRC.

During the period under review, all convertible notes issued under this acquisition were exercised and converted into 11,900,000 ordinary shares of the Company.

- (c) In April 2013, the Group completed the acquisition of 100% equity interest of Power Jet Group Limited for a consideration of HK\$150.00 million, which was satisfied by paid HK\$15.00 million cash and issued HK\$105.00 million convertible notes and HK\$30.00 million promissory notes. Upon completion, the Group increased its interest in the Tartagal and Morillo concessions from 60% to 69.25%, and the Group believes the acquisition can enhance future return to the Group.

During the period under review, HK\$95.00 million convertible notes were exercised and converted into 96,938,773 ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Material Acquisitions and Disposals (Continued)

Acquisitions (Continued)

- (d) In May 2013, the Group completed the acquisition of certain interest of oil and gas properties situated at Caddo Parish of Louisiana of the United States for a consideration of US\$2.20 million (equivalent to approximately HK\$17.16 million), which are satisfied by issuance of 21,450,000 ordinary shares of the Company. Upon completion, the acquisition enhanced the Group's investment portfolio in the energy and natural resources business.
- (e) Regarding the acquisition of 100% equity interest of 貴州坤煜經貿有限公司 (Guizhou Kunyu Trading Company Limited) and 貴州舜堯能源投資有限公司 (Guizhou Shunyao Energy Investment Company Limited), both parties are working to satisfy the conditions precedent. The management expects the acquisitions can be completed in 2013.

Disposals

- (a) In February 2013, the Group entered into a non-legally-binding memorandum of understanding ("MOU") with a wholly-owned subsidiary of China Print Power Group Limited (Stock code: 06828.HK) in relation to the disposal of up to 100% of the issued share capital of Shine Great Investments Limited ("Shine Great"), a wholly-owned subsidiary of the Company, which holds certain natural gas projects in the PRC. Further in June 2013, a supplemental MOU was entered to extend the exclusivity period to 31 December 2013, and an earnest money of HK\$2.00 million was received pursuant to the supplemental MOU. The Group is in negotiation with the buyer regarding the disposal.
- (b) In June 2013, the Group disposed all oil and gas properties located in Louisiana of the United States to BCM Energy Partners, Inc. ("BCME") at a consideration of US\$5.20 million (equivalent to HK\$40.35 million), which was satisfied by received US\$5.20 million convertible notes of BCME. Upon completion, the Group no longer holds any oil and gas properties in Louisiana of the United States. The Group believes that the disposal aligns the Group's resources with its existing and more established business in the United States, especially the oil and gas properties in the Uinta Basin of the State of Utah in the United States.

Share Option Scheme

Detailed movements of the share option scheme in the first half of 2013 are set out on pages 45 to 47 of the "Other Information" section.

OTHER INFORMATION

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

As at 30 June 2013, the interests and short positions of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

Long positions of directors' interests in shares and underlying shares of the Company

| Name of Directors | Nature of interest | Number of ordinary shares held | Number of share options held* | Total interests as to the % of the issued share capital | |
|-----------------------------|--------------------|--------------------------------|-------------------------------|---|-------|
| | | | | Total interests | |
| Mr. Cheng Kam Chiu, Stewart | Beneficial owner | – | 4,500,000 | 4,500,000 | 0.50% |
| Mr. Cheng Ming Kit | Beneficial owner | 1,000 | 3,000,000 | 3,001,000 | 0.33% |
| Mr. Wong Man Kong, Peter | Beneficial owner | – | 450,000 | 450,000 | 0.05% |
| Mr. Chan Chi Yuen | Beneficial owner | – | 450,000 | 450,000 | 0.05% |
| Mr. Chiu Wai On | Beneficial owner | – | 450,000 | 450,000 | 0.05% |

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

Save as disclosed above, as at 30 June 2013, none of the directors or chief executives of the Company and 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.

OTHER INFORMATION *(Continued)*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the period under review was the Company 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "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.

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

Pursuant to the Scheme, 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.

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME *(Continued)*

Under the Scheme, 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 Scheme, an option may not be exercised after the expiration of 10 years from the date of grant of the option and 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.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME (Continued)

During the period under review, 30,090,000 share options were granted to a director and certain employees and consultants of the Company. A summary of the movement of the share options granted under the Scheme are as follows:

| Category of grantees | Date of grant | Exercise period | *Exercise Price (HK\$) | Number of share options | | | | | Balance at the end of the period |
|---|---------------|-----------------------|------------------------|-------------------------------------|---------------------------|-----------------------------|-------------------------------|--------------------------|----------------------------------|
| | | | | *Balance at beginning of the period | Granted during the period | Exercised during the period | Reallocated during the period | Lapsed during the period | |
| Director | | | | | | | | | |
| Mr. Cheng Kam Chiu, Stewart | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 4,500,000 | - | - | - | - | 4,500,000 |
| Mr. Cheng Ming Kit | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 3,000,000 | - | - | - | - | 3,000,000 |
| Mr. Sun Jiang Tian (Resigned on 28 June 2013) | 24.1.2013 | 24.1.2013 – 23.1.2016 | 0.99 | - | 1,500,000 | - | (1,500,000) | - | - |
| Mr. Wong Man Kong, Peter | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 450,000 | - | - | - | - | 450,000 |
| Mr. Chan Chi Yuen | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 450,000 | - | - | - | - | 450,000 |
| Mr. Fung Siu To, Clement (Resigned on 28 March 2013) | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 450,000 | - | - | - | (450,000) | - |
| Mr. Chiu Wai On | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 450,000 | - | - | - | - | 450,000 |
| Employees in aggregate | | | | | | | | | |
| | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 690,000 | - | - | - | - | 690,000 |
| | 11.6.2012 | 11.6.2012 – 10.6.2014 | 1.00 | 2,000,000 | - | - | - | (144,000) | 1,856,000 |
| | 24.1.2013 | 24.1.2013 – 23.1.2016 | 0.99 | - | 1,290,000 | - | - | (340,000) | 950,000 |
| Other participants in aggregate | | | | | | | | | |
| | 22.7.2011 | 22.7.2011 – 21.7.2014 | 2.20 | 630,000 | - | - | - | - | 630,000 |
| | 11.6.2012 | 11.6.2012 – 10.6.2014 | 1.00 | 2,000,000 | - | - | - | - | 2,000,000 |
| | 24.1.2013 | 24.1.2013 – 23.1.2016 | 0.99 | - | 14,300,000 | (11,463,000) | 1,500,000 | - | 2,987,000 |
| | 4.2.2013 | 4.2.2013 – 3.2.2015 | 0.99 | - | 10,000,000 | (10,000,000) | - | - | - |
| | 14.6.2013 | 14.6.2013 – 13.6.2015 | 0.80 | - | 3,000,000 | - | - | - | 3,000,000 |
| | | | | 14,620,000 | 30,090,000 | (21,463,000) | - | (934,000) | 22,313,000 |

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

OTHER INFORMATION (Continued)

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

As at 30 June 2013, 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 underlying shares (note (i)) | Total interest | Percentage of the Company's issued share capital |
|---|-------|--------------------------------------|------------------|--|----------------|--|
| Max Sun Enterprises Limited ("Max Sun") | (ii) | Beneficially owned | 77,030,276 | 100,000,000 | 177,030,276 | 19.57% |
| Chow Tai Fook Nominee Limited ("CTFNL") | (iii) | Interest in a controlled corporation | 77,030,276 | 100,000,000 | 177,030,276 | 19.57% |
| Li Lianfang | | Beneficially owned | 50,620,408 | 10,204,081 | 60,824,489 | 6.72% |

Notes:

- (i) The long positions in underlying shares represent:
 - a. the interest held by Max Sun as at 30 June 2013 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 5 years from the date of issue.
 - b. the interest held by Li Lianfang as at 30 June 2013 in convertible notes with principal value of HK\$10,000,000 at conversion price HK\$0.98 per conversion share (subject to adjustment). The convertible notes carry the rights to convert into 10,204,081 shares within 10 years 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 SFO.

OTHER INFORMATION *(Continued)*

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES UNDER THE SFO *(Continued)*

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PURCHASE, 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 period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except for the following deviations:

Code provisions A.4.1

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All 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.

OTHER INFORMATION *(Continued)*

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to the directors and all of the directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013. The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

ON BEHALF OF THE BOARD

Cheng Kam Chiu, Stewart

Chairman and Executive Director

Hong Kong, 29 August 2013