



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

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



* For identification purposes only

2014
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Heffner, Paul Lincoln

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chan Chi Yuen (*Chairman*)
Mr. Cheng Kam Chiu, Stewart
Mr. Heffner, Paul Lincoln
Mr. Wong Man Kong, Peter
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

NOMINATION COMMITTEE

Mr. Chan Chi Yuen (*Chairman*)
Mr. Cheng Kam Chiu, Stewart
Mr. Heffner, Paul Lincoln
Mr. Wong Man Kong, Peter
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

COMPANY SECRETARY

Ms. Tsang Tsz Ying, Fion

AUDITOR

Crowe Horwath (HK) CPA Limited

LEGAL ADVISERS

On Hong Kong law

Phillips Solicitors
Reed Smith Richards Butler

On Bermuda law

Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1402, 14/F, New World Tower I
16–18 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

SHARE INFORMATION

Place of listing

Main Board of
The Stock Exchange of Hong Kong Limited

Stock code

00166

Board lot

2,000 shares

SHARE REGISTRAR AND TRANSFER OFFICE

Principal

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

KEY DATES

28 August 2014

2014 Interim Results Announcement

INVESTOR RELATIONS

E-mail: info@nt-energy.com

WEBSITE

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Turnover	3	32,782	177,663
Cost of sales		(27,086)	(175,747)
Gross profit		5,696	1,916
Other revenue and other net income		37,831	7,832
Gain on bargain purchase		–	40,121
Net gain on disposal of oil properties		–	29,287
Reversal of impairment loss on convertible notes receivables		–	5,243
Selling expenses		(1,250)	–
Administrative expenses		(66,279)	(47,585)
Other operating expenses		(49)	(496)
(Loss)/profit from operations		(24,051)	36,318
Finance costs	4	(14,177)	(4,887)
Share of losses of joint ventures		(262)	(9)
Share of post-acquisition losses of associates		(391)	–
(Loss)/profit before taxation	5	(38,881)	31,422
Income tax	6	(8,777)	(222)
(Loss)/profit for the period		(47,658)	31,200
(Loss)/profit for the period attributable to:			
Owners of the Company		(46,140)	39,072
Non-controlling interests		(1,518)	(7,872)
		(47,658)	31,200
(Loss)/Earnings per share	8		
Basic and diluted		HK(3.93) cents	HK4.96 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June 2014 HK\$'000	2013 HK\$'000
(Loss)/profit for the period		(47,658)	31,200
Other comprehensive loss for the period			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of overseas and PRC subsidiaries:			
Exchange differences arising during the period		(73,205)	(31,733)
Other comprehensive loss for the period, net of tax		(73,205)	(31,733)
Total comprehensive loss for the period, net of tax		(120,863)	(533)
Attributable to:			
Owners of the Company		(130,095)	2,976
Non-controlling interests		9,232	(3,509)
Total comprehensive loss for the period		(120,863)	(533)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	9	3,481,500	3,523,992
Property, plant and equipment	10	97,682	44,246
Lease prepayments		5,514	3,384
Intangible assets	11	303,980	222,692
Goodwill	12	36,777	33,620
Interest in associates		14,720	15,225
Interest in joint ventures		2,341	2,681
Deposits paid for potential investments		42,324	89,652
Convertible notes receivables		16,240	53,922
Available-for-sale investments		105,988	105,988
Prepayment, deposits and other receivables	13	114,679	114,597
		4,221,745	4,209,999
CURRENT ASSETS			
Inventories		8,480	2,517
Lease Prepayments		233	146
Trade and other receivables	13	128,949	92,678
Convertible notes receivables		43,555	–
Pledged bank deposits		18,888	19,031
Cash and cash equivalents	14	46,580	87,104
Tax recoverable		3,929	483
		250,614	201,959
CURRENT LIABILITIES			
Trade and other payables	15	92,775	57,441
Bank and other borrowings	16	81,417	175,731
Promissory notes payables		37,052	47,697
Convertible notes payables		44,413	16,718
Obligations under finance leases		81	79
Current taxation		4,287	358
		(260,025)	(298,024)
NET CURRENT LIABILITIES		(9,411)	(96,065)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,212,334	4,113,934

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Provisions		10,860	3,373
Bank and other borrowings	16	220,766	15,286
Convertible notes payables		51,986	79,767
Obligations under finance leases		220	261
Deferred tax liabilities		94,137	64,348
		(377,969)	(163,035)
NET ASSETS			
		3,834,365	3,950,899
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	588,937	584,999
Share premium and reserves		3,271,043	3,400,747
		3,859,980	3,985,746
NON-CONTROLLING INTERESTS			
		(25,615)	(34,847)
TOTAL EQUITY			
		3,834,365	3,950,899

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

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 reserves HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
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 (loss)/income	-	-	(36,096)	-	(36,096)	(36,096)	4,363	(31,733)
Total comprehensive loss 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
At 1 January 2014	584,999	3,361,961	319,811	(281,025)	3,400,747	3,985,746	(34,847)	3,950,899
Loss for the period	-	-	-	(46,140)	(46,140)	(46,140)	(1,518)	(47,658)
Other comprehensive (loss)/income	-	-	(83,955)	-	(83,955)	(83,955)	10,750	(73,205)
Total comprehensive loss for the period	-	-	(83,955)	(46,140)	(130,095)	(130,095)	9,232	(120,863)
Transactions with owners								
Issuance of remuneration shares	3,316	(275)	-	-	(275)	3,041	-	3,041
Exercise of share options	622	675	(9)	-	666	1,288	-	1,288
Lapse of share options granted under Share Option Scheme	-	-	(2,465)	2,465	-	-	-	-
Total transactions with owners	3,938	400	(2,474)	2,465	391	4,329	-	4,329
At 30 June 2014	588,937	3,362,361	233,382	(324,700)	3,271,043	3,859,980	(25,615)	3,834,365

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Unaudited	
		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
OPERATING ACTIVITIES			
Cash used in operating activities		(39,259)	(75,911)
Interest paid		(3,981)	(238)
Interest received		206	–
Income tax paid		(11,359)	–
NET CASH USED IN OPERATING ACTIVITIES		(54,393)	(76,149)
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment	10	(31,838)	(2,346)
Payment of deposits for potential investments		–	(20,647)
Net cash (outflow)/inflow from business combinations	19	(44,690)	5,823
Net cash outflow on transactions with non-controlling interest		–	(17,000)
Other cash flows arising from investing activities		(4,269)	(3,169)
NET CASH USED IN INVESTING ACTIVITIES		(80,797)	(37,339)
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		114,000	17,600
Repayment of bank and other borrowings		(6,260)	(10,000)
Repayment of promissory notes		(12,000)	–
Issue of new shares, net of transaction costs		1,288	84,022
Other cash flows arising from financing activities		(50)	(50)
NET CASH GENERATED FROM FINANCING ACTIVITIES		96,978	91,572
NET DECREASE IN CASH AND CASH EQUIVALENTS		(38,212)	(21,916)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		87,104	36,050
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(2,312)	(50)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14	46,580	14,084

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION AND BASIS OF PREPARATION

New Times Energy Corporation Limited (“the Company”) is a limited liability company incorporated in Bermuda and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1402, 14/F, New World Tower I, 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 “Stock Exchange”).

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. It was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013. 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 2013 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 2013 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 31 March 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. GENERAL INFORMATION AND BASIS OF PREPARATION

(Continued)

Changes in presentation

Effective 1 March 2014, the Group has re-aligned its presentation on reportable segments by combined the "Exploration of natural resources" segment and "Oil exploration and production" segment into a new "Upstream" segment, which is further evaluated on a geographical basis at its activities carried in. The management considers the current presentation is more appropriate and consistent with the internal reporting provided to the chief operating decision maker after the completion of the acquisition of 38.15% participating interest in Palmar Largo block. The comparative information has been reclassified to conform the changes.

2. CHANGES ON ACCOUNTING POLICIES

The HKICPA has issued a number of new standards and amendments that are first effective for the current accounting period of the Group. As required by HKAS 34, the nature and the effect of these changes are disclosed below. Save for the amendments to HKAS 36 that requires recoverable amount disclosures for non-financial assets, other new standards and amendments do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standards or amendment are described below:

Investment Entities — Amendments to HKFRS 10, HKFRS 12 and HKAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

Offsetting Financial Assets and Financial Liabilities — Amendments to HKAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. CHANGES ON ACCOUNTING POLICIES (Continued)

Novation of Derivatives and Continuation of Hedge Accounting — Amendment to HKAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets — Amendments to HKAS 36

These amendments remove the unintended consequences of HKFRS 13 *Fair Value Measurement* on the disclosure required under HKAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments have no impact to the Group as the Group has not recognized or reversed any impairment loss for non-financial assets during the period.

HK(IFRIC)-Int 21 Levies

HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognizes a liability for levy no earlier than when the activities that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

The adoption of HK(IFRIC)-Int21 does not have any material impact on the financial position and the financial results of the Group as the Group has no obligating event that gives rise to a liability to pay a levy.

In addition, the Group has early adopted the following amended standards and new interpretation where early adoption is permitted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2. CHANGES ON ACCOUNTING POLICIES (Continued) Accounting for Acquisitions of Interests in Joint Operations — Amendments to HKFRS 11

These amendments provide guidance on the accounting for acquisitions of interest in joint operations in which the activity constitutes a business, which are effective for annual periods beginning on or after 1 January 2016. These amendments requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in HKFRS 3 “*Business Combination*”, to apply all of the principles on business combinations accounting and disclose all information required in HKFRS 3. To the extent of the early adoption of these amendments, the Group has accounting for the acquisition of interests in joint operation as a business combination and has provided those disclosures in note 19 to the condensed consolidated financial statements.

Save for as mentioned above, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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. board of directors of the Company, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

General trading	This segment includes trading of oil products and non-ferrous metal. Currently the Group’s activities in this regard are carried out in Hong Kong and the People’s Republic of China (“PRC”).
Upstream	This segment is engaged in the exploration, development, production and sale of crude oil. It is further evaluated on a geographic basis. Currently the Group’s activities in this regard are carried out in Argentina and the United States (“US”).
Distribution of natural gas	This segment is engaged in the sales and the transmission of natural gas in PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in joint ventures, interest in associates, unallocated convertible note receivables, deposits paid for potential investments, available-for-sale investments and other corporate assets. Segment liabilities include provisions, trade and other payables, current taxation and deferred tax liabilities attributable to the activities of the individual segments and bank and other borrowings managed directly by the segments.

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

Segment profit/loss represents the profit earned/loss resulted by each segment without allocation of central administration costs including directors' emoluments, share of losses of joint ventures, share of losses of associates, unallocated interest income, unallocated interest expenses, impairment loss on available-for-sale investment, fair value gain/loss on derivative financial instruments, unallocated operating income 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

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

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:

	Upstream										Total	
	General trading		Argentina		United States		Sub-total		Distribution of natural gas		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
For the six months ended 30 June												
Reportable segment revenue (note)	-	175,785	29,551	-	647	1,878	30,198	1,878	2,584	-	32,782	177,663
Reportable segment profit/(loss)	-	1,048	18,012	(5,370)	(4,462)	70,569	13,550	65,199	(18,353)	-	(4,803)	66,247
Depreciation and amortization	-	-	7,677	103	143	1,834	7,820	1,937	4,900	-	12,720	1,937
Interest income	-	4	-	-	2,408	756	2,408	756	4	-	2,412	760
Interest expenses	-	161	56	-	-	58	56	58	5,002	-	5,058	219
As at 30 June 2014 and 31 December 2013												
Reportable segment assets	1,625	6,096	3,640,958	3,582,000	244,075	221,527	3,885,033	3,803,527	294,803	265,181	4,181,461	4,074,804
Additions to non-current segment assets during the period/year	-	-	124,976	2,808	271	157,602	125,247	160,410	32,827	105,523	158,074	265,933
Reportable segment liabilities	(359)	(358)	(56,545)	(7,208)	(57,926)	(58,049)	(114,471)	(65,257)	(116,649)	(96,317)	(231,479)	(161,932)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (for the six months ended 30 June 2013: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Revenue		
Reportable segment revenue	32,782	177,663
Consolidated turnover	32,782	177,663
Profit/(Loss)		
Reportable segment (loss)/profit	(4,803)	66,247
Depreciation and amortization	(50)	(487)
Unallocated operating income and expenses	(30,138)	(36,121)
Interest income	631	702
Finance costs	(9,119)	(4,668)
Impairment loss on available-for-sale investments	–	(385)
Net fair value gain on derivative financial instruments	5,251	6,143
Share of post-tax losses of joint ventures	(262)	(9)
Share of post-tax losses of associates	(391)	–
Consolidated (loss)/profit before taxation	(38,881)	31,422

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

4. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on bank and other borrowings	7,626	1,253
Finance charge on obligations under finance lease	11	13
Effective interest expenses on convertible notes payables	5,185	1,996
Effective interest expenses on promissory notes payables	1,355	1,362
Total interest expenses on financial liabilities not at fair value through profit or loss	14,177	4,624
Other finance costs	–	263
Total finance costs	14,177	4,887

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5. (LOSS)/PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Cost of inventories (Note)	27,086	175,747
Depreciation and amortization	12,770	2,424
Staff costs (including directors' emoluments)		
— Salaries, wages and benefits in kind	15,658	10,457
— Contributions to defined contribution retirement plans	1,089	848
— Equity-settled share-based payment expenses	–	1,123
Minimum lease payments under operating leases on leasehold land and buildings	2,140	1,392
Interest income	(3,043)	(1,462)
Net foreign exchange (gain)/loss	(22,132)	1,286
Net gain on disposal of property, plant and equipment	(228)	(22)
Impairment loss on available-for-sale investments	–	385
Inventories written off	–	280

Note:

Cost of inventories includes HK\$7,517,000 (for the six months ended 30 June 2013: HK\$Nil) relating to depreciation and amortization expenses, which amount is also included in the respective total amounts disclosed separately above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. INCOME TAX

	Unaudited	
	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current tax		
— Hong Kong Profits Tax	—	222
	—	222
Under-provision in respect of prior year		
— United States Income Tax	315	—
— Argentina Corporate Income tax	11,242	—
— PRC Enterprise Income Tax	1	—
	11,558	—
Deferred income tax	(2,781)	—
Total	8,777	222

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands (the "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 2014 (for the six months ended 30 June 2013: HK\$Nil).

No Hong Kong Profits Tax has been provided for in the condensed consolidated financial statements as the Company and its subsidiaries incorporated or operated in Hong Kong did not generate any assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2013: Provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period).

Subsidiaries of the Group in 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 Guo Shui Fa [2010] No. 18 "Provisional Regulations on Tax Administration for Representative Office of Foreign Enterprises" issued on 20 February 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6. INCOME TAX (Continued)

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 subsidiaries of the Group in Argentina are the higher of CIT and MPIT.

Subsidiaries of the Group in Texas and Louisiana, United States ("US") 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\$1,080,000. The subsidiaries are not subject to federal or Louisiana income taxes and no provision is required to be made in the condensed consolidated financial statements.

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

7. DIVIDENDS

The directors do not recommend any payment of an interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company of HK\$46,140,000 (for the six months ended 30 June 2013: profit of HK\$39,072,000) and the weighted average number of 1,173,251,000 ordinary shares (for the six months ended 30 June 2013: 787,756,000 ordinary shares) in issue during the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2014 and 2013 were the same as the basic (loss)/earnings 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

For the six months ended 30 June 2014

9. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK\$'000	Exploratory drilling HK\$'000	Geological studies HK\$'000	Others HK\$'000	Total HK\$'000
Cost					
At 1 January 2013	3,235,986	67,898	275,219	43,064	3,622,167
Additions	1,281	360	847	–	2,488
Exchange adjustments	(3,848)	(11,329)	(60,498)	(3,040)	(78,715)
At 31 December 2013	3,233,419	56,929	215,568	40,024	3,545,940
At 1 January 2014	3,233,419	56,929	215,568	40,024	3,545,940
Additions	992	252	250	–	1,494
Exchange adjustments	(2,564)	(6,965)	(36,969)	(1,851)	(48,349)
At 30 June 2014	3,231,847	50,216	178,849	38,173	3,499,085
Accumulated impairment					
At 1 January 2013	–	29,108	–	–	29,108
Exchange adjustments	–	(7,160)	–	–	(7,160)
At 31 December 2013	–	21,948	–	–	21,948
At 1 January 2014	–	21,948	–	–	21,948
Exchange adjustments	–	(4,363)	–	–	(4,363)
At 30 June 2014	–	17,585	–	–	17,585
Carrying amount					
At 30 June 2014	3,231,847	32,631	178,849	38,173	3,481,500
At 31 December 2013	3,233,419	34,981	215,568	40,024	3,523,992

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

For the six months ended 30 June 2014

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture, Fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Oil and gas properties HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2013	1,726	–	1,523	4,495	11,581	–	19,325
Additions	27	–	286	1,022	1,269	412	3,016
Acquisition through business combination	–	9,582	175	155	–	20,564	30,476
Disposals	–	(596)	–	(62)	(2,448)	(570)	(3,676)
Effect of foreign currency exchange differences	45	39	(130)	(117)	4	83	(76)
At 31 December 2013	1,798	9,025	1,854	5,493	10,406	20,489	49,065
At 1 January 2014	1,798	9,025	1,854	5,493	10,406	20,489	49,065
Additions	539	91	863	–	271	30,074	31,838
Acquisition through business combination (note 19)	–	350	132	129	26,154	700	27,465
Disposals	(388)	–	(7)	–	–	–	(395)
Effect of foreign currency exchange differences	(11)	(80)	(189)	(148)	(871)	(234)	(1,533)
At 30 June 2014	1,938	9,386	2,653	5,474	35,960	51,029	106,440
Accumulated depreciation and impairment							
At 1 January 2013	332	–	540	2,732	2,220	–	5,824
Charge for the year	374	109	279	595	161	–	1,518
Eliminated on disposal of assets	–	–	–	–	(2,381)	–	(2,381)
Effect of foreign currency exchange differences	6	3	(64)	(87)	–	–	(142)
At 31 December 2013	712	112	755	3,240	–	–	4,819
At 1 January 2014	712	112	755	3,240	–	–	4,819
Charge for the period	166	525	297	353	3,521	–	4,862
Eliminated on disposal of assets	(387)	–	(6)	–	–	–	(393)
Effect of foreign currency exchange differences	(3)	(7)	(63)	(83)	(374)	–	(530)
At 30 June 2014	488	630	983	3,510	3,147	–	8,758
Carrying amount							
At 30 June 2014	1,450	8,756	1,670	1,964	32,813	51,029	97,682
At 31 December 2013	1,086	8,913	1,099	2,253	10,406	20,489	44,246

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. INTANGIBLE ASSETS

	Rights on oil sharing HK\$'000 (note a)	Oil production rights HK\$'000 (note b)	Operating rights HK\$'000 (note c)	Total HK\$'000
Cost				
At 1 January 2013	–	7,059	–	7,059
Additions	–	1,961	–	1,961
Acquired through business combination	–	154,372	67,072	221,444
Disposals	–	(6,694)	–	(6,694)
Effect of foreign currency exchange differences	–	3	–	3
At 31 December 2013	–	156,701	67,072	223,773
At 1 January 2014	–	156,701	67,072	223,773
Acquired through business combination (note 19)	91,931	–	–	91,931
Effect of foreign currency exchange differences	(3,047)	(5)	(246)	(3,298)
At 30 June 2014	88,884	156,696	66,826	312,406
Accumulated amortization and impairment				
At 1 January 2013	–	2,313	–	2,313
Charge for the year	–	–	1,081	1,081
Eliminated on disposal of assets	–	(2,310)	–	(2,310)
Effect of foreign currency exchange differences	–	(3)	–	(3)
At 31 December 2013	–	–	1,081	1,081
At 1 January 2014	–	–	1,081	1,081
Charge for the period	4,040	8	3,758	7,806
Effect of foreign currency exchange differences	(446)	–	(15)	(461)
At 30 June 2014	3,594	8	4,824	8,426
Carrying amount				
At 30 June 2014	85,290	156,688	62,002	303,980
At 31 December 2013	–	156,701	65,991	222,692

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11. INTANGIBLE ASSETS (Continued)

Notes:

- a. It represents the rights on oil sharing regarding the oil produced in the Palmar Largo concession areas. Amortization is calculated using the unit of production method based upon the estimated proved and probable oil reserves to write off the cost over the production period, less any estimated residue value.
- b. It represents the rights on developing and exploiting of hydrocarbons in Altamont-Bluebell field in Utah of the US for the lease interests hold by the Group. Amortization is calculated using the unit of production method based upon the estimated proved and probable oil reserves to write off the cost over the production period, less any estimated residue value. As there was no production during the period under review, no amortization was recognised.
- c. It represents the rights to operate natural gas service stations and to distribute natural gas in various locations in PRC. Operation rights have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight line method to allocated the cost over their remaining useful lives ranging from 30 to 50 years for natural gas distribution services.

12. GOODWILL

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Cost and Carrying amount:		
At 1 January	33,620	–
Arising on acquisition of subsidiaries during the year	–	33,620
Acquired through business combination (note 19)	3,266	–
Effect of foreign currency exchange differences	(109)	–
At 30 June/31 December	36,777	33,620

Note:

As at the end of the reporting period, the management of the Group determines that there is no event that indicates that the carrying amount of each cash-generating unit may not be recoverable. As a result, no impairment on goodwill is recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Trade receivables (note)	8,010	506
	8,010	506
Other receivables	38,402	30,414
Less: Allowance for doubtful debts	(2,613)	(2,640)
	35,789	27,774
Loan receivables	5,183	6,453
Amount due from associates	6,512	6,316
Amount due from a joint venture	3,992	2
Amount due from a related company	–	6,852
Amount due from non-controlling shareholders	21,189	19,162
Loans and receivables	80,675	67,065
VAT recoverable	40,981	46,410
Other tax recoverable	6,147	4,766
Prepayments and deposits	115,825	89,034
	243,628	207,275
Analysed as:		
Non-current	114,679	114,597
Current	128,949	92,678
	243,628	207,275

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13. TRADE AND OTHER RECEIVABLES (Continued)

Note:

Ageing analysis

The following is an analysis of trade receivables by age presented based on the invoice date, which approximates the respective revenue recognition dates.

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0-30 days	8,010	506
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	-
	8,010	506

Trade receivables are due within 30 days (2013: 30 days) from the date of billing.

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Deposits with banks	7	22
Cash at bank and in hand	46,573	87,082
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	46,580	87,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15. TRADE AND OTHER PAYABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Trade payables (note)	6,115	6,418
Other payables and accruals	86,030	50,354
Amount due to a joint venture	–	35
Amount due to a director	630	634
Financial liabilities measured at amortized cost	92,775	57,441

Note:

Ageing analysis

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

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0–30 days	4,589	6,418
31–60 days	1,429	–
61–90 days	28	–
Over 90 days	69	–
	6,115	6,418

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. BANK AND OTHER BORROWINGS

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Bank loan, secured and guaranteed (note a)	17,600	17,600
Other borrowings, unsecured and unguaranteed (note b)	165,015	163,190
Fixed rate bonds, unsecured (note c)	119,568	10,227
	302,183	191,017

As at 30 June 2014, bank and other borrowings were due for repayment as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within 1 year or on demand	81,417	175,731
After 1 year but within 2 years	101,738	5,059
After 2 years but within 5 years	–	–
After 5 years	119,028	10,227
	220,766	15,286
	302,183	191,017

Analysis of carrying amount:

	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities	81,417	175,731
Non-current liabilities	220,766	15,286
	302,183	191,017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. BANK AND OTHER BORROWINGS (Continued)

Notes:

a. As at 30 June 2014, the bank borrowings represent approximately HK\$17,600,000 (31 December 2013: HK\$17,600,000) borrowed from a bank financed by a bank facilities of HK\$25,000,000 and secured by deposits maintained with a bank in PRC. The borrowings bear interest at a percentage rate per annum equal to the aggregate of 1.9% and HIBOR. The bank borrowings were fully repaid on 1 August 2014 and the secured deposits were released afterward.

b. The other borrowings comprise:

(i) HK\$31,951,000 (31 December 2013: HK\$31,335,000) borrowed from an independent third party, bearing interest fixed at 4% per annum and repayable on 31 December 2015.

As at 31 December 2013, the loan was repayable on 21 February 2014 and was classified under current liabilities. The agreement was renewed on 21 February 2014 to further extend the loan principal together with the interest accrued to 31 December 2015.

(ii) HK\$19,257,000 (31 December 2013: HK\$18,073,000) borrowed from a non-controlling shareholder of an indirect wholly-owned subsidiary, bearing interest fixed at 4% per annum and repayable on 10 November 2014.

(iii) HK\$15,741,000 (31 December 2013: HK\$15,320,000) borrowed from a related company, China Venturetechno International Co., Ltd. ("China Venturetechno"), interest charged at 5-6% per annum, of which HK\$5,208,000 (31 December 2013: HK\$5,060,000) was repayable on demand and the remaining HK\$10,533,000 (31 December 2013: HK\$10,260,000) was repayable on 10 July 2014. Included in the balance HK\$5,208,000 (31 December 2013: HK\$5,060,000) borrowed by the Company.

The Group repaid both the borrowings in full on 10 July 2014. On 11 July 2014, the Company entered into a new loan agreement with China Venturetechno, for a loan facility of HK\$15,000,000, which bears interest fixed at 6% per annum and repayable on the date falling 24 months from the drawdown of the loan. The loan was then drawdown on 14 July 2014.

Mr. Cheng Kam Chiu, the executive director and chairman of the Company, is a common director.

(iv) HK\$71,622,000 (31 December 2013: HK\$69,892,000), denominated in US dollars, borrowed from an independent third party. Interest was charged at a percentage rate per annum equal to Hong Kong dollar prime rate issued by the Hong Kong and Shanghai Commercial Banking Corporation Limited and repayable on 19 June 2016.

As at 31 December 2013, the loan was repayable on 19 June 2014 and was classified under current liabilities. On 19 June 2014, a supplement agreement has been entered into between the Company and the lender to change the final maturity from 19 June 2014 to 19 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16. BANK AND OTHER BORROWINGS (Continued)

Note: (Continued)

- b. The other borrowings comprise: (Continued)
- (v) HK\$18,888,000 (31 December 2013: HK\$19,689,000), denominated in Renminbi, borrowed from two independent third parties, interest charged at 20% per annum and repayable on 17 October 2014.
- (vi) HK\$7,556,000 (31 December 2013: HK\$8,881,000), denominated in Renminbi, borrowed from an independent third party, interest free and repayable on demand.
- c. HK\$119,568,000 (31 December 2013: HK\$10,227,000) represented 7-years bonds issued by the Company. The bonds are unsecured and carry interest rate at 5-8% per annum (31 December 2013: 5% per annum) and due on the seventh anniversary of the date of issue, of which HK\$3,028,000 (31 December 2013: HK\$Nil) is early redeemable on demand by both the Company and the bondholder after the third anniversary of the date of issue.

17. SHARE CAPITAL

	(Unaudited) As at 30 June 2014		(Audited) As at 31 December 2013	
	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, issued and fully paid:				
At 1 January	1,169,998	584,999	676,416	338,208
Shares issued under acquisition of subsidiaries	–	–	90,753	45,376
Share issued upon conversion of convertible notes	–	–	160,681	80,341
Shares issued under placements	–	–	71,000	35,500
Subscription of new shares	–	–	124,534	62,267
Issue of consideration shares	–	–	21,450	10,725
Issue of remuneration shares (note a)	6,632	3,316	–	–
Shares issued under share option scheme (note b)	1,244	622	25,164	12,582
At 30 June 2014 and 31 December 2013	1,177,874	588,937	1,169,998	584,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

17. SHARE CAPITAL (Continued)

Notes:

(a) Issue of remuneration shares

On 30 January 2014, the Company issued 2,631,579 ordinary shares to Grottini Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months.

On 23 May 2014, the Company issued 4,000,000 ordinary shares to Golden Porter Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months.

(b) Shares issued under share option scheme

During the period under review, options were exercised to subscribe for 1,244,000 ordinary shares in the Company at a consideration of HK\$1,288,000, of which HK\$622,000 was credited to the share capital and HK\$666,000 was credited to the share premium account. An amount of HK\$9,000 has been transferred from share-based compensation reserve to the share premium account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. 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 2014 categorized into			
	Fair value at 30 June 2014 HK\$'000	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	100,878	—	—	100,878
Financial liabilities:				
Derivative financial instruments:				
— Conversion option embedded in convertible notes	168	—	—	168
— Early redemption options embedded in fixed rate bonds	(20)	—	—	(20)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

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

(i) Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2013 categorized into			
		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	100,878	—	—	100,878	
Financial liabilities:					
Derivative financial instruments:					
— Conversion option embedded in convertible notes	5,439	—	—	5,439	

During the six months ended 30 June 2014, there was no transfer between Level 1 and level 2, or transfers into or out of Level 3. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

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

(i) Fair value hierarchy (Continued)

The movements during the period in the balance of these Level 3 fair value measurements of financial assets are as follows:

	Unlisted available- for-sale investments HK\$'000	Conversion options embedded in convertible notes receivables HK\$'000	Total HK\$'000
At 1 January 2014	100,878	–	100,878
Total gain/(loss) recognised in other comprehensive income	–	–	–
At 30 June 2014	100,878	–	100,878

The movements during the period in the balance of these Level 3 fair value measurements of financial liabilities are as follows:

	Early redemption options embedded in fixed rate bonds HK\$'000	Conversion options embedded in convertible notes HK\$'000	Total HK\$'000
At 1 January 2014	–	5,439	5,439
Issued during the period	680	–	680
Total (gain)/loss recognised in the condensed consolidated statement of profit or loss included in "Other revenue and other net income"	20	(5,271)	(5,251)
At 30 June 2014	700	168	868

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(Continued)

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

(i) Fair value hierarchy (Continued)

The total losses for the period included an unrealised net gain of HK\$5,251,000 relating to financial liabilities that are measured at fair value at the end of the reporting period. Such fair value gains or losses are included in "Other revenue and other net income" in the condensed consolidated statement of profit or loss.

(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 amortized cost are not materially different from their fair value as at 30 June 2014 and 31 December 2013.

19. BUSINESS COMBINATION

On 26 February 2014, the Group acquired 38.15% participating interest in Palmar Largo UTE (the "Palmar Largo UTE Interest"), and an aggregate consideration of AR\$105,425,000 (equivalent to approximately HK\$103,866,000) was paid by the Group fully in cash. The Palmar Largo UTE Interest consists of (i) rights and obligations arising from the joint venture contract that aims at the exploration, development and exploitation of hydrocarbons in the Palmar Largo concession area and (ii) interest in the production equipment and facilities required to perform and execute the exploitation work. The principal activity of Palmar Largo UTE is engaged in the exploration, development and exploitation of hydrocarbons in Palmar Largo block and Balbuena Este block located in Argentina's Noroeste Basin of Argentina.

The acquisition provided the Group operational synergy as well as to boost the business performance of the Group. Also, the acquisition has further strengthened our asset portfolio in Argentina and to enhance operational cost efficiency.

Pursuant to the agreement, the Group entitled for AR\$18,224,000 (equivalent to approximately HK\$17,955,000) regarding the exploitation operating results from 1 July 2013 to the date of completion (i.e., 26 February 2014), in which AR\$11,775,000 (equivalent to HK\$11,600,000) was received in cash.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. BUSINESS COMBINATION (Continued)

For the period under review, Palmar Largo Interest contributed revenue and profit of approximately HK\$29,551,000 and HK\$6,695,000 respectively to the revenue and loss of the Group.

Had the business combination been effected on 1 January 2014, the revenue and loss for the period under review would have been HK\$44,327,000 and HK\$10,042,000 respectively.

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

	Acquiree's provisional fair value at acquisition date
	HK\$'000
Property, plant and equipment (note 10)	27,465
Intangible assets (note 11)	91,931
Inventories	7,191
Trade and other receivables	143
Cash and cash equivalents	248
Trade and other payables	(2,857)
Current taxation	(284)
Provisions	(7,626)
Deferred tax liabilities	(33,566)
Total identifiable net assets	82,645
Consideration transferred by cash	103,866
Less: Exploitation operating results from 1 July 2013 to the completion date	(17,955)
Less: Provisional fair value of identifiable net asset acquired	(82,645)
Provisional goodwill arising on acquisition	3,266
Consideration, satisfied in cash	103,866
Less: Deposit paid	(47,328)
Cash received in relation to the exploitation operating result from 1 July 2013 to the completion date	(11,600)
Cash and cash equivalent balances acquired	(248)
Net cash outflow	44,690

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19. BUSINESS COMBINATION (Continued)

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised of trade and other receivables) approximated to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of receivables were expected to be collected.

The provisional goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Palmar Largo UTE Interest with those of the Group. None of the provisional goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of HK\$381,000 have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss and are part of the operating cash flows in the condensed consolidated statement of cash flows.

20. DISPOSAL OF SUBSIDIARIES

During the period under review, the Group disposed the following subsidiary:

Name of company	Principal activities	Date of disposal	Group's effective interest	Consideration received HK\$'000
Skyla Investments Limited	Investment holdings	11 April 2014	100%	125 (Remark)

Remark:

Upon the disposal of Skyla Investments Limited, the following joint ventures ceased to be the Group's investments.

Name of joint venture	Principal activities	Date of disposal	Group's effective interest
Union Grace Management Limited	Investment holdings	11 April 2014	50%
Union Grace (Overseas) Management Limited	Not yet commenced business	11 April 2014	50%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

20. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over the subsidiary which control was lost:

	Total HK\$'000
Interest in a joint venture	78
Amount due from a joint venture	46
Amount due to shareholder	(123)
Net assets disposed of	1
Gain on disposal of a subsidiary	
Consideration received	125
Net assets disposed of	(1)
Amount due to shareholder	(123)
Gain on disposal	1

Gain on disposal is included in the loss for the six months ended 30 June 2014 in the condensed consolidated statement of profit or loss.

Net cash inflow on disposal of a subsidiary

	HK\$'000
Net cash inflow on disposal of a subsidiary	
Consideration received in cash and cash equivalents	125
Less: Cash and cash equivalent balances disposed of	–
	125

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding as at 30 June 2014 not provided for in the condensed consolidated financial statement were as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted for		
— Acquisition of interests in the rights of oil exploration and exploitation	5,000	5,000
— Investment in an associate	25,184	25,375
— Investment in subsidiaries	47,763	—
— Property, plant and equipments	14,008	—
— Deposit paid for potential investment	—	53,421
	91,955	83,796

(b) Commitments under operating leases

As at 30 June 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Within one year	4,438	2,968
In the second to fifth year, inclusive	7,425	4,481
More than five year	697	—
	12,560	7,449

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

Included in the balance of approximately HK\$5,802,000 (2013: approximately HK\$2,382,000) was payable to New World Tower Company Limited, a related party of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. 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 Consultants 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
Cheung Hung Development (Holdings) Limited	Mr. Cheng Kam Chiu, Stewart, the executive director and chairman of the Company, is a common director
China Venturetechno International Co., Limited	Mr. Cheng Kam Chiu, Stewart, the executive director and chairman of the Company, is a common director

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. 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	Unaudited	
		Six months ended	
		2014	2013
		HK\$'000	HK\$'000
New World Tower Company Limited	Rent, rates and management fee	594	468
Nova Insurance Management Limited	Insurance	–	110
Cheung Hung Development (Holdings) Limited	Share of rent, rates and management fee	648	101
China Venturetechno International Co. Limited	Interest expenses	422	248

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

(b) Financing arrangement

	(Unaudited)		(Audited)	
	As at 30 June 2014		As at 31 December 2013	
	Amounts due from/(to) related parties	Related interest income/(expenses)	Amounts due from/(to) related parties	Related interest income/(expenses)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from non-controlling shareholders	21,189	358	19,162	723
Loan from a related party	(15,741)	(422)	(15,320)	(584)
Amount due to a director	(630)	–	(634)	–
Amount due to a non-controlling shareholder	(19,257)	(1,184)	(18,073)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

22. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the directors and senior management of the Company, is as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	8,158	4,098
Post-employment benefits	45	30
Share-based payment	–	765
	8,203	4,893

23. EVENTS AFTER THE REPORTING PERIOD

On 16 July 2014, Clear Elite Holdings Limited ("Clear Elite"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Rio Capital Limited ("Rio Capital"), an independent third party, to acquire several oil and gas properties located in Utah and Wyoming of the US (the "Properties") for an aggregate consideration of US\$11,050,000 (equivalent to approximately HK\$86,190,000), of which US\$2,150,000 (equivalent to HK\$16,770,000) has been paid in cash as earnest money for the acquisition. The remaining consideration will be satisfied by issue of 138,840,000 consideration shares at an issue price of HK\$0.50 per share. Further on 26 August 2014, Clear Elite and Rio Capital entered into a supplemental agreement to redefine the term "Properties", amend several relevant terms subject to the modification of definition, and waive certain conditions precedent. The acquisition of Properties was then completed on the same date after the execution of the supplemental agreement.

GENERAL REVIEW

The Group's strategy is still at looking around the world, especially in America, for undervalued yet high-potential oil and gas assets. During the period under review, the Group acquired 38.15% participating interest in Palmar Largo block in Argentina. This transaction increased the Group's net proved reserves for approximately 1,221 MBOE and brought an immediate net production of approximately 360 BOPD to the Group, which provides the Group steady and reliable revenue and cash flows.

For the six months ended 30 June 2014, the Group's turnover was HK\$32.78 million (for the six months ended 30 June 2013: HK\$177.66 million), representing a decrease of 81.5%, which was mainly due to the absence of resource-related trading concluded during the period under review. However, as a result of the completion of Palmar Largo acquisition, the gross profit for the six months ended 30 June 2014 has been improved by HK\$3.78 million, representing an increase of 197.3%. The increase strongly indicated its profitability and contribution to the Group. During the period under review, the Group recorded a loss attributable to owners of the Company of HK\$46.14 million (for the six months ended 30 June 2013: profit attributable to owners of the Company of HK\$39.07 million). The adverse change was mainly due to (i) the absence of extraordinary items of gain on bargain purchase and net gain on disposal of oil properties in the current period; (ii) the increase in administrative expenses and finance costs of the Group; and (iii) the under-provision of Argentina corporate income tax for prior year.

Administrative expenses of the Group for the period amounted to HK\$66.28 million (for the six months ended 30 June 2013: HK\$47.59 million), representing an increase of HK\$18.69 million in compare with the previous comparable period. Staff costs, legal and professional expenses and consultancy fees continue acting as the key components of administrative expenses of the Group.

Finance costs of the Group for the period amounted to HK\$14.18 million (for the six months ended 30 June 2013: HK\$4.89 million), representing an increase of HK\$9.29 million in compare with the previous comparable period. The increase is in line with the increase in interest bearing debts of the Group during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS

Oilfield Exploration and Exploitation Business

Tartagal and Morillo Concessions

The Tartagal Oriental concession and Morillo concession (collectively the "T&M Concessions") located in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 km² and 3,518 km² respectively, remain the core assets and business of the Group. Through the increase in its stake in last year, the Group now has 69.25% interests in the T&M Concessions.

Exploration, Development and Production in the T&M Concessions

In the first half of 2014, the Group started preparatory work for exploratory drilling in the Morillo Block planned to begin in the second half of 2014. Meanwhile, geochemical surveys in the T&M Concessions areas are still continuing. During the period under review, the T&M Concessions are still in the exploration stage, and there has been no development or production activity performed. Development and production activities will commence once drilling supported by exploration data from the T&M Concessions areas suggest that there are commercially viable reserves.

Expenditures incurred for exploration activities during the period under review are as follows:

Nature of Expenditure	Amount HK\$'000
Exploration rights	992
Geological and geochemical studies	250
Exploratory drillings	252
Others	389
Total	1,883

REVIEW OF BUSINESS OPERATIONS (Continued) Oilfield Exploration and Exploitation Business (Continued)

Palmar Largo Concession

The Palmar Largo Concession (the "PL Concession") is located in Argentina's Noroeste Basin. The PL Concession includes two blocks. The first is the Palmar Largo block, located mainly in the Province of Formosa, covering an area of 1,221.1 km². This block holds the most important fields within the PL Concession. The second is the Balbuena Este block located further west in the Province of Salta, covering an area of 161 km² and containing the Balbuena Este oil field.

On 26 February 2014, the Group completed its acquisition of 38.15% participating interest of Palmar Largo UTE ("PL Participating Interest"), and also became the UTE's operating partner. This acquisition contributed to the Group an additional 954 MBBL of 1P Reserves and 1,104 MBBL of 2P Reserves.

During the period under review, the Group shared from the Palmar Largo UTE around 46 MBBL regarding our PL Participating Interest, which contributed revenue of HK\$29.55 million (for the six months ended 30 June 2013: HK\$Nil) from the sale of these crude oils at selling price ranged from US\$70 to US\$78 per barrel.

Exploration, Development and Production in the PL Concession

The Palmar Largo UTE currently has 10 producing wells with aggregate daily production level at around 950 BOPD. For the year 2014, the Palmar Largo UTE has planned to work-over five wells, and the first workover well was started and in progress. Once the scheduled workovers on the wells are completed, it is expected that the daily production level can be enhanced by as much as 250 BOPD, which would achieve around 1,200 BOPD for the whole field. As the PL Concession is a mature area, there is no currently planned activity for further exploration and development although there are a number of interesting prospective locations which are under study for future drilling. The Palmar Largo UTE will focus on enhance and improve the current production level.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS OPERATIONS (Continued)

Oilfield Exploration and Exploitation Business (Continued)

Palmar Largo Concession (Continued)

Exploration, Development and Production in the PL Concession (Continued)

Expenditures incurred from the production activities during the period under review regarding the Group's PL Participating Interest are as follows:

Nature of Expenditure	Amount HK\$'000
Acquisition costs	103,866
Production costs	20,891
Capital expenditures	820
Total	125,557

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

Natural Buttes project

During the period under review, Natural Buttes project recorded an average production of 6 BOPD (31 December 2013: 10 BOPD). The Group generated revenue of HK\$0.65 million (for the six months ended 30 June 2013: HK\$1.09 million) from the sale of crude oil of around 1.0 MBBL (for the six months ended 30 June 2013: 2.0 MBBL) at an average price of around US\$81 per barrel. The Group believes, by devoting further capital expenditure to workover these wells, the aggregate production volume from these wells could increase, which may reach approximately 40 to 50 BOPD.

Altamont-Bluebell project

During the period under review, the Group is still reworking some wells to achieve for production. The Group will devote more resources and efforts and monitor closely on the rework to get this project starting production in the second half of 2014.

REVIEW OF BUSINESS OPERATIONS (Continued)

Oilfield Exploration and Exploitation Business (Continued)

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

Altamont-Bluebell project (Continued)

During the period under review, the Group made the following expenditures in relation to its development and production activities performed in Utah, US:

Nature of expenditure	Bar Mesa	Altamont-Bluebell	Total
	project	project	
	HK\$'000	HK\$'000	HK\$'000
Capital expenditures	–	271	271
Development costs	–	2,593	2,593
Production costs	1,322	–	1,322
	1,322	2,864	4,186

Downstream Natural Gas Business

During the period under review, the Group recorded sales of approximately HK\$2.58 million (for the six months ended 30 June 2013: HK\$Nil) contributed by the two operating gas stations in Liupanshui city and Liuzhi special district in Guizhou province, with gross profit of HK\$0.31 million (for the six months ended 30 June 2013: HK\$Nil).

As the Group decided to streamline its corporate structure and cement its upstream asset base by disposal of its downstream natural gas business, the Group will continue liaise with Blue Sky Power Holdings Limited (formerly known as “China Print Power Group Limited”) (stock code: 06828) regarding the disposal of the entire downstream LNG/CNG business of the Group, and try to finalize and conclude into a formal agreement before the end of September 2014.

Trading Business

In the first half of 2014, the Group continued to operate in its resource-related trading business and is in negotiation with new business partners to further broaden our customers and suppliers bases as well as to diversify our revenue sources. However, it is unfortunately that the Group did not record any sales (for the six months ended 30 June 2013: HK\$175.78 million) and gross profit (for the six months ended 30 June 2013: HK\$3.36 million) in its trading business during the period under review. This was happened because of the changes in the oil commodities markets which increased our difficulties in concluding trading contracts in the first half of 2014. Looking forward the remaining 2014, the Group will devote more efforts to restore and unlock growth potential of the business.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The completion of the acquisition of 38.15% participating interest in Palmar Largo block brings the Group a stable revenue driver and provides steady operating cash inflow to the Group. Looking forward, the Group will:

- continue workover the wells in Palmar Largo to enhance the present production level;
- drill exploratory wells in the Morillo block to examine and identify for oil and gas reserves;
- negotiate and conclude into a final agreement with Blue Sky Power Holdings Limited (formerly known as “China Print Power Group Limited”) for the disposal of the entire downstream LNG/CNG business to achieve the streamline of corporate structure; and
- devote more resources to recover our resource-related trading business as before.

In addition, 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 the shareholders’ value.

LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure, Liquidity and Financial resources

During the period under review, the Group mainly financed its operations from its own working capital and by issuance of long-term bonds.

As at 30 June 2014, the Group’s total cash and bank balances was approximately HK\$65.47 million (including pledged bank deposits) (31 December 2013: HK\$106.14 million), representing a decrease of HK\$40.67 million compared with 31 December 2013. The decrease during the period under review was mainly resulted in the net cash outflow of approximately HK\$44.69 million cash in relation to the consideration paid for acquisition of 38.15% participating interest of Palmar Largo UTE.

As at 30 June 2014, the total equity of the Group was HK\$3,834.37 million (31 December 2013: HK\$3,950.90 million) and the net asset value per share was HK\$3.26 (31 December 2013: HK\$3.38). The debt ratio, calculated by total liabilities divided by total assets, was 14.27% as at 30 June 2014 (31 December 2013: 10.45%).

As at 30 June 2014, the total asset value and net current liabilities of the Group was approximately HK\$4,472.36 million (31 December 2013: HK\$4,411.96 million) and HK\$9.41 million (31 December 2013: HK\$96.07 million) respectively.

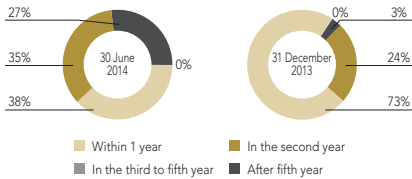
MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

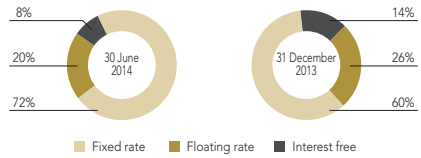
Capital Structure, Liquidity and Financial resources (Continued)

Total borrowings outstanding at 30 June 2014 were HK\$435.94 million (31 December 2013: HK\$335.54 million), comprising bank and other borrowings, debt securities in issue and obligations under finance lease. The profile of the Group's borrowings as at 30 June 2014 is set out in the tables below:

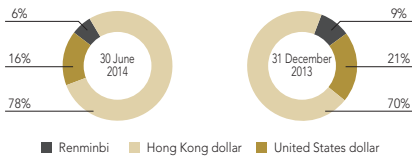
Debt Profile by Maturity



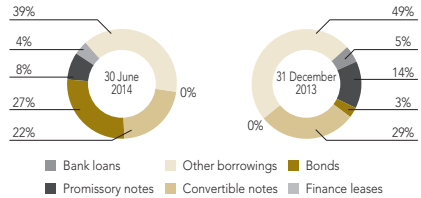
Debt Profile by Interest Rate Structure



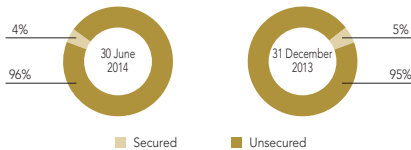
Debt Profile by Currencies



Debt Profile by Types of Borrowings



Debt Profile by Security Nature



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Gearing ratio

As at 30 June 2014, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 10.43% (31 December 2013: 7.28%).

Charge on Assets

As at 30 June 2014, bank deposit of HK\$18.89 million (31 December 2013: HK\$19.03 million) was pledged to a bank to secure for a revolving banking borrowing facilities. The pledged bank deposit was then released in August 2014 after the fully repayment of the relevant bank loan.

Contingent Liability

As at 30 June 2014 and 31 December 2013, the Group did not have any material contingent liabilities.

Capital Commitments

Details of the capital commitments of the Group are set out in note 21(a) to the condensed consolidated financial statements.

Foreign Exchange Exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, United States dollar and Argentine peso. Most of these assets and liabilities are in functional currency of the operations to which the transactions relate. The currencies give rise to the foreign exchange risk is primarily United States dollars and Renminbi. As Hong Kong dollars was pegged to United States dollars and the fluctuation of Renminbi during the period under review is moderate, the Group has had minimal exposures to foreign exchange fluctuations. Thus, 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 2014, the Group employed a total of 128 (31 December 2013: 120) permanent employees in Hong Kong, PRC, United States and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK\$16.75 million (for the six months ended 30 June 2013: HK\$12.43 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.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Material Acquisitions and Disposals

Save for as disclosed in notes 19 and 20 to the condensed consolidated financial statements, the Group does not have any material acquisition and disposal during the period under review.

Significant Investments

(i) Nordaq Energy, Inc. (“Nordaq”)

During the period under review, Nordaq bided for four additional leases in a recent lease auction and awarded for all four leases, which are adjacent to its two existing leases. The successful on awarding these leases has doubled Nordaq’s licensed area over the promising Anakema lead, which reassured that Nordaq is one of the most active and successful companies operating in the Cook Intel Basin.

In addition, Nordaq plans to move ahead with its Shadura project in Alaska’s northern Kenai Peninsula, to drill a second well in the prospect in the fall.

(ii) BCM Energy Partners, Inc (“BCM”)

During the period under review, BCM sold its entire interests in the asset known as University Field to Essex Energy LLC in a private transaction valued at approximately US\$2.4 million (equivalent to HK\$18.60 million) including the assumption of all liabilities associated with the asset. As a result of this transaction, BCM has regained 100% of the membership interest in BCM Louisiana and will record a non-cash gain of approximately US\$113,000 (equivalent to HK\$876,000).

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2014, the interests and short positions of the Directors and the chief executives of the Company 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 (the "SFO")) which were required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Long positions of Directors' interests in securities

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Number of share options held*	Total interests	Approximate percentage of total interests held**
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	-	10,672,000	10,672,000	0.91%
Mr. Cheng Ming Kit	Beneficial owner	1,000	9,172,000	9,173,000	0.78%
Mr. Heffner, Paul Lincoln	Beneficial owner	-	6,172,000	6,172,000	0.52%
Mr. Wong Man Kong, Peter	Beneficial owner	-	1,067,000	1,067,000	0.09%
Mr. Chan Chi Yuen	Beneficial owner	-	1,067,000	1,067,000	0.09%
Mr. Yung Chun Fai, Dickie	Beneficial owner	-	617,000	617,000	0.05%
Mr. Chiu Wai On	Beneficial owner	-	1,067,000	1,067,000	0.09%

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

** The approximate percentage of interests held was calculated on the basis of 1,177,873,995 ordinary shares of the Company as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

(Continued)

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the period under review was the Company, its holding companies or any of its subsidiaries or associated corporation a party to any arrangements to enable the Directors of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 17 May 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") in place of the old share option scheme adopted on 30 August 2002 (the "Old Scheme"). No further share options may be granted under the Old Scheme upon its termination and share options granted and unexercised prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The Share Option Scheme is adopted under the relevant requirements of Chapter 17 of the Listing Rules and its purpose is to provide incentives or rewards to the eligible participants thereunder for their contribution or would-be contributions to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants include any Director (including Non-executive Director and Independent Non-executive Director), employee (whether full time or part time), any supplier of goods or services to the Group, any customer of the Group, any agent or consultant that provides research, development, technological support or other services to the Group, any shareholder or any member of the Group or any holder of any securities issued by the Group. The Share Option Scheme, unless otherwise terminated or amended, will remain in force for 10 years from the date of coming into effect.

During the period, no share options were granted nor cancelled under the Share Option Scheme. A total of 1,244,000 share options and 4,502,000 share options were exercised and lapsed respectively under the Share Option Scheme. As at 30 June 2014, share options were outstanding under the Share Option Scheme entitling the holders to subscribe for 38,318,000 shares of par value HK\$0.50 each in the capital of the Company, which represented approximately 3.25% of the shares in issue at that date.

OTHER INFORMATION

SHARE OPTION SCHEME (Continued)

Details of share options held by the eligible participants and movements in such holdings during the six months ended 30 June 2014 are as follows:

Category of grantees	Date of grant	Exercise Period (both days inclusive)	Exercise Price (HK\$)	Number of options				
				Balance at beginning of the period	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Balance at the end of the period
Director								
Mr. Cheng Kam Chiu, Stewart	10.8.2012	10.8.2012-21.7.2014	1.10	4,500,000	-	-	-	4,500,000
	30.12.2013	30.12.2013-29.12.2015	0.75	6,172,000	-	-	-	6,172,000
Mr. Cheng Ming Kit	10.8.2012	10.8.2012-21.7.2014	1.10	3,000,000	-	-	-	3,000,000
	30.12.2013	30.12.2013-29.12.2015	0.75	6,172,000	-	-	-	6,172,000
Mr. Heffner, Paul Lincoln	30.12.2013	30.12.2013-29.12.2015	0.75	6,172,000	-	-	-	6,172,000
Mr. Wong Man Kong, Peter	10.8.2012	10.8.2012-21.7.2014	1.10	450,000	-	-	-	450,000
	30.12.2013	30.12.2013-29.12.2015	0.75	617,000	-	-	-	617,000
Mr. Chan Chi Yuen	10.8.2012	10.8.2012-21.7.2014	1.10	450,000	-	-	-	450,000
	30.12.2013	30.12.2013-29.12.2015	0.75	617,000	-	-	-	617,000
Mr. Yung Chun Fai, Dickie	30.12.2013	30.12.2013-29.12.2015	0.75	617,000	-	-	-	617,000
Mr. Chiu Wai On	10.8.2012	10.8.2012-21.7.2014	1.10	450,000	-	-	-	450,000
	30.12.2013	30.12.2013-29.12.2015	0.75	617,000	-	-	-	617,000
Employees	11.6.2012	11.6.2012-10.6.2014	1.00	480,000	-	-	(480,000)	-
	10.8.2012	10.8.2012-21.7.2014	1.10	190,000	-	-	-	190,000
	24.1.2013	24.1.2013-23.1.2016	0.99	400,000	-	-	-	400,000
Other participants	11.6.2012	11.6.2012-10.6.2014	1.00	2,472,000	-	-	(2,472,000)	-
	10.8.2012	10.8.2012-21.7.2014	1.10	630,000	-	(506,000)	-	124,000
	24.1.2013	24.1.2013-23.1.2016	0.99	3,788,000	-	(738,000)	(1,550,000)	1,500,000
	14.6.2013	14.6.2013-13.6.2015	0.80	98,000	-	-	-	98,000
	30.12.2013	30.12.2013-29.12.2015	0.75	6,172,000	-	-	-	6,172,000
				44,064,000	-	(1,244,000)	(4,502,000)	38,318,000

SHARE OPTION SCHEME (Continued)

Notes:

- (i) On 24 July 2012, the Company proposed to adjust the terms of the share options granted on 22 July 2011 under the Share Option Scheme by reducing the original exercise price from HK\$2.20 to HK\$1.10. Accordingly, the Company cancelled all the share options granted and granted the replacement share options to the existing option-holders with the new exercise price of HK\$1.10. The abovementioned was approved in the special general meeting held on 29 August 2012.
- (ii) The number and exercise price of the share options granted on 10 August 2012 have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 21 November 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2014, so far as is known to any Directors and chief executives of the Company, the following persons (other than Directors and chief executives of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company under Section 336 of the SFO:

Long positions of substantial shareholders' interests in securities

Name of shareholders	Capacity/ Nature of interests	Number of shares	Number of underlying shares	Total interests	Approximate percentage of interests held
			(Note (iii))		(Note (iv))
Max Sun Enterprises Limited ("Max Sun") (Note (i))	Beneficially owned	259,647,110	100,000,000	359,647,110	30.53%
Chow Tai Fook Nominee Limited ("CTFNL") (Note (ii))	Interests in a controlled corporation	259,647,110	100,000,000	359,647,110	30.53%
Adamas Asset Management (HK) Limited	Beneficially owned	37,996,000	47,028,227	85,024,227	7.22%

Notes:

- (i) The entire issued share capital of Max Sun is legally and beneficially owned by CTFNL.
- (ii) So far as is known to the directors, CTFNL is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, CTFNL and Dato' Dr. Cheng Yu Tung are deemed to have interests in the said shares for the purpose of SFO.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES (Continued)

Long positions of substantial shareholders' interests in securities (Continued)

Notes: (Continued)

- (iii) The long positions in underlying shares represent:
 - a. the interests held by Max Sun as at 30 June 2014 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 for one share within 5 years from the date of issue.
 - b. the interests held by Adamas Asset Management (HK) Limited as at 30 June 2014 in (i) 34,370,000 warrants at the issue price of HK\$0.66 per share (subject to adjustment). Each warrant carries the right to subscribe for one share within 3 years from the date of issue; and (ii) convertible notes with principal value of HK\$10,000,000 at conversion price HK\$0.79 per share (subject to adjustment). The convertible notes carry the rights to convert into 12,658,227 shares within 2 years from the date of issue.
- (iv) The approximate percentage of interests held was calculated on the basis of 1,177,873,995 ordinary shares of the Company as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, no other person (other than Directors and chief executives of the Company) known to any Directors and chief executives of the Company had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Code on Corporate Governance Practices

The Company has complied with the applicable code provisions and, where appropriate, the recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014, save and except for the following deviation:

Code Provision A.4.1

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. During the period, all Non-executive Directors and Independent Non-executive Directors 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 byelaws. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014. The Company has also adopted a code of conduct governing securities transactions by employees who may possess or have access to price sensitive information.

UPDATE ON DIRECTORS' INFORMATION

Commencing 1 January 2014, the emolument which includes salaries, allowances and benefits in kind for Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit, amounts to approximately HK\$1,800,000 and HK\$3,360,000 per annum respectively.

Commencing 1 January 2014, the Director's fee for Mr. Heffner, Paul Lincoln, Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On, amounts to HK\$200,000 per annum respectively.

On 7 May 2014, Mr. Cheng Ming Kit was appointed an executive director of China Print Power Group Limited (currently renamed as "Blue Sky Power Holdings Limited"), which shares are listed on the Stock Exchange.

On 9 July 2014, Mr. Chan Chi Yuen resigned as an independent non-executive director of China Sandi Holdings Limited, which shares are listed on the Stock Exchange.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated financial statements and the interim report of the Group for the six months ended 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

By order of the Board
Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 28 August 2014

GLOSSARY

BOPD	Barrels of oil per day
MBBL	Thousand barrels of oil
MBOE	Thousand barrels of oil equivalent
Probable reserves	Additional reserves that are less certain to be recovered than Proven reserves but which, together with Proven reserves, are as likely as not to be recovered
Proven reserves	Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible
1P Reserves	Proven reserves
2P Reserves	Proven reserves + Probable reserves