EPI (Holdings) Limited
長盈集團(控股)有限公司

HKSE:0689

Annual Report

2010

Corporate Profile

EPI is a company that primarily focuses on the production of oil and gas in the energy and resource sector. While having a strong oil and gas exploration and production operation in Argentina, EPI is progressively expanding its portfolio through strategic mergers and acquisitions in other oil and gas projects around the world. EPI is committed to becoming one of Asia's leading operators in the oil and gas industry and is proactively pursuing investment opportunities that create long-term, sustainable value to our shareholders.

Oil water treatment plant

	2010 HK$'000	2009 HK$'000	Change
Turnover	**937,258**	945,929	↓ 1%
Gross profit	**10,639**	2,097	↑ 407%
Loss before taxation	**(289,518)**	(21,616)	↓ 1239%
(Loss) profit attributable to equity holders of the Company	**(288,628)**	38,001	↓ 860%
(Loss) earnings per share attributable to equity holders of the Company			
– Basic HK cent	**(2.34)**	0.82	
– Diluted HK cent	**(2.34)**	0.82	

FINANCIAL POSITIONS

	2010 HK$'000	2009 HK$'000	Change
Cash and bank balances	**85,204**	93,002	↓ 8%
Total assets	**4,377,434**	4,565,772	↓ 4%
Short term borrowings	**314,645**	330,004	↓ 5%
Long term borrowings	**10,754**	258,883	↓ 96%
Total equity	**4,052,035**	3,976,885	↑ 2%

Contents

VISION

Our vision is to become one of Asia's leading operators in the oil and gas industry. At EPI, we aim to achieve this by investing in oil and gas projects with good potentials and building a strong operation and management team to support our exploration, production and development work for our oilfield projects.

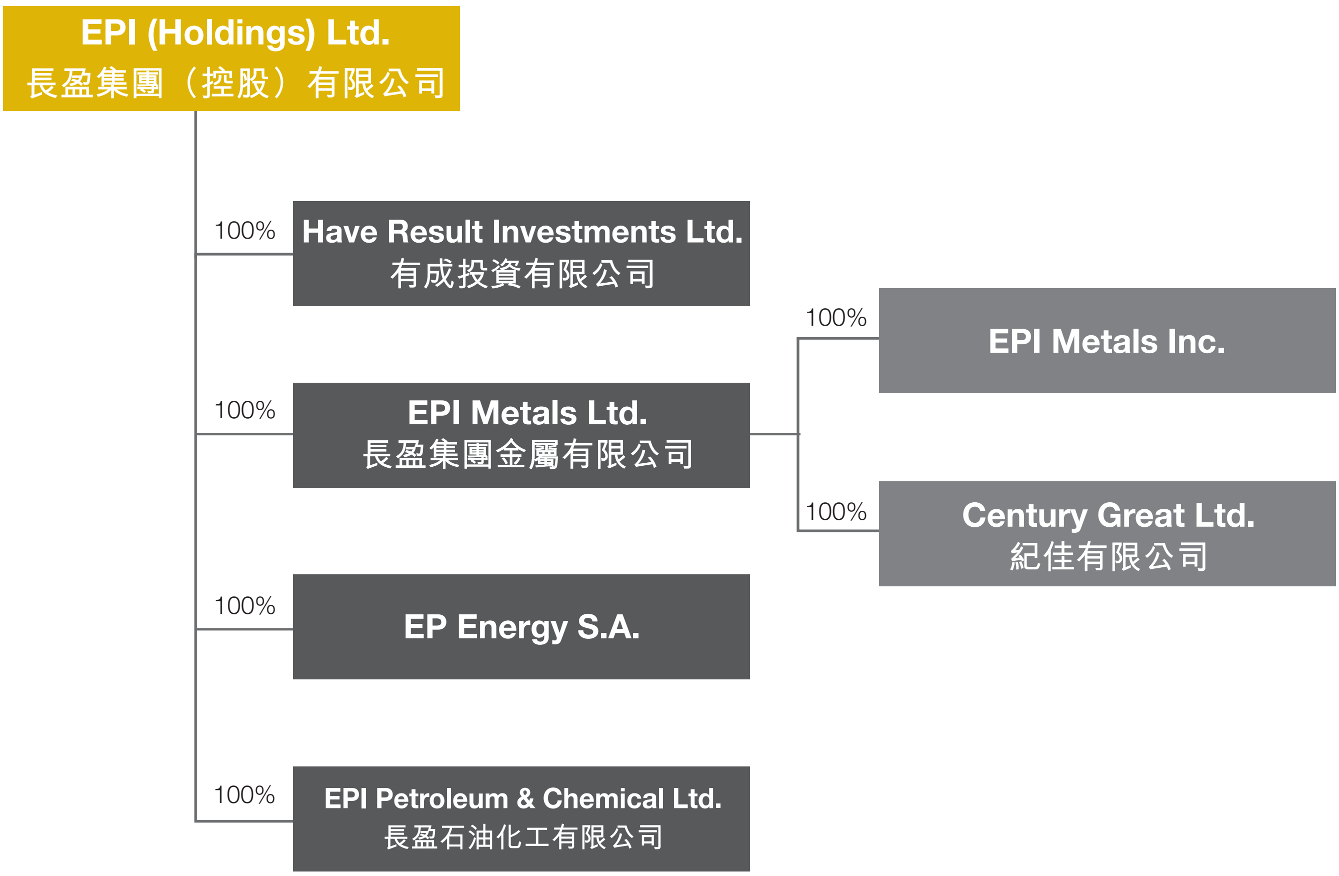
MISSION

Our mission is to build strategic and productive partnerships with major state-owned enterprises in China oil and gas industry that fit well with our operating strengths and interests to progressively explore, invest and develop significant projects around the world.

Our strategy is to invest in projects that will bring quick investment returns. Leveraging on our financial restructuring and management skills, we aim to maximize our value and to provide long-term and sustainable returns to our shareholders.

Oil Well	Depth(metre)	Date of Production
CH-1052	3,697	2009 November

Drilling rig


EPI (Holdings) Ltd.
長盈集團（控股）有限公司
100%
Have Result Investments Ltd.
有成投資有限公司
100%
EPI Metals Ltd.
長盈集團金屬有限公司
100%
EPI Metals Inc.
100%
Century Great Ltd.
紀佳有限公司
100%
EP Energy S.A.
100%
EPI Petroleum & Chemical Ltd.
長盈石油化工有限公司

Chairman and CEO Statement

Mr. Joseph Wong Chi Wing, Chairman and CEO

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of EPI (Holdings) Limited (the "Company"), I would like to announce the annual result of the Company and its subsidiaries (the "Group") for the year 2010.

Building foundation work

The year of 2010 was to focus in building the foundations for the development work in the Chañares oilfield project in Mendoza, Argentina. Our first main goal was to drill five new oil wells as planned in order to achieve immediate production from the oilfield projects. Secondly, we have successfully built the operation and management team for the full development plan. Thirdly, as a consequence of a commercial dispute with Maxipetrol, the agreements that were in place with such Company were terminated. We received evidence that the agreements between Maxipetrol and Chañares were also terminated. As a consequence thereof, irrespective of any claims Have Result has against Maxipetrol within the framework of the aforementioned dispute, and with the purpose of continuing the development of the Areas, we have negotiated and set up a new joint venture with the oilfield owner Chañares to explore the concessions together. Fourthly, we are in the process of obtaining – through Chañares – a 10 year extension of the hydrocarbons exploitation concession of the Chañares Herrados and Puesto Pozo Cercado Concessions in Argentina to maximize the output value of the project. Last but not least, SinoPec International Petroleum Service Corporation ("SinoPec") drilling team has started drilling work on the first well of 2011,CH-1059 for EP Energy S.A. under the New Agreement, which is targeted to be completed by May 2011. We are pleased to be working with SinoPec and to have commenced the development plan.

Financial Results

For the year ended 31 December, 2010, the Group's turnover was HK$937.26 million, representing a decrease of 0.92% from HK$945.93 million recorded in the year ended 31 December, 2009. The loss for the year was HK$288.63 million, against a profit for the year of HK$20.31 million in 2009. Taking into the account the fair value gain on available-for-sale investments of HK$57million, the total comprehensive expense for the year was HK$237.14 million, against a total comprehensive income of HK$13.72 million for 2009. The substantial loss for the year was mainly attributable to the majority portion of the drilling cost of two deep wells, namely CH-7 bis and CH-25 bis, being reclassified for exploration purposes and charged to the profit and loss account in the year as well as accrued expenses from our previous copper business. We see this as a one time loss that puts the Group in a healthy position for the future.

Although, we experience a substantial loss for this year, the Group's plan to drill between five to ten wells will improve the production rate and contribute to higher sales. The management has a positive view on the oil and gas resource sector, with energy commodities in high demand and the sales price of crude oil in Argentina on a rising trend.

Five new oil wells in production, contributing output revenue in 2010

During the year, Have Result has completed the drilling of five new oil wells. Of these two shallow wells; CH-1052, CH-1053 are in full production, while the CH-1055 shallow well and the two deep wells CH-25 bis, CH-7 bis are in their initial production stage and which therefore did not make a full year production contribution in 2010. The production at all five wells is progressing well.

Throughout the drilling work, our technical team collected valuable geological and logging data for our future drilling and explorations.

Under the New Agreement, a batch of five to ten oil wells locations have already been identified and we will be ready to drill from the first quarter of 2011. Our plan is to drill a minimum of five oil wells in 2011.

The first of these oil wells, CH-1059, has commenced drilling which will be completed in May 2011.

Our team is constantly reviewing how to improve oil output production volume. We have appointed China Petroleum Drilling and Contractual Engineering Study Group to conduct a technical feasibility study to seek alternative drilling method such as horizontal drilling and other studies to improve output relative to our present vertical drilling method. This is an important study as we need the technical information to integrate into our master exploration drilling and production plan. We expect to receive the report during 2011.

Operations and management team, SinoPec drilling team is all set for 2011

Having a technical partnership with SinoPec provides EPI a solid technical team to strengthen its existing team in Argentina. Following signing the contractual agreement for drilling with SinoPec in August, all of the drilling equipment and engineers are now ready for the commencement of drilling work on the next series of oil wells.

We have built a world class technical and management team that we strongly believe will strengthen the Group's operational efficiency and maximizes the exploration success for our upcoming master development plan work in the Chañares oil field project.

Termination of the contractual relationships between Have Result and Maxipetrol and between Chañares and Maxipetrol

There has been a structural change in our oilfield operation. Have Result, our wholly owned company, had a commercial dispute with Maxipetrol and as a result, our contractual relationship with Maxipetrol has been terminated. The Company has sought legal advice from its Argentinian legal advisors on the implications of the termination of the agreements between Have Result and Maxipetrol, and our 51% output interest in the five existing oil wells drilled in 2009 to 2010 will remain unchanged and will continue to provide oil output revenue as previously set in a binding agreement. However, Maxipetrol has breached its obligations under the aforementioned agreements and did not reimburse to Have Results 29.17% of the investments made by Have Results in the Concession Areas. The amount owed by Maxipetrol to Have Result is approximately US$13,000,000. The Group duly and timely reserves its right to take legal action against Maxipetrol to recover the investment amount. The management is confident that these legal risks are manageable and controllable and our legal advisors are working to resolve the dispute.

Furthermore, after termination of the aforementioned agreements with Maxipetrol, and through our wholly owned subsidiaries, Southstart Limited and EP Energy S.A., we have started negotiations with Chañares aimed to continue operating in the Areas. As a result of such negotiations, the aforementioned companies entered into an agreement to form a joint venture company with the oilfield concession owner, Chañares. Through the aforementioned companies, our operating and production interest of the oilfield concession will be a 72% interest of the production output.

Extension of ten year licenses to 2027

We are working closely with Chañares, for the 10 year extension licenses for both Concessions Areas where applications had been filed to and accepted by the Mendoza Government. The exploitation right of Chañares Herrados Area will expire on 24 September 2017 and that of the Puesto Pozo Cercado Area will expire on 26 June 2017. The extension of the license is critical the success of our development plan and we are confident that we will obtain the license extension in 2011.

Prospects

Funding Strategy

We have successfully laid the foundation for the Group's investment in the oilfield in 2010. Since early 2011, we have been engaged in arranging funding to meet the total capital expenditure required for the oilfield project.

The project requires extensive capital investment over the medium to long term. We are working on a detailed analysis of our total capital funding requirements and our strategy will always be to maximize our shareholders' returns. The funding alternatives will include rights issues, share placements, convertible bonds and project financing. We are currently in extensive negotiations with banks to arranging a medium term project financing. We are confident that we will be able to achieve our funding requirements within the set time frame.

The year of 2011 appears promising. When the last piece of the puzzle has been put in place, we are confident of achieving a positive return from our investment in the Chañares oilfield.

I wish to thank all our shareholders and investors for their patience and long-term support over many years, my staff for their dedication and hard work and the Directors for their trust and patience. In the past few years, we have gone through challenges and acquired much stronger assets. We are ready to progress further and accept more responsibilities ahead.

Joseph Wong Chi Wing
Chairman and CEO, EPI Holdings Ltd

31 March 2011

Oil Well	Depth(metre)	Date of Production
CH-1053	3,580	2009 December

Drilling rig

Management Discussion and Analysis

In 2010, the Group continued to restructure its business and put its focus on oil and gas operations. On 27 August 2010, the Group entered into two agreements to dispose its interest in two wholly-owned subsidiaries, namely Innovision Enterprises Limited and Shenzhen Innovision Trading Limited, which carried out all of the Group's consumer electronics operation at a cash consideration of HK$1,000,000. The disposal of the consumer electronics operation represented opportunities for the Group to realize its investment in the original core business of sourcing and trading of consumer electronics products on reasonable terms and allow the group to better utilizing its resources and focusing on the development of its investment in the resources sector. The disposal was completed on 31 December 2010 and realized a gain of HK$7,744,000.

The Group's core business is the petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") in the Cuyana Basin, Mendoza Province of Argentina.

The Puesto Pozo Cercado Concession was awarded to Chañares Herrados Empresa de Trabajos Petroleros S. A. ("Chañares"), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated 26 June 1992, issued by the Ministry of Economy and Public Works of the National Government of Argentina, and approved by National Decree No. 1276, dated 21 July 1992. In accordance with Law No. 17319 the term of this exploitation Concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

The "Chañares Herrados" Area was obtained by Chañares under an Assignment Agreement executed with YPF Sociedad Anónima ("YPF"). This area is one formerly owned by YPF before privatization and was converted into an exploitation concession at the time YPF became a private company in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated 19 April 1996, authorized the assignment of this hydrocarbon exploitation Concession to Chañares. In accordance with Law No. 17,319 the term of this exploitation Concession is also 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

Chañares entered into a joint venture agreement ("Chañares Agreement") with Maxipetrol – Petroleros de Occidente S.A. (formerly known as Oxipetrol – Petroleros de Occidente S.A., ("Maxipetrol") on 14 November 2007 in connection with the "Puesto Pozo Cercado" Area and "Chañares Herrados" Area ("Areas"), for the purposes of the development of incremental production in the Areas, through the investments to be made by Maxipetrol, within the scope set forth in the Chañares Agreement.

Under the Chañares Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the Chañares Agreement, as well as any other benefit obtained from the exploitation of the works performed thereunder, shall be distributed in the following proportion: 28% to Chañares and 72% to Maxipetrol.

On 24 November 2007 Maxipetrol entered into an agreement for the Assignment of Rights, Investment and Technical Cooperation with Have Result Investments Limited ("Have Result"), as amended and/or supplemented by (i) a deed of undertaking executed by Maxipetrol on 12 December 2007; (ii) a supplementary deed of undertaking executed by Maxipetrol on 28 December 2007; and (iii) a document titled "Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation" executed by and between Maxipetrol and Have Result, dated 19 December 2008 (the "Assignment Agreements"). Maxipetrol and Have Result then entered into a temporary union of enterprises agreement (the "UTE Agreement") dated 6 August 2009 in connection with the respective rights and obligations and the cooperation between the parties thereto in connection with the petroleum production in the Areas under the Assignment Agreements. Under such agreements, it was agreed that Have Result has a 70.83% interest and Maxipetrol a 29.17% interest, for carrying out the operation of petroleum production in the Areas. As a consequence thereof, Have Result became the owner of a 51% working interest in the hydrocarbons extracted from new wells drilled in the Areas under those agreements.

Have Result became the wholly-owned subsidiary of the Group on 3 November 2009 and since then the Group commenced the petroleum exploration and production business in the Areas.

On 12 April 2010, Have Result has signed a collaborative agreement with SinoPec International Petroleum Service Corporation ("SinoPec"), a wholly-owned subsidiary of China Petrochemical Corporation, for drilling service at Mendoza oilfield project in Argentina.

Under the drilling service agreement, SinoPec committed to deploy its oil project team including technical professionals, well advanced drilling machinery, tools as well as other equipments to develop and to drill the oil wells in the Areas.

In June 2010, SinoPec has deployed a team of professionals including technicians, lawyers, logistics professionals, to Argentina to perform preparation work, that covers establishing Argentina legal entity, exploring with suppliers and contractors, meeting with labor union, meeting with Government, and employing local technicians and labor. On August 2010, SinoPec completed the registration of its wholly-owned subsidiary in Argentina.

On 20 November 2010, the equipment arrived in Mendoza and SinoPec had set up a full team of professionals in Mendoza including the recruitment of local Argentinian professionals and workers, and secondment of Chinese expertise and a management team.

During the year 2010, Have Result drilled five wells in the Areas, namely CH-1052, CH-1053, CH-1055, CH-7 bis and CH-25 bis. All five oil wells are in production, with a 100% success rate. Of the five oil wells, CH-25 bis and CH-7 bis are deep wells with depths over 4,200 meters, reaching the Potrerillos Formation. The Group has collected logging data and geological information on the deep formation that is valuable for the future development plan in the Areas. As CH-25 bis and CH-7 bis are defined as both Development and Exploration wells, a substantial portion of the investment cost was classified as for exploration purposes and expensed in 2010. According to the test results of CH-7 bis and CH-25 bis, below 3600 metres there is great potential inside the Potrerillos oil layers. The first test result of CH-7 bis was 40 m^3/day at interval 3953-3961 metres, and we also found oil layers between 4,200 metres and 4,600 metres inside the CH-25 bis with 5% oil content at Potrerillos oil layers.

During 2010, Have Result had commercial disputes with Maxipetrol. On 7 September 2010, Maxipetrol served a notice to Have Result communicating its decision to terminate the contractual relationship between them, alleging non-compliance by Have Result of its contractual obligations. The Directors are of the view that the allegations are unfounded and the events complained of arose from Maxipetrol's own failure and the Company instructed Argentinian legal advisers at that time to reserve its rights and remedies against Maxipetrol. The Directors consider that the termination notice sent by Maxipetrol was not founded on valid grounds. In light of and following Maxipetrol's notice of termination of the existing agreements, the Group, via its wholly-owned subsidiary

- Casing

- Testing of the oil well

Southstart Limited, began discussions with Chañares on an agreement for the formation of a joint venture company. On 2 December 2010, Have Result sent a letter to Maxipetrol stating and confirming that the termination of their agreements (the "Termination") was groundless and reserving all rights and remedies against the Group. The Company has sought legal advice from its Argentinian legal advisers on the implications of the Termination and was given to understand that notwithstanding the termination of the agreements between Have Result and Maxipetrol, Have Result remains entitled to a 51% right in the production from the existing five wells, provided that Have Result continues to pay the relevant operating costs. In that regard, the Company received two letters from Chañares dated 22 and 29 November 2010 in which Chañares acknowledged and stated, among other things, that Have Result is the assignee of the irrevocable right to receive, during the effective term of the Concessions on the Areas, including any extensions thereof, 51% of the production from the five wells in production. Based on the aforementioned, the Directors consider that there will not be any material adverse effects on the ownership of the rights of Have Result regarding the production of existing five wells notwithstanding the termination of the agreements with Maxipetrol.

Maxipetrol breached its obligations under the agreements executed with Have Result. Among other circumstances, Maxipetrol did not reimburse to Have Result 29.17% of the investments made by Have Result in the Areas. The amount owed by Maxipetrol to Have Result in respect of the investment reimbursement is approximately US$13,000,000. The Group reserved its right to take legal action against Maxipetrol. Have Result also received evidence that Chañares terminated its contractual relationship with Maxipetrol alleging the existence of breaches of Maxipetrol´s obligations under the agreements between them related to the Areas.

In such scenario, the Group held negotiations with Chañares aimed at continuing the development of the Areas. On 2 December 2010, Southstart Limited and Chañares entered into an agreement in relation to the formation a joint venture company (the "New Agreements"). Pursuant to the New Agreements, EP Energy S.A., a wholly-owned subsidiary of Southstart Limited, which is organized and existing under the laws of Argentina and Chañares formed a joint venture company which is owned as to 72% by EP Energy S.A. and as to 28% by Chañares. The business of the joint venture company is the exploration, exploitation and development of hydrocarbons in the Areas under the terms of the New Agreements.

Upon signing of the New Agreement, Southstart Limited and EP Energy S.A. became jointly obliged to pay US$6,000,000 to Chañares in consideration for the right to drill in the Areas during the current term of the Concessions. Such consideration has been already paid. The total consideration for the right to drill is subject to adjustment dependent upon whether Chañares can

• Satellite communication

obtain the extension of the terms of the Concession (the "Extension") by 31 December 2011. If Chañares obtains the Extension, the Group shall pay an additional amount of US$800,000 for each year of extension of the term of the Concessions in excess of five years. In the event that Chañares obtains an extension of 10 years from the date of expiry of the existing term of Concessions, the Group shall pay an aggregate amount of US$4,000,000 to Chañares.

Under the New Agreements, a 2011 Investment Plan was submitted by Southstart Limited/EP Energy S.A. to Chañares, which has been already approved by Chañares. EP Energy S.A. has to complete the 2011 Investment Plan which consists in the drilling of five wells, and the drilling of the first well thereof has to be finished by no later than 31 March 2011. In connection with this, the Company issued a performance bond to Chañares pursuant to which the Company shall pay an aggregate of US$20,000,000 to Chañares in the event that EP Energy S.A. fails to complete the 2011 Investment Plan.

As advised by the Group's Argentinian legal advisers, the New Agreement between Southstart Limited/EP Energy S.A. and Chañares constitutes valid and binding obligations of Chañares.

The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield, after taking into consideration the production during year 2010, are as follows,

Contingent Oil Resource (unit: million barrels)

Category	Gross (100%)
Low Estimate (1C)	86.0
Best Estimate (2C)	146.9
High Estimate (3C)	245.5

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group's turnover was HK$937.26 million, a decrease of 0.92% from HK$945.93 million for the year ended 31 December 2009. The Company recorded a loss for the year of HK$288.63 million, against a profit for the year of HK$20.31 million in 2009. The substantial loss for the year is mainly attributable to the majority portion of the drilling costs of two deep wells, namely CH-7 bis and CH-25 bis, being reclassified for exploration purposes and charged to the profit and loss account in the year of 31 December 2010.

In Mendoza there are three formations that were productive in the past (two shallows and productive – Barrancas and Rio Blanco and one deeper, namely, Potrerillos. The Group has drilled five wells of which three were directed to the shallow formations, namely CH-1052, CH-1053 and CH-1055; and two were directed to the deeper formation, namely CH-7 bis and CH-25 bis. All five wells are producing in the shallow formation. The directors of the Group consider that since the portion of the wells drilled down to the deep

• Oil transportation truck

formations that is the Potrerillos formation, do not have any commercial production and should be regarded as for exploration purposes. The related costs initially capitalised as exploration and evaluation assets were therefore reclassified as an expense to the profit and loss account. The related costs of the other three wells, namely CH-1052, CH-1053 and CH-1055, which were drilled and are producing at the shallow formations, were initially capitalised as exploration and evaluation assets and subject to annual review of impairment. They have not been reclassified for exploration purposes.

OPERATIONS REVIEW

During the year, the Group's continuing operations comprised petroleum exploration and production, non-ferrous metals sourcing and trading and trading of petroleum related products.

Sales of petroleum

During year 2010, Have Result completed the drilling of three wells according to the previous year's investment plan. As of the date of this announcement, there are five wells in production,

Oil well	Status	Depth (m)	Date of production
CH-1052	In production	3,697	26 Nov 2009
CH-1053	In production	3,580	8 Dec 2009
CH-1055	In production	3,600	25 Mar 2010
CH-25 bis	In production	4,685	12 May 2010
CH-7 bis	In production	4,200	14 Aug 2010

In 2010, the five wells generate oil sales, revenue of HK$35.7 million. All the oil was sold to YPF Sociedad Anónima, through the Chañares, the Concession owner. During the year, two shallow wells CH-1052 and CH-1053 were in full year production, another shallow well CH-1055 and two deep wells CH-25 bis and CH-7 bis commenced production during second and third quarter of the year.

As of 31 December 2010, the Company has invested HK$183.05 million in oil well drilling which is classified as oil & gas assets and which started depreciation from the commencement of production. During year 2010, the depreciation of the oil & gas assets was HK$21.96 million. In 2010, the Company reclassified HK$177.44 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that is located at a depth of over 4,200 meters which was expensed in the profit and loss account in year 2010. The Company has recorded as impairment loss of VAT credit amounting to HK$28.4 million after taking into consideration of discounted cashflow in relation to VAT received from future oil sales until 2027.

In line with the rising trend in the international oil price, the local selling price of crude oil in Argentina increased during year 2010. The local crude oil price increased from USD44.4 per barrel in January 2010 to USD52.1 per barrel in December 2010, representing an increase of USD7.9 per barrel or a 18% increase. The crude oil price continued to increase during 2011, with the price in February reaching USD54.1 per barrels. The Group expects that the crude oil price will continue to increase and that the gap between domestic and international oil prices will narrow.

1.2 Future operation plan

Extension of hydrocarbons exploitation concession

The hydrocarbons exploitation Concession of Puesto Pozo Cercado Area and the Chañares Herrados Area have a term of 25 years commencing from 1992, with the possibility of a 10-year extension. According to legal advice on the laws of Argentina obtained by the Company, the extension of the term of the concessions is subject to a number of factors, including the fulfillment by the concessionaire of its obligations under the documents granting the Concessions and applicable laws and the reaching of agreement between the concessionaire and the Mendoza Government on the terms of the extension such as the amount of investments to be made.

Chañares Herrados, the Concession owner of the Mendoza oilfield in which the Group has a 72% working interest, has made the application of 10-year extension to the Mendoza Government. The application has been accepted by the Mendoza Government and Chañares Herrados has filed all the information and documents required by the Mendoza Government. Chañares Herrados is in the process of negotiation with the Government and expects negotiations to be finalised during the year 2011.

The Board at present does not foresee any major difficulties in respect of the extension of the Concessions in the future.

Overall drilling plan

Chañares Herrados, the Concession owner, has approved the drilling plan for year 2011 submitted by the Group and this plan has been approved by the Government. EP Energy S.A. started drilling the first oil well, CH-1059, in March 2011, employing a drilling rig and services from SinoPec. The Group expects that the drilling of CH-1059 will be completed in April 2011 and that production will commence in the second quarter of 2011.

The Group is also investigating the opportunity for horizontal drilling in the Concession Areas which is general international practice and may increase the production between three and seven times, returning two times the investment.

2. Segment financial results

Sales of petroleum

	Year 2010 HK$'000	Year 2009 HK$'000	% change
Turnover	**35,695**	3,406	+948%
Segment Loss	**(250,676)**	(7,572)	N/A

The Group completed the drilling of three oil wells including one shallow well and two deep development and production wells in year 2010. These wells will commence production in the second and third quarters of the year. There were five oil wells in production in 2010, of with only two wells, namely CH-1052 and CH-1053 recorded full year production. The turnover represents sales of oil to our customer YPF Sociedad Anónima net of direct oil field operating cost and taxes. The average selling price was USD48.4 per barrel or USD304.4 per m^3.

In 2010, the Company has reclassified HK$177.44 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation that is located at a depth of over 4,200 meters, which was expensed in the profit and loss account. The Company has recorded as impairment loss of VAT credit amounting to HK$28.4 million after taking into consideration of discounted cashflow in relation to VAT received from future oil sales until 2027.

Administrative and Financial expenses of HK$32.11 million mainly include professional and consultancy fees in relation to oil drilling service, salaries, travel expenses, exchange differences and other tax expenses.

Non-ferrous metals sourcing and trading

Segment financial results

	2010 HK$'000	2009 HK$'000	% change
Turnover	**437,623**	978,277	–55.27%
Segment Profit/(Loss)	**18,024**	(78,365)	N/A

The non-ferrous metals trading business remained difficult in 2010. The Group's main business in this area was to purchase the scrap copper from overseas markets including the United States, Europe and Asia, fix the price by reference to the London Metal Exchange ("LME") and sell to the customers in China at a price fixed by reference to the Shanghai Futures Exchange ("SHFE"). For most of the year the 3-month copper prices quoted on the LME and SHFE were adversely correlated and did not allow any reasonable margin on the import of scrap copper into China. The Group therefore stopped trading scrap copper in 2010 and only traded copper cathodes on selective basis when the transactions allowed a reasonable margin, despite the fact that the margin was thin. The Group has decided to suspend the trading of copper cathodes in the year of 2011.

Trading of petroleum related products

Segment financial results

	2010 HK$'000	2009 HK$'000	% change
Turnover	**463,940**	–	N/A
Segment Profit	**6,191**	–	N/A

The Group commenced the trading of petroleum related product in the third quarter of 2010. In 2010, the Group purchased 63,044 metric tons of mixed aromatics and 14,407 metric tons of methyl tert-butyl ether from overseas markets and sold to the customers in China.

FINANCIAL POSITION

As at 31 December 2010, the net asset value of the Group was HK$4,052.04 million (2009: HK$3,976.89 million) and the net asset value per share was HK$0.22 (2009: HK$0.52).

LIQUIDITY AND FINANCIAL RESOURCES

In order to meet general working capital requirements and the funding needs of the Mendoza oil project, the Group decided to raise additional capital via placement of shares during the year. On 15 April 2010, the Company raised net proceeds of approximately HK$244 million via a top-up subscription placement of 1,390,000,000 shares at HK$0.183 per share. On 22 December 2010, the Company raised net proceeds of approximately HK$61.7 million via a top-up subscription placement of 920,000,000 shares at HK$0.0675 per share.

The Group plans to drill between five and ten wells in the year of 2011 that will require a capital expenditure ranging from US$30 million to US$55 million, depending on the number of wells to be drilled. The full execution of the master development plan to drill 140 wells is subject to:

(1) The 10 years' extension of the hydrocarbons exploitation concession

(2) Availability of funds and sufficiency of Capital

The Group is optimistic about securing the 10 years' extension of the hydrocarbons exploitation Concession and is considering various means to raise the required capital, including but not limited to placement of shares, the issue of convertible bonds, rights issue and bank loans. The Group is currently in negotiation with the banks to obtain medium-term project finance.

CHARGE ON ASSETS

As at 31 December 2010, the Group has pledged assets with an aggregate carrying value of HK$26.34 million (2009: HK$22.62 million) to secure bank loan facilities extended to the Group.

CAPITAL COMMITMENTS

As at 31 December 2010, the future capital expenditure for which the Group had contracted but not provided for amounted to HK$46.68 million (2009: HK$63.60 million).

- On site office
- Water separating plant

Oil Well	Depth (metre)	Date of Production
CH-1055	3,600	2010 March

80 cubic metre oil well storage tank

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. WONG Chi Wing, Joseph, Chairman and CEO of EPI, aged 50

Mr. Wong joined the Group in September 2006. He has over 20 years of investment banking experience in the Greater China region, including experience in Capital Markets, Corporate Finance, M&A, and Corporate Restructuring.

In 1990 Mr. Wong joined CEF Holdings, a financial investment group 50% owned by Canadian Imperial Bank of Commerce (CIBC) and 50% by Cheung Kong (Holdings) Limited. Initially appointed as Assistant Director of CEF Capital Limited, he was later made Managing Director in 1995. He was also a Director of CEF (Capital Markets) Limited, and a member of CEF Holding's Undertaking Committee responsible for credit risk management. In 2002, he left CEF Holdings.

In 2004, Mr. Wong assumed the role of a "White Knight", rescuing Great Wall Cybertech Limited (HKSE stock code: 689) by entering into an escrow and exclusivity agreement that saved the company from the threat of liquidation. On 26 September 2006, after Great Wall Cybertech Limited had completed its restructuring, trading of its shares resumed on the Stock Exchange of Hong Kong Limited, and Mr. Wong was appointed as Chairman and CEO of the Group. The Group was then renamed EPI (Holdings) Limited.

Mr. Wong holds a Bachelor's Degree in Social Science from the Chinese University of Hong Kong, with a major in Economics.

Mr. CHU Kwok Chi, Robert, Executive Director, aged 60

Mr. Chu has been a Sales Director for the Group since August 2004 and was appointed Executive Director for the Group in September 2006 heading the consumer electronics business. Mr. Chu has over 30 years of experience in the international trade and the electronics industry. Mr. Chu has been responsible for the marketing, sales, trading and production of various private and listed consumer electronics companies in Hong Kong. He was the Managing Director of Eltic Electronics Company Limited, a subsidiary of Great Wall Cybertech Limited (former name of EPI (Holdings) Limited), from 1990 to 2000.

Mr. Chu was appointed as the Executive Director of Vision Tech International Holdings Limited (HKSE stock code: 922) on 3 March 2008. He holds a Bachelor's Degree in Business Administration.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. QIAN, Zhi Hui, aged 48

Mr. Qian joined the Group in September 2008. He joined China National Native Produce & Animal By-Products Import & Export Corporation, Guangdong Province, as chief legal advisor in 1988. He joined Guangzhou King Pound Law Firm as lawyer in 1993 and is currently a partner of Guangdong Justwin Law Firm.

From 2006 to 2008, he was the Independent Non-Executive Director of New Times Group Holdings Limited (HKSE stock code: 166). He has a Master degree in Procedural Law from Southwest University of Political Science and Law.

Mr. Zhu Tiansheng, aged 65

Mr. Zhu joined the Group in November 2009. He has over 39 years extensive experience in project management, operations, design and construction process of oil and natural gas transmission pipeline, exploration, production and transporting heavy oil, recycling of light hydrocarbon, design and construction of natural gas treatment plants in numerous oil field projects in China.

Mr. Zhu has been employed by China National Offshore Oil Corporation ("CNOOC") since 1986. Since 2005, he is the Senior Consultant and the Chief Project Officer for China Offshore Oil & Gas Development & Utilization Company of CNOOC, participating in the construction of asphalt plant. From 2004 to 2005, he was the Deputy Director of Coordination Office of CNOOC and Mr. Fu Chengyu, was the director and currently the General Manager of CNOOC. From 2001 to 2004, Mr Zhu was the General Manager of China Ocean Oilfields Services (Hong Kong) Limited.

During the period of 1997 to 2001, Mr. Zhu was the General Manager of the Construction Department of CNOOC. The Construction Department is responsible for the organization and investigation of concept design and plans of development, an immediate and final investigation of the basic design. The detailed designs, constructions and installations are managed by the Project Units, which are organized by the Construction Department. The Construction Department also organizes and co-operates with foreign companies for the development and construction of oil and gas fields.

From 1992 to 1997, Mr. Zhu was the Deputy Manager of Development and Production Department of CNOOC and he was responsible for construction development. During the period of 1986 to 1992, he was offered the position of Chief of Project Management Office of Construction Department of CNOOC.

In 1986, Mr. Zhu was transferred to CNOOC from Liaohe Oil Field, China where he had worked there for over 11 years in the 70s and his last position was the Chief of Oil and Gas Management Office of Liaohe Oil Field.

Mr. Zhu was graduated at the Beijing Petroleum Institute and was majoring in oil and gas storage and transportation engineering since 1969. During his work tenor, Mr. Zhu was trained in Japan for 3 months in recycling of light hydrocarbon and studied project management in EGT in United Kingdom during 1994.

MANAGEMENT PROFILE

Mr. HONG Kin Choy, Bryan, Chief Financial Officer & Company Secretary, aged 46

Mr. Hong joined the Group in October 2005. Mr. Hong oversees the Group's financials and carries out the role of Company Secretary. He is a practising certified public accountant in Hong Kong and a Fellow Member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 20 years of experience in the fields of audit, accountancy, business advisory services and corporate finance. Mr. Hong received a Professional Diploma in Accountancy from Hong Kong Polytechnic University in 1987, and subsequently worked for international accounting firm Deloitte Touche Tohmatsu for 5 years, where he had extensive experience in accountancy, auditing and taxation.

Mr. Hong has wide experience in the commercial sector and has held Financial Controller and General Manager positions for more than 10 years. Prior to joining the Group, Mr. Hong runs a CPA firm in his own name.

Mr. PAK, Ka Kei, Financial Controller, aged 40

Mr. Pak joined the Group in November 2009. Mr. Pak oversees the Group's financials and focus on the oil project. Mr. Pak has over 15 years experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Group, Mr. Pak has been working in TCL Multimedia Technology Holdings Limited over 10 years on the finance sections in Hong Kong, Emerging Markets and Europe and he has held the Deputy Internal Control Director and Deputy Financial Controller for Emerging Markets and Europe.

Mr. Pak graduated from City University of Hong Kong with a Bachelor of Arts degree in Accounting in year 1994 and has been worked for Ernst & Young for 5 years.

Mr. CHAN, Hon Wah, Joseph, Vice President, Operations, aged 59

Mr. Chan joined the Group as Vice President in August, 2007. In his present position, Mr. Chan oversees the Group's business operation, logistic and human resource management. Mr. Chan is a qualified accountant with associate membership of the Certified General Accountant of Canada, and holder of a MBA degree in Finance and Investment from the University of Hull, UK. Mr. Chan has over 30 years banking experience, working in Asia and Canada, with substantial expertise in operations, finance and human resources management.

Prior to joining the Group, Mr. Chan held an executive level position at The Bank of Nova Scotia, where he was the Vice President of its Pacific Regional Office in Hong Kong. In this role he directed the Bank's overall operational and administrative functions in the Asia-Pacific Region covering 10 countries and 26 branches and operating units in Asia. Mr. Chan also served as director of the Bank's subsidiaries in Hong Kong and Singapore.

Miss CHEUNG Siu Yuen, Rose, Vice President, aged 46

Miss Cheung joined the Group as Vice President in October 2006. She oversees for the Group's corporate development and capital markets.

Miss Cheung has over 20 years of experience in business and investment strategy, marketing and sales for listed companies involved in consumer electronics, telecommunications, and in financial institutions, in Asia Pacific and China markets. Prior to joining EPI (Holdings) Limited, Miss Cheung held executive position as the Director of Corporate Development for FE Global China Limited, General Manager of Investor Relations for Skyworth Digital Holdings Limited, and Director of Asia-Pacific Regional Marketing, Beenz, which oversees 9 countries in Asia-Pacific Region.

Miss Cheung graduated from York University in Toronto, Canada with a Bachelor of Arts degree in Mass Communication and Psychology. She was educated at Harvard University, Massachusetts, USA, gaining graduate credits in Banking, Finance and the Eurodollar.

Oil Well	Depth (metre)	Date of Production
CH-25 bis	4,685	2010 May

Drilling rig

Corporate Governance Report

The Board recognizes the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") with deviations from the code provision A.2.1 and A.4.1 of the CG Code as summarized below.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the company. The Company recognizes the importance of segregating the duties of the Chairman the Chief Executive Officer and had tried the best in the past year to identify a high caliber executive to take up either one of these roles. Suitable candidate has not yet been identified but the Company would continue to look for the right person for the posts.

The code provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently the Non-executive Directors are not appointed for a specific term. However, all Non-executive Directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The types of decisions that are to be taken by the Board include:

1. Setting the Company's mission and values
2. Formulating strategic directions of the Company
3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance
4. Monitoring and managing potential conflicts of interest of management and Board members; and
5. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review these arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2010, the Board:-

1. reviewed and approved the annual results of the Group for the year ended 31 December 2009 and the interim results of the Group for the period ended 30 June 2010

2. reviewed and approved the general mandates to issue and repurchase shares of the Company

3. reviewed the internal controls of the Group

4. reviewed the performance of the Group and formulated the business strategy of the Group.

5. reviewed and approved the top-up subscription placement of 1,390,000,000 shares in the Company at HK$0.183 per share

6. reviewed and approved the top-up subscription placement of 920,000,000 shares in the Company at HK$0.0675 per share

7. reviewed and approved the disposal of the equity interest in Innovision Enterprises Limited and Shenzhen Innovision Trading Limited

8. reviewed and approved the formation of a joint venture with Chañares

9. reviewed and approved the price-sensitive transactions

Regular Board meetings are scheduled in advance to give all Directors an opportunity to attend. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2010. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

BOARD COMPOSITION

The Board currently comprises two executive directors and two Independent Non-executive Directors, whose biographical details are set out in the section headed "Directors and Senior Management Profile" on page 18. Following the resignation of Mr. Poon Kwok Shin Edmond on 11 March 2011, the Company only have two Independent Non-executive Directors, the number of which falls below the minimum number required under Rule 3.10(1) and deviates from the requirement of at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Board is currently identifying suitable candidate to fill the vacancy of the Independent Non-executive Directors and further announcement will be made by the Company upon fulfilling the requirements under Rule 3.10 of the Listing Rules.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

BOARD MEETING RECORDS

There were five meetings held for the year ended 31 December 2010. The following is an attendance record of the Board Meetings held by the Board during the year:

Name of Directors	Number of Board meetings attended in 2010
Mr. Wong Chi Wing Joseph	4/5
Mr. Chu Kwok Chi Robert	4/5
Mr. Leung Hon Chuen (resigned on 17 March 2011)	4/5
Mr. Poon Kwok Shin Edmond (resigned on 11 March 2011)	3/5
Mr. Qian Zhi Hui	2/5
Mr. Zhu Tiansheng	2/5
Mr. Zhou Jacky (resigned on 16 February 2011)	4/5

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The Chief Executive Officer is responsible for the day-today operation of the Company and implementation of the development strategy adopted by the Board. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the Company. The Company recognizes the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a capable executive can be identified, he will be invited to take up either one of these roles in the forthcoming year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. The Group's Independent non-executive Directors have been appointed to hold office until the next Annual General Meeting and shall retire and offer themselves for re-election according to the Company's Bye-laws.

All Independent Non-executive Directors are financially independent from the Company and any of its subsidiaries.

Each of the Independent Non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of the independence of directors.

BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Each Board Committee makes decisions on matters within its term of reference and applicable limit of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

• Power generation

1) Audit Committee

a) Composition of Audit Committee members

Mr. Poon Kwok Shin Edmond *(Chairman)*
(resigned on 11 March 2011)
Mr. Leung Hon Chuen
(resigned on 17 March 2011)
Mr. Qian Zhi Hui

b) Role and function

The Audit Committee is mainly responsible for:

i. reviewing the financial statements and reports and considering any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

ii. reviewing the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and making recommendations to the Board on the appointment, re-appointment and removal of external auditors.

iii. reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures.

c) Meeting records

Two meetings were held for the year ended 31 December 2010 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2010
Mr. Poon Kwok Shin Edmond	2/2
Mr. Leung Hon Chuen	2/2
Mr. Qian Zhi Hui	1/2

During the meeting, the Audit Committee discussed the following matters:–

i. Financial Reporting

The Audit Committee reviewed with the Chief Executive Officer, the Company Secretary and the Financial Controller of the Company the Final Results for the year ended 31 December 2009 and the Interim Results for the period ended 30 June 2010.

ii. External Auditors

The Audit Committee reviewed the audit fee for the year ended 31 December 2009 and recommended it to the Board.

The Audit Committee reviewed the Audit Committee Report prepared by Deloitte Touche Tohmatsu for the year ended 31 December 2009.

2) Remuneration Committee

a) Composition of Remuneration Committee members

Mr. Leung Hon Chuen *(Chairman)*
(resigned on 17 March 2011)
Mr. Poon Kwok Shin Edmond
(resigned on 11 March 2011)
Mr. Qian Zhi Hui

b) Role and function

The Remuneration Committee is mainly responsible for:

i. reviewing any significant changes in human resources policies and structure made in line with prevailing trends and business developments.

ii. making recommendations to the Board on the Company's policy and the structure of all remuneration of Directors and senior management as well as on the establishment of formal and transparent procedures for developing policy on such remuneration;

iii. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and

iv. ensuring that no Director or any of his associates is involved in deciding his or her own remuneration.

c) Meeting Records

One meeting was held for the year ended 31 December 2010 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2010
Mr. Leung Hon Chuen	1/1
Mr. Poon Kwok Shin Edmond	1/1
Mr. Qian Zhi Hui	1/1

During the year under review, the Remuneration Committee reviewed the policies for the remuneration of Directors and senior management of the Group, the staff costs and headcount of the Group. The Remuneration Committee also reviewed the remuneration package of the Directors and the senior management to ensure they are in line with the market.

3) Nomination Committee

a) Composition of Nomination Committee members

Mr. Wong Chi Wing Joseph *(Chairman)*
Mr. Leung Hon Chuen
(resigned on 17 March 2011)
Mr. Poon Kwok Shin Edmond
(resigned on 11 March 2011)

b) Role and function

The Nomination Committee is mainly responsible for:

i. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;

ii. identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for Directorships;

iii. assessing the independence of Independent Non-executive Directors; and

iv. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

c) Meeting Records

One meeting was held for the year ended 31 December 2010 and the attendance of each committee member is set out as follows:

Name of Committee Members	Number of Committee meetings attended in 2010
Mr. Wong Chi Wing Joseph *(Chairman)*	1/1
Mr. Leung Hon Chuen	1/1
Mr. Poon Kwok Shin Edmond	1/1

During the meeting, the Nomination Committee discussed for the need of segregating the duties of Chairman and the Chief Executive Officer and unanimously agreed to identify a high caliber executive to take up either one of the roles. Suitable candidate has not yet been identified but the Nomination Committee members would continue to look for the right person for the posts and recommend to the Board.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

In preparing the financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 38-39.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Group's system of internal control so as to maintain sound and effective controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

EXTERNAL AUDITORS

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies adopted for the preparation of financial statements of the Group, which have been consistently applied to all the years, are set out in note 3 to the financial statements.

It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

During the year under review, the remuneration paid to the Company's external auditors, Messrs Deloitte Touche Tohmatsu was as follows:

Nature of services	**Fee paid/payable HK$'000**
Audit services	2,730

COMMUNICATION WITH SHAREHOLDERS

The Company uses various communication methods to ensure its Shareholders are kept well informed of key business imperatives. These include general meetings, annual report, various notices, announcements and circulars. The poll voting procedures and the rights of Shareholders to demand a poll were included in all circulars accompanying notices convening general meeting and the detailed procedures for conducting a poll had been read out by the Company Secretary at general meetings.

The annual general meeting provides a useful forum for Shareholders to exchange views with the Board. The Chairman, Directors, Board Committees" Chairman/ Members and external auditor are available to answer questions at the meeting.

To ensure all Shareholders timely access to important corporate information, the Company utilizes its corporate website to disseminate to the Shareholder information such as announcements, circulars, annual and interim reports.

Oil Well	Depth (metre)	Date of Production
CH-7 bis	4,200	2010 August

Drilling rig

Report of the Directors

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and trading of non-ferrous metals, and petroleum exploration and production. During the year, the Group disposed of subsidiaries engaging in the sourcing and trading of consumer electronics products (see note 37(i) to the consolidated financial statements). Particulars of the Company's principal subsidiaries are set out in note 48 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating and reportable segments is set out in note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 (the "Year") are set out in the consolidated statement of comprehensive income on page 40.

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2010.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 113.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movement during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

PURCHASE, SALES AND REDEMPTION OF SHARES

During the year, the Company repurchased and redeemed the shares as follows:

Date	Number of Shares repurchased	Method of Shares repurchase	Prices per Share Highest HK$	Prices per Share Lowest HK$
19 May 2010	6,200,000	On the Exchange	0.121	0.116
20 May 2010	14,780,000	On the Exchange	0.116	0.100
29 June 2010	5,100,000	On the Exchange	0.109	0.103
30 June 2010	4,040,000	On the Exchange	0.104	0.101
2 July 2010	2,540,000	On the Exchange	0.102	0.100
5 July 2010	16,020,000	On the Exchange	0.103	0.093
7 July 2010	3,040,000	On the Exchange	0.097	0.096
8 July 2010	2,600,000	On the Exchange	0.097	0.096
12 July 2010	4,180,000	On the Exchange	0.094	0.090
13 July 2010	5,080,000	On the Exchange	0.091	0.087
14 July 2010	14,600,000	On the Exchange	0.088	0.084
15 July 2010	2,020,000	On the Exchange	0.094	0.087
16 July 2010	3,300,000	On the Exchange	0.087	0.084
19 July 2010	2,460,000	On the Exchange	0.082	0.079
17 Nov 2010	7,680,000	On the Exchange	0.077	0.073
22 Nov 2010	5,440,000	On the Exchange	0.076	0.073
23 Nov 2010	10,000,000	On the Exchange	0.074	0.071
	109,080,000			

Neither the Company nor its subsidiaries has sold any of their shares during the year ended 31 December 2010.

RESERVES

Movements in reserves of the Group during the year are set out in consolidated statement of changes in equity on page 42.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors:

Mr. Wong Chi Wing Joseph
Mr. Chu Kwok Chi Robert
Mr. Zhou Jacky (resigned on 16 February 2011)

Non-executive Director:

Mr. Leung Hon Chuen (resigned on 17 March 2011)

Independent Non-executive Directors:

Mr. Poon Kwok Shin Edmond
(resigned on 11 March 2011)
Mr. Qian Zhi Hui
Mr. Zhu Tiansheng

Biographical details of Directors of the Company are set out on page 18 under the section titled "Directors and Senior Management Profile".

In accordance with Article 99(A) of the Company's Bye laws, all Directors, except the Managing Director, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting of the Company in accordance with the Company's Bye laws.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, or any of its subsidiaries, its holding company, or any subsidiaries of its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

• Drilling rig

COMPETING INTEREST

None of the Director or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be 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 were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Director	Beneficial owner	Number of Shares Controlled corporation (note 1)	Total interests	Approximate percentage of the issued share capital of the company (note 2)
Wong Chi Wing, Joseph	38,966,000	1,258,108,277	1,297,074,277	7.01%
Chu Kwok Chi Robert	338,529,383	-	338,529,383	1.83%
Poon Kwok Shin, Edmond	2,000,000	-	2,000,000	0.01%

Notes

1. 1,258,108,277 shares are held by Rich Concept Worldwide Limited, a company beneficially wholly-owned by Mr. Wong Chi Wing Joseph.
2. The calculation of percentages is based on 18,508,775,885 Shares of the Company in issue as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, no Directors or Chief Executive have any interests or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required in the Listing Rules pursuant to the Model Code for Securities

- Infrastructure

Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, according to the register of interests maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, the following persons, other than the Directors and the chief executive of the Company, who had an interest or a short position 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 who were, directly or indirectly, deemed to be 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 member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital were as follows:

Name of Shareholders	Capacity and Nature of Interest	Number of Shares held	Approximate percentage of the issued share capital of the Company (iii)
City Smart International Investment Limited (i)	Beneficial owner	74,668,568	0.40%
City Wise Investment Limited (i)	Beneficial owner	3,982,329,755	21.52%
Mr. Wu Shaozhang (i)	Interest of a controlled corporation	4,056,998,323	21.92%
Rich Concept Worldwide Limited (ii)	Beneficial owner	1,258,108,277	6.80%
Mr. Wong Chi Wing Joseph (ii)	Interest of a controlled corporation	1,258,108,277	6.80%
Mr. Wong Chi Wing Joseph (ii)	Beneficial owner	38,966,000	0.21%

Notes:

(i) So far is known to the Directors, City Smart International Investment Limited and City Wise Investment Limited are beneficially wholly-owned by Mr. Wu Shaozhang.

(ii) So far is known to the Directors, Rich Concept Worldwide Limited is beneficially wholly-owned by Mr. Wong Chi Wing Joseph, the Chairman and CEO of the Company.

(iii) The calculation of percentages is based on 18,508,775,885 Shares of the Company in issue as at 31 December 2010.

Saved as disclosed above, as at 31 December 2010, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executive of the Company, no persons had 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 who are, directly or indirectly, deemed to be 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 member of the Group or has any options in respect of such capital.

EMOLUMENT POLICY

The emolument of the employees of the Group is set up by the human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.
The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits schemes of the Group are set out in note 43 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an Ordinary Resolution passed at the Special General Meeting of the Shareholders held on 6 November 2006 for the purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible vendors, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, Independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial shareholders, Independent non-executive directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the sate of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

• Infrastructure

• Infrastructure

As at 31 December 2010, options to subscribe for an aggregate of 1,098,200,000 shares of the Company granted to the Directors and certain employees pursuant to the Scheme remained outstanding, details of which were as follows:

Name and category of participant	Number of share options: At 1 January 2010	Grant during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31 December 2010	Date of Grant	Exercisable period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Executive Director									
Mr. Zhou Jacky	–	5,000,000	–	–	5,000,000	19 March 2010	19 March 2010 to 9 February 2013	0.1610	0.1610
	–	5,000,000	–	–	5,000,000	19 March 2010	10 November 2010 to 9 February 2013	0.1610	0.1610
	–	5,000,000	–	–	5,000,000	19 March 2010	10 August 2011 to 9 February 2013	0.1610	0.1610
Independent Non-Executive Director									
Mr. Zhu Tiansheng	–	900,000	–	–	900,000	19 March 2010	19 March 2010 to 9 February 2013	0.1610	0.1610
	–	900,000	–	–	900,000	19 March 2010	10 November 2010 to 9 February 2013	0.1610	0.1610
	–	900,000	–	–	900,000	19 March 2010	10 August 2011 to 9 February 2013	0.1610	0.1610
Employees									
In aggregate	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2008 to 15 August 2011	0.6420	0.6400
In aggregate	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2009 to 15 August 2011	0.6420	0.6400
In aggregate	1,000,000	–	–	–	1,000,000	15 August 2007	15 August 2010 to 15 August 2011	0.6420	0.6400
In aggregate	–	23,799,995	–	(699,999)	23,099,996	10 February 2010	10 February 2010 to 9 February 2013	0.1564	0.1530
In aggregate	–	23,799,995	–	(699,999)	23,099,996	10 February 2010	10 November 2010 to 9 February 2013	0.1564	0.1530
In aggregate	–	23,800,010	–	(700,002)	23,100,008	10 February 2010	10 August 2011 to 9 February 2013	0.1564	0.1530
In aggregate	–	340,000,000	–	–	340,000,000	10 November 2010	01 January 2011 to 31 December 2012	0.0816	0.0810
In aggregate	–	340,000,000	–	–	340,000,000	10 November 2010	01 January 2012 to 31 December 2012	0.0816	0.0810
Third Parties									
In aggregate	–	20,299,999	–	(900,000)	19,399,999	10 February 2010	10 February 2010 to 9 February 2013	0.1564	0.1530
In aggregate	–	20,299,999	–	(900,000)	19,399,999	10 February 2010	10 November 2010 to 9 February 2013	0.1564	0.1530
In aggregate	–	20,300,002	–	(900,000)	19,400,002	10 February 2010	10 August 2011 to 9 February 2013	0.1564	0.1530
In aggregate	–	21,018,000	–	(21,018,000)	–	29 March 2010	29 March 2010 to 31 March 2013	0.1586	0.1560
In aggregate	–	21,018,000	–	(21,018,000)	–	29 March 2010	1 April 2011 to 31 March 2013	0.1586	0.1560
In aggregate	–	21,018,000	–	(21,018,000)	–	29 March 2010	1 April 2012 to 31 March 2013	0.1586	0.1560
In aggregate	–	135,000,000	–	–	135,000,000	10 November 2010	01 January 2011 to 31 December 2012	0.0816	0.0810
In aggregate	–	135,000,000	–	–	135,000,000	10 November 2010	01 January 2012 to 31 December 2012	0.0816	0.0810
Total	3,000,000	1,163,054,000	–	(67,854,000)	1,098,200,000				

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	28%
– five largest customers combined	74%

Purchases

– the largest supplier	13%
– five largest supplier combined	63%

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers as noted above.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EMPLOYEES

As at 31 December 2010, the Group had a total of about 25 employees in Hong Kong, 12 employees in Argentina and 7 employees in PRC. Employee's cost (excluding directors' emoluments) amounted to approximately 37.72million (2009: 15.35 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the Public as of the date of this report.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 47 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Wong Chi Wing Joseph
Chairman

31 March 2011

• Raw material

Deloitte.
德勤

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of EPI (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 112, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TO THE MEMBERS OF EPI (HOLDINGS) LIMITED – continued
(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations:			
Revenue	5	**937,258**	945,929
Cost of sales	6	**(926,619)**	(943,832)
Gross profit		**10,639**	2,097
Other gains and losses	7	**17,685**	74,358
Distribution and selling expenses		**(11,799)**	(9,664)
Administrative expenses		**(89,162)**	(47,355)
Other expenses	8	**(214,496)**	(38,633)
Finance costs	9	**(2,385)**	(2,419)
Loss before taxation		**(289,518)**	(21,616)
Taxation	10	**–**	291
Loss for the year from continuing operations	11	**(289,518)**	(21,325)
Discontinued operations:			
Profit for the year from discontinued operations	12	**890**	41,639
(Loss) profit for the year		**(288,628)**	20,314
Other comprehensive income (expense):			
Transfer to profit and loss on disposal of foreign operation		**120**	(6,987)
Exchange differences arising on translation of foreign operation		**(97)**	401
Fair value gain on available-for-sale investments		**57,176**	–
Income tax relating to components of other comprehensive income		**(5,718)**	–
Other comprehensive income (expense) for the year		**51,481**	(6,586)
Total comprehensive (expense) income for the year		**(237,147)**	13,728
(Loss) profit for the year attributable to:			
Owners of the Company		**(288,628)**	38,001
Non-controlling interests		**–**	(17,687)
		(288,628)	20,314
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(237,147)**	31,415
Non-controlling interests		**–**	(17,687)
		(237,147)	13,728
(Loss) earnings per share	16		
From continuing and discontinued operations:			
– basic		**(2.34) HK cent**	0.82 HK cent
– diluted		**(2.34) HK cent**	0.82 HK cent
From continuing operations:			
– basic		**(2.35) HK cent**	(0.47) HK cent
– diluted		**(2.35) HK cent**	(0.47) HK cent

Consolidated Statement of Financial Position

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Exploration and evaluation assets	17	**3,793,293**	3,810,136
Property, plant and equipment	18	**161,027**	171,978
Financial assets at fair value through profit or loss	19	**–**	2,947
Deferred tax assets	20	**295**	295
Other tax recoverable	21	**33,643**	39,912
		3,988,258	4,025,268
Current assets			
Loan receivables	22	**–**	15,962
Trade and other receivables	23	**206,032**	260,504
Available-for-sale investments	24	**67,600**	–
Held-for-trading investments	25	**4,000**	148,412
Pledged bank deposits	26	**26,340**	22,624
Bank balances and cash	26	**85,204**	93,002
		389,176	540,504
Current liabilities			
Trade and other payables	27	**168,372**	221,733
Derivative financial instruments	28	**10,596**	8,009
Bank borrowings - amounts due within one year	29	**135,677**	99,962
Taxation payable		**–**	300
		314,645	330,004
Net current assets		**74,531**	210,500
Total assets less current liabilities		**4,062,789**	4,235,768
Non-current liabilities			
Promissory notes	30	**1,899**	252,280
Bank borrowings - amounts due after one year	29	**–**	3,453
Deferred tax liabilities	20	**5,718**	–
Assets retirement obligation	31	**3,137**	3,150
		10,754	258,883
		4,052,035	3,976,885
Capital and reserves			
Share capital	32	**185,088**	76,936
Reserves		**3,866,947**	3,899,949
Equity attributable to owners of the Company		**4,052,035**	3,976,885

The consolidated financial statements on pages 40 to 112 were approved and authorised for issue by the Board of Directors on 31 March 2011 and are signed on its behalf by:

Wong Chi Wing, Joseph
DIRECTOR

Chu Kwok Chi, Robert
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note b)	Investment revaluation reserve HK$'000	Contributed surplus reserve HK$'000 (note a)	Translation reserve HK$'000	Share options reserve HK$'000	Convertible notes reserve HK$'000 (note 33)	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Share options reserve of a subsidiary HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	41,313	590,547	–	–	60,322	6,563	15,409	–	58,221	772,375	2,238	39,754	814,367
Exchange differences arising on translation	–	–	–	–	–	401	–	–	–	401	–	–	401
Transfer to profit and loss on disposal of foreign operation	–	–	–	–	–	(6,987)	–	–	–	(6,987)	–	–	(6,987)
Profit for the year	–	–	–	–	–	–	–	–	38,001	38,001	–	(17,687)	20,314
Total comprehensive income and expense for the year	–	–	–	–	–	(6,586)	–	–	38,001	31,415	–	(17,687)	13,728
Recognition of share-based payment expense	–	–	–	–	–	–	157	–	–	157	–	–	157
Exercise of share options	8	204	–	–	–	–	(48)	–	–	164	–	–	164
Issue of new shares	8,200	176,300	–	–	–	–	–	–	–	184,500	–	–	184,500
Transaction costs attributable to issue of new shares	–	(6,999)	–	–	–	–	–	–	–	(6,999)	–	–	(6,999)
Issue of shares for acquisition of a subsidiary	10,000	234,000	–	–	–	–	–	–	–	244,000	–	–	244,000
Issue of convertible notes for acquisition of a subsidiary	–	–	–	–	–	–	–	2,751,273	–	2,751,273	–	–	2,751,273
Conversion of convertible notes	17,415	407,502	–	–	–	–	–	(424,917)	–	–	–	–	–
Released on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(2,238)	(22,067)	(24,305)
At 31 December 2009	76,936	1,401,554	–	–	60,322	(23)	15,518	2,326,356	96,222	3,976,885	–	–	3,976,885
Exchange differences arising on translation	–	–	–	–	–	(97)	–	–	–	(97)	–	–	(97)
Transfer to profit and loss on disposal of foreign operation	–	–	–	–	–	120	–	–	–	120	–	–	120
Fair value gain on available-for-sale investments	–	–	–	57,176	–	–	–	–	–	57,176	–	–	57,176
Income tax relating to components of other comprehensive income	–	–	–	(5,718)	–	–	–	–	–	(5,718)	–	–	(5,718)
Loss for the year	–	–	–	–	–	–	–	–	(288,628)	(288,628)	–	–	(288,628)
Total comprehensive income and expense for the year	–	–	–	51,458	–	23	–	–	(288,628)	(237,147)	–	–	(237,147)
Recognition of share-based payment expense	–	–	–	–	–	–	16,749	–	–	16,749	–	–	16,749
Proceeds received from subscription of new shares	–	–	61,721	–	–	–	–	–	–	61,721	–	–	61,721
Issue of new shares	13,900	240,470	–	–	–	–	–	–	–	254,370	–	–	254,370
Transaction costs attributable to issue of new shares	–	(10,462)	–	–	–	–	–	–	–	(10,462)	–	–	(10,462)
Shares repurchased and cancelled	(1,090)	(8,991)	–	–	–	–	–	–	–	(10,081)	–	–	(10,081)
Conversion of convertible notes	95,342	2,231,014	–	–	–	–	–	(2,326,356)	–	–	–	–	–
At 31 December 2010	**185,088**	**3,853,585**	**61,721**	**51,458**	**60,322**	**-**	**32,267**	**-**	**(192,406)**	**4,052,035**	**-**	**-**	**4,052,035**

Notes:

(a) The contributed surplus reserve represents the credit arising from the capital reduction in 2006.

(b) On 22 December 2010, the Company entered into a subscription agreement with Rich Concept Worldwide Limited ("Rich Concept"), a substantial shareholder of the Company to allot and issue 920,000,000 new ordinary shares of HK$0.01 each at the price of HK$0.0675 per share. The subscription agreement is conditional upon completion of the placing of 920,000,000 issued ordinary shares of the Company made by the placing agent on behalf of Rich Concept. The placing of issued shares then held by Rich Concept was completed on 22 December 2010 with net proceeds amounting to HK$61,721,000 being remitted to the Company which shall be applied as part settlement as subscription money for the new shares to be issued to Rich Concept. The subscription of new shares by Rich Concept was completed on 3 January 2011.

Details of the above are set out in the Company's announcements dated 22 December 2010 and 3 January 2011.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Operating activities			
(Loss) profit for the year		**(288,628)**	20,314
Adjustments for:			
Income tax charge (credit) recognised in profit or loss		**–**	(291)
Depreciation of property, plant and equipment		**23,688**	5,704
Capitalised exploratory well costs charged to expense		**177,439**	–
Loss on disposal of property, plant and equipment		**156**	162
Gain on disposal of subsidiaries		**(7,744)**	(61,129)
Gain on disposal of a jointly controlled entity		**–**	(96,524)
Share-based payment expense		**16,749**	157
Amortisation of prepaid lease payments		**–**	536
Write-down of inventories		**–**	6,347
Allowance for bad and doubtful debts		**13**	27,203
Gain on fair value change of index-linked note		**–**	(263)
Interest income		**(5,519)**	(2,635)
Interest expense		**2,385**	2,954
Operating cash flows before movements in working capital		**(81,461)**	(97,465)
Increase in inventories		**–**	(62,564)
Decrease in trade and other receivables		**2,886**	619,129
Decrease (increase) in other tax recoverable		**6,269**	(19,838)
Decrease in trade receivable from a joint venture partner		**–**	1,024
Decrease (increase) in held-for-trading financial assets		**144,412**	(103,576)
(Decrease) increase in trade and other payables		**(22,301)**	219,688
Increase in derivative financial instruments		**2,587**	32,251
Cash from operations		**52,392**	588,649
Hong Kong Profits Tax paid		**–**	(23,482)
Net cash from operating activities		**52,392**	565,167
Investing activities			
Purchases of property, plant and equipment		**(159,127)**	(79,690)
Additions of exploration and evaluation assets		**(17,565)**	–
Proceeds from disposal of property, plant and equipment		**1,342**	107
Interest received		**5,519**	3,451
Acquisition of subsidiaries	36	**–**	6,588
Disposal of subsidiaries	37	**(14,422)**	77,919
Disposal of a jointly controlled entity	38	**–**	(5,498)
Proceeds from disposal of a jointly controlled entity	38	**37,800**	–
Proceeds from repayment of loan receivables		**15,962**	14,038
(Increase) decrease in pledged bank deposits		**(3,716)**	17,760
Net cash (used in) from investing activities		**(134,207)**	34,675

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Financing activities		
New bank borrowings raised	**132,284**	189,866
Proceeds from issue of shares upon exercise of share options	**–**	164
Repayment of bank borrowings	**(100,022)**	(384,897)
Repayment of promissory notes	**(250,381)**	(587,720)
Interest paid	**(3,315)**	(1,542)
Payment on repurchase of shares	**(10,081)**	–
Proceeds from issue of new shares	**254,370**	184,500
Proceeds received from subscription of new shares	**61,721**	–
Expenses on issue of new shares	**(10,462)**	(6,999)
Net cash from (used in) financing activities	**74,114**	(606,628)
Net decrease in cash and cash equivalents	**(7,701)**	(6,786)
Cash and cash equivalents at beginning of the year	**93,002**	99,388
Effect of foreign exchange rate changes	**(97)**	400
Cash and cash equivalents at end of the year, representing bank balances and cash	**85,204**	93,002

For the year ended 31 December 2010

1. GENERAL

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company is Suite 6303-4 on 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sourcing and trading of non-ferrous metals, trading of petroleum related products, and petroleum exploration and production. During the year, the Group disposed of subsidiaries engaged in the sourcing and trading of consumer electronics products (see note 12(i)).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners
HK - INT 5	Presentation of financial statements - Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the adoption of the new and revised Standards and Interpretations has had no material effect on the consolidated financial statements and/or disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations affecting presentation and disclosure only

Amendments to HKFRS 5 Non-current assets held for sale and discontinued operations (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRSs other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

For the year ended 31 December 2010

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

New and revised Standards and Interpretations in issue but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC) - INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The application of IFRS 9 may affect the classification and measurement of the Group's available-for-sale investments. The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, that are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation – continued

Business combinations that took place on or after 1 January 2010

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 are measured in accordance with that Standard.

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

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

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of consolidation – continued

Business combinations that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment

Oil and gas properties

Oil and gas properties are stated at cost less subsequent accumulated depletion, depreciation and amortisation and any accumulated impairment losses. The successful efforts method of accounting is used for oil and gas properties. Under this method, all costs for developed wells, support equipment and facilities, and for acquiring proven mineral interests in oil and gas properties are capitalised. Costs of exploratory wells are capitalised as construction in progress pending determination of whether the wells find proved oil and gas reserves. Proven oil and gas reserves are the estimated quantities of crude oil, natural gas and condensate oil, with geological and engineering data to demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and are subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised only if additional drilling is underway or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any significant costs of unproved properties capitalised in oil and gas properties.

Depletion, depreciation and amortisation of capitalised costs of oil and gas properties is calculated on the unit-of-production basis over the total proven reserves of the relevant area. The unit-of-production rate for depletion, depreciation and amortisation of oil and gas properties, also takes into account the expenditure incurred to date, together with projected future development expenditure and the volume of oil and gas produced in the current year.

Construction in progress

Construction in progress includes property, plant and equipment for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property, plant and equipment

Property, plant and equipment other than oil and gas properties and construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than oil and gas properties and construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Costs of exploratory wells (pipelines, drilling cost and others) are capitalised pending the determination of whether sufficient quantities of potentially economic oil and gas reserves have been discovered. The related well costs are expensed if it is determined that such economic viability is not attained within one year of completion of drilling.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in search for natural resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as construction in progress oil and gas properties. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment loss in accordance with HKAS 36 and whenever one of the following events or changes in circumstances indicates that the carrying amount may not be recoverable:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is excluded from net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Index-linked note is a hybrid instrument that contains embedded derivatives. The Group has designated index-linked notes as "financial assets at fair value through profit or loss" upon initial recognition in accordance with HKAS 39. The notes are carried at fair value, with changes in fair value recognised in profit or loss.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loan receivables, trade and other receivables, pledged bank deposits, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial liabilities and equity – continued

Derivative financial instruments

Derivatives that are not designated as effective hedging instruments are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Other financial liabilities

Financial liabilities including trade and other payables, promissory notes and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company, including convertible notes which will be settled by the exchange of a fixed amount of convertible notes for a fixed number of the Company's own equity instruments, are recorded at the proceeds received/fair values recognised, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to other suppliers of goods and services

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair value of the goods or services are recognised as expenses with a corresponding increase in equity, when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Schemes ("MPF Schemes") are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements in Hong Kong dollars, the assets and liabilities of the group entities are translated into Hong Kong dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (translation reserve). Translation differences relating to a foreign operation are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Assets retirement obligation

The Group is required to make payments for restoration and rehabilitation of the land at the end of the productive life of oil and gas fields. Provision for restoration cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the relevant jurisdictions at the end of the reporting period, and is discounted to their present value where the effect is material.

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets retirement obligation – continued

Restoration cost is recorded in the period in which the obligation is identified and is capitalised to the costs of oil and gas properties. This cost is charged to profit or loss through amortisation of the assets, which are amortised using the unit-of-production method based on the actual production volume over the estimated total proved and probable reserves of the developed wells.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of trade and other receivables

Allowance for trade and other receivables is made based on the evaluation of collectability and ageing analysis of accounts. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and other receivables is HK$166,032,000 (2009: HK$151,086,000).

Estimation of petroleum reserves

Petroleum reserves are key elements in the Group's investment decision-making process. They are also an important element in determining the amount of depreciation for oil and gas properties and also testing for impairment of property, plant and equipment and exploration and evaluation assets. Changes in proved petroleum reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges (assuming constant production) and reduce net profit. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil and natural gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

For the year ended 31 December 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Impairment of exploration and evaluation assets and oil and gas properties

The carrying amounts of the exploration and evaluation assets and oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amounts of the exploration and evaluation assets and oil and gas properties may exceed their recoverable amounts. The Group's determination as to whether exploration and evaluation assets and oil and gas properties are impaired requires an estimation of the recoverable amount of the assets. The Group relied on experts to assess the geological prospects for the discovery of oil and gas in the oil field and estimated the value of oil and gas to be produced in the future at a suitable discount rate in order to calculate the present value. For drilling costs and other exploration and evaluation assets, the Group determined whether the related well costs are expensed if it is determined that such economic viability is not attained after performing further feasibility studies that is usually completed within one year of completion of drilling. The Group's carrying value of exploration and evaluation assets and oil and gas properties as at 31 December 2010 were HK$3,793,293,000 and HK$159,645,000 (2009: HK$3,810,136,000 and HK$53,116,000) respectively.

Renewal of oil exploration rights

As disclosed in note 17, the Concessions (as defined in note 17) issued by the Argentina government will expire in December 2016 with the possibility of obtaining a 10-year extension under certain conditions. The management of the Group expects that the Concessions will be permitted for the extension of another ten years of exploitation and production period. However, the eventual success of the application to extend the Concessions cannot be confirmed. If the Group fails in its application for the extension, the evaluation and exploration assets and oil and gas properties may be impaired and this would increase the loss of the Group.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to customers, less return, discounts and sales related taxes. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2010 **HK$'000**	2009 HK$'000
Sales of goods		
– petroleum	**35,695**	3,406
– petroleum related products	**463,940**	–
– metals	**437,623**	942,523
	937,258	945,929

For the year ended 31 December 2010

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment information

Information is reported to the Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

For management purposes, the Group is currently organised into three operating divisions namely petroleum exploration and production, trading of petroleum related products and metals sourcing and trading. The trading of petroleum related products segment is a new segment during the year ended 31 December 2010.

The Group's operating and reportable segments under HKFRS 8 "Operating segments" are as follows:

Petroleum exploration and production	–	exploration and production of petroleum
Trading of petroleum related products	–	trading of petroleum related products
Metals sourcing and trading	–	sourcing and trading of non-ferrous metals

The consumer electronics and the production of copper anode segments were discontinued during the years ended 31 December 2010 and 31 December 2009 respectively. The segment information reported below does not include any amounts for these discontinued operations, which is described in more detail in note 12 and hence amounts reported for the prior year have been restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

Year ended 31 December 2010

Continuing operations:

	Petroleum exploration and production HK$'000	Trading of petroleum related products HK$'000	Metals sourcing and trading HK$'000	Total HK$'000
Segment revenue (external sales)	35,695	463,940	437,623	937,258
Result				
Segment results	(250,676)	6,191	18,024	(226,461)
Unallocated other gains and losses				(9,085)
Unallocated corporate expenses				(51,587)
Finance costs				(2,385)
Loss before taxation (continuing operations)				(289,518)

For the year ended 31 December 2010

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Year ended 31 December 2009

Continuing operations:

	Petroleum exploration and production HK$'000	Metals sourcing and trading HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue				
External sales	3,406	942,523	–	945,929
Inter-segment sales	–	35,754	(35,754)	–
Total	3,406	978,277	(35,754)	945,929
Result				
Segment results	(7,572)	(78,365)	–	(85,937)
Unallocated other gains and losses				102,171
Unallocated corporate expenses				(35,431)
Finance costs				(2,419)
Loss before taxation (continuing operations)				(21,616)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned by each segment without allocation of other gains and losses (excluding change in fair value of financial assets/liabilities classified as derivative financial instruments), central administrative expenses and finance costs. This is the measure reported to the Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

For the year ended 31 December 2010

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2010 **HK$'000**	2009 HK$'000
Segment assets		
Continuing operations:		
Petroleum exploration and production	**3,811,375**	4,018,731
Trading of petroleum related products	**90,214**	–
Metals sourcing and trading	**101,665**	257,460
Total segment assets	**4,003,254**	4,276,191
Assets relating to discontinued operations	**–**	26,074
Unallocated	**374,180**	263,507
Consolidated assets	**4,377,434**	4,565,772
Segment liabilities		
Continuing operations:		
Petroleum exploration and production	**65,287**	156,378
Trading of petroleum related products	**89,128**	–
Metals sourcing and trading	**10,937**	49,401
Total segment liabilities	**165,352**	205,779
Liabilities relating to discontinued operations	**–**	19,490
Unallocated	**160,047**	363,618
Consolidated liabilities	**325,399**	588,887

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than deferred tax assets, other tax recoverable, loan receivables, held-for-trading investments, available-for-sale investments, and financial assets at fair value through profit or loss and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than deferred tax liabilities, promissory notes, bank borrowings and liabilities for which reportable segments are jointly liable.

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Other segment information

Year ended 31 December 2010

Continuing operations:

	Petroleum exploration and production HK$'000	Metals sourcing and trading HK$'000	Trading of petroleum related products HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	**158,489**	**–**	**–**	**207**	**158,696**
Depreciation	**22,300**	**16**	**–**	**361**	**22,677**
Capitalised exploratory well costs charged to expense	**177,439**	**–**	**–**	**–**	**177,439**
Allowance for bad and doubtful debts	**–**	**–**	**–**	**13**	**13**
Loss on change in fair value of derivative financial instruments	**–**	**25,188**	**–**	**–**	**25,188**

Year ended 31 December 2009

Continuing operations:

	Petroleum exploration and production HK$'000	Metals sourcing and trading HK$'000	Unallocated HK$'000	Total HK$'000
Capital additions	82,147	5	73	82,225
Depreciation	1,578	75	972	2,625
Allowance for bad and doubtful debts	–	27,203	–	27,203
Write-down of inventories	–	6,347	–	6,347
Loss on change in fair value of derivative financial instruments	–	27,813	–	27,813

For the year ended 31 December 2010

5. REVENUE AND SEGMENT INFORMATION – CONTINUED

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") (including Hong Kong) and Argentina.

The Group's revenue from continuing operations from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non–current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**901,563**	942,523	**161,226**	3,466
Argentina	**35,695**	3,406	**3,793,094**	3,978,384
	937,258	945,929	**3,954,320**	3,981,850

Non-current assets excluded those relating to consumer electronics and production of copper anode i.e. the discontinued operations, and available-for-sale investments, financial assets at fair value through profit or loss, deferred tax assets and other tax recoverable.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	HK$'000	HK$'000
Customer A[1]	**258,320**	337,834
Customer B[2]	**174,034**	N/A[3]
Customer C[1]	**114,169**	461,131

1 Revenue from metals sourcing and trading operation.
2 Revenue from trading of petroleum related products.
3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

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6. COST OF SALES

Cost of sales included HK$904,610,000 (2009: HK$942,293,000) represented cost of inventories recognised as expenses.

7. OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	HK$'000
Continuing operations:		
Bank interest income	**115**	199
Interest income from loan receivables	**–**	2,436
Other interest income	**5,404**	–
Total interest income	**5,519**	2,635
(Loss) gain on change in fair value of financial assets/liabilities classified as		
– held-for-trading	**(9,200)**	98,633
– derivative financial instruments	**(25,188)**	(27,813)
	(34,388)	70,820
Commissions received (note)	**41,415**	–
Others	**5,139**	903
	17,685	74,358

Note: This amount represents one-off commission income received from independent third parties for the Group's referral of customers to these independent third parties in the metals sourcing and trading business.

8. OTHER EXPENSES

	2010	2009
	HK$'000	HK$'000
Continuing operations:		
Allowance for bad and doubtful debts	**13**	27,203
Expenses incurred in exploring potential investment opportunities	**1,093**	7,854
Loss on disposal of property, plant and equipment	**156**	162
Irrecoverable value-added tax expenses	**35,795**	3,414
Capitalised exploratory well costs charged to expense	**177,439**	–
	214,496	38,633

For the year ended 31 December 2010

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations:		
Interest on borrowings wholly repayable within five years:		
Bank borrowings and overdrafts	**1,115**	1,007
Promissory notes	**1,270**	1,412
	2,385	2,419

10. TAXATION

	2010 HK$'000	2009 HK$'000
Continuing operations:		
Current tax:		
Hong Kong	**–**	–
Other jurisdictions	**–**	(216)
	–	(216)
Overprovision in prior years		
Hong Kong	**–**	212
Deferred tax (note 20)		
Current year	**–**	295
	–	291

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made as there is no assessable profit arising in Hong Kong in both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

For the year ended 31 December 2010

10. TAXATION

The tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Loss before taxation (from continuing operations)	**(289,518)**	(21,616)
Tax at the applicable rates of 16.5% (2009: 16.5%)	**47,770**	3,567
Tax effect of income not taxable for tax purpose	**29**	16,726
Tax effect of expenses not deductible for tax purpose	**(34,363)**	(2,926)
Tax effect of tax losses not recognised as deferred tax asset	**(17,224)**	(17,302)
Overprovision in prior years	**–**	212
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	61
Utilisation of tax losses previously not recognised	**3,784**	–
Others	**4**	(47)
Tax credit for the year	**–**	291

At 31 December 2010, the Group had unused tax losses of HK$148,020,000 (2009: HK$67,684,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit. All tax losses may be carried forward indefinitely.

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2010 HK$'000	2009 HK$'000
Loss for the year from continuing operations attributable to owners of the Company	**(289,518)**	(21,325)
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Directors' remuneration (Note 13)	**5,825**	6,063
Other staff's retirement benefits costs	**928**	273
Other staff share-based payment expense	**16,116**	157
Other staff costs	**20,677**	14,918
Total staff costs	**43,546**	21,411
Auditor's remuneration	**2,730**	2,500
Depreciation of property, plant and equipment	**22,677**	2,625
Exchange loss (gain), net	**8,170**	(897)
Minimum lease payments under operating leases in respect of office properties and buildings	**3,887**	3,132
Write-down of inventories	**–**	6,347

For the year ended 31 December 2010

12. DISCONTINUED OPERATIONS

(i) In May 2009, the Group entered into a series of transactions (details of which are disclosed in note 37(ii)) to dispose of certain interest in Vision Tech International Holdings Limited ("Vision Tech"), which carried out part of the Group's consumer electronics operation. Vision Tech then ceased to become a subsidiary of the Group in 2009. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal are disclosed in note 37(ii).

On 27 August 2010, the Group entered into two agreements to dispose of certain of Group's wholly-owned subsidiaries, including Great Wall Infrastructure Limited and its subsidiary, Innovision Enterprises Limited, and Shenzhen Innovision Trading Limited 深圳基漢貿易有限公司 (collectively the "Disposed Subsidiaries"), which together carried out all of the Group's consumer electronics operation. The disposal was completed on 31 December 2010, on which date the Group ceased to have control over the Disposed Subsidiaries. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 37(i).

The disposal of the consumer electronics operation represented opportunities for the Group to realise its investment in the original core business of sourcing and trading of consumer electronics products on reasonable terms and allow the Group to better utilising its resources and focusing on the development of its investment in the resources sector.

(ii) On 19 November 2009, the Group entered into two agreements to dispose of the Group's jointly controlled entity, Qingyuan JCCL EPI Copper Limited ("JCCL EPI"), which carried out all of the Group's production of copper anode operation. The disposal of the production of copper anode operation represented opportunities for the Group to realise its investment in the original core business of production of copper anode operation on reasonable terms and to allow the Group to better utilising its resources and focusing on the development of its investment in the resources sector. The disposal was completed on 30 December 2009, on which date the Group ceased to have the joint control over JCCL EPI. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 38.

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative figure set out in the consolidated statement of comprehensive income have been re-presented and include the results of the Group's consumer electronics and copper anode operations, as set out in note (i) and (ii). The re-presentation in the consolidated statement of comprehensive income for the prior year has had no impact on the consolidated statement of financial position at the beginning of the earliest comparative period and hence the consolidated statement of financial position at the beginning of the earliest comparative period is not presented.

For the year ended 31 December 2010

12. DISCONTINUED OPERATIONS – CONTINUED

	2010 Consumer electronics HK$'000
Profit for the year from discontinued operations	
Revenue	117,652
Cost of sales	(113,071)
Gross profit	4,581
Other income	77
Distribution and selling expenses	(2,203)
Administrative expenses	(8,326)
Other expenses	(983)
Loss before taxation	(6,854)
Gain on disposal of operation (including HK$120,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of operations (note 37(i)))	7,744
Profit for the year from discontinued operations (attributable to owners of the Company)	890
Profit for the year from discontinued operations includes the following:	
Other staff costs	1,887
Auditor's remuneration	–
Depreciation of property, plant and equipment	1,011
Rental expenses	2,759
Exchange loss, net	13
Cost of inventories recognised as expenses	113,071
After crediting:	
Bank interest income	3
Other information:	
Capital additions	431
Cashflows from discontinued operations	
Net cash flows from operating activities	2,224
Net cash flows used in investing activities	(433)
Net cash flows from financing activities	11,598
Net cash inflows	13,389

The carrying amounts of the assets and liabilities of Disposed Subsidiaries at the date of disposal are disclosed in note 37(i).

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12. DISCONTINUED OPERATIONS – CONTINUED

	Consumer electronics HK$'000	Production of copper anode HK$'000	2009 HK$'000
Profit (loss) for the year from discontinued operations			
Revenue	143,610	223,290	366,900
Cost of sales	(137,531)	(316,941)	(454,472)
Gross profit (loss)	6,079	(93,651)	(87,572)
Other gains and losses	(888)	7,361	6,473
Distribution and selling expenses	(1,975)	(872)	(2,847)
Administrative expenses	(19,721)	(6,094)	(25,815)
Other expenses	(5)	–	(5)
Finance costs	(535)	(5,713)	(6,248)
Loss before taxation	(17,045)	(98,969)	(116,014)
Gain on disposal of operation (including HK$6,987,000 reclassification of foreign currency translation reserve from equity to profit or loss on disposal of the operations (notes 37(ii) and 38))	61,129	96,524	157,653
Profit (loss) for the year from discontinued operations	44,084	(2,445)	41,639
Attributable to:			
Owners of the Company	61,771	(2,445)	59,326
Non-controlling interest	(17,687)	–	(17,687)
	44,084	(2,445)	41,639
Profit (loss) for the year from discontinued operations includes the following:			
Other staff's retirement benefits costs	–	109	109
Other staff costs	1,744	2,543	4,287
	1,744	2,652	4,396
Amortisation of prepaid lease payments	–	536	536
Auditor's remuneration	–	–	–
Depreciation of property, plant and equipment	996	2,083	3,079
Rental expenses	1,947	–	1,947
Exchange loss, net	37	–	37
Cost of inventories recognised as expenses	137,531	316,941	454,472
Other information:			
Capital additions	2	613	615
Cash flows from discontinued operations			
Net cash flows from operating activities	21,714	130,033	151,747
Net cash flows (used in) from investing activities	(2,287)	34,598	32,311
Net cash flows used in financing activities	(31,703)	(168,814)	(200,517)
Net cash outflows	(12,276)	(4,183)	(16,459)

The carrying amounts of the assets and liabilities of Disposed Subsidiaries, Vision Tech and JCCL EPI at the date of disposal are disclosed in notes 37(i), 37(ii) and 38 respectively.

13. DIRECTORS' EMOLUMENTS

	2010 **HK$'000**	2009 HK$'000
Fees	**600**	575
Other emoluments		
Salaries and other benefits	**4,556**	5,446
Share-based payments	**633**	–
Retirement benefits scheme contributions	**36**	42
	5,825	6,063

The emoluments paid or payable to each of the seven (2009: eight) directors were as follows:

2010

Name	**Fees** **HK$'000**	**Other emoluments** Salaries, and other benefits **HK$'000**	Share-based payment **HK$'000**	Retirement benefits scheme contributions **HK$'000**	**Total** **HK$'000**
Executive directors					
Wong Chi Wing, Joseph	**–**	**2,736**	**–**	**12**	**2,748**
Chu Kwok Chi, Robert	**–**	**910**	**–**	**12**	**922**
Zhou Jacky (note a)	**–**	**910**	**536**	**12**	**1,458**
Non-executive director					
Leung Hon Chuen	**150**	**–**	**–**	**–**	**150**
Independent non-executive directors					
Poon Kwok Shin	**150**	**–**	**–**	**–**	**150**
Qian Zhi Hui	**150**	**–**	**–**	**–**	**150**
Zhu Tiansheng	**150**	**–**	**97**	**–**	**247**
Total emoluments	**600**	**4,556**	**633**	**36**	**5,825**

Note:

(a) Appointed on 1 January 2010.

For the year ended 31 December 2010

13. DIRECTORS' EMOLUMENTS – CONTINUED

2009

Name	Fees	Other emoluments: Salaries, and other benefits	Other emoluments: Share-based payment	Other emoluments: Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Wong Chi Wing, Joseph	–	2,506	–	12	2,518
Chu Kwok Chi, Robert	–	910	–	17	927
Cheng Hai Rong (note a)	–	2,030	–	13	2,043
Non-executive director					
Leung Hon Chuen	150	–	–	–	150
Independent non-executive directors					
Poon Kwok Shin	150	–	–	–	150
Qian Zhi Hui	150	–	–	–	150
Xu Mingshe (note b)	100	–	–	–	100
Zhu Tiansheng (note c)	25	–	–	–	25
Total emoluments	575	5,446	–	42	6,063

Notes:

(a) Resigned on 7 September 2009.
(b) Resigned on 4 September 2009.
(c) Appointed on 2 November 2009.

There was no arrangement under which a director waived or agreed to waive remuneration during both years. In addition, no remuneration was paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

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14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2009: two) were directors of the Company whose emoluments are included in the disclosures in note 13. The emoluments of the remaining two (2009: three) individuals were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other benefits	**2,035**	4,030
Retirement benefits scheme contributions	**24**	36
	2,059	4,066

Their emoluments were within the following bands:

	2010 **No. of** **employees**	2009 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1

15. DIVIDEND

No dividend was proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

16. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations:

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2010 **HK$'000**	2009 HK$'000 (restated)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(288,628)**	38,001

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16. (LOSS) EARNINGS PER SHARE – CONTINUED

	2010 **'000**	2009 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**12,324,837**	4,606,917
Effect of dilutive potential ordinary shares:		
Options	**–**	–
Convertible notes	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**12,324,837**	4,606,917

The computation of diluted loss per share for the years ended 31 December 2010 and 31 December 2009 does not assume the exercise of share options and convertible notes as the inclusion of the share options and convertible notes would result in decrease in loss per share.

From continuing operations:

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss) profit figures are calculated as follows:

	2010 **HK$'000**	2009 HK$'000 (restated)
(Loss) profit for the year attributable to owners of the Company	**(288,628)**	38,001
Less: Profit for the year from discontinued operations	**(890)**	(59,326)
Loss for the purposes of basic and diluted earnings per share from continuing operations	**(289,518)**	(21,325)

The computation of diluted loss per share for the years end 31 December 2010 and 31 December 2009 does not assume the exercise of share options and convertible notes as the inclusion of the share options and convertible notes would result in decrease in loss per share.

The denominators used are the same as those detailed above for basic earning per share.

From discontinued operations:

Basic earning per share for the discontinued operations is 0.007 HK cent per share (2009: 1.29 HK cent per share) and the diluted earning per share from discontinued operations is 0.007 HK cent per share (2009: 1.29 HK cent), based on the profit for the year from discontinued operations of HK$890,000 (2009: HK$59,326,000).

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For the year ended 31 December 2010

17. EXPLORATION AND EVALUATION ASSETS

	Oil exploration rights HK$'000 (note a)	Others HK$'000 (note b)	Total HK$'000
Cost and carrying values			
At 1 January 2009	–	–	–
Arising on acquisition of a subsidiary (Note 36)	3,810,136	–	3,810,136
At 31 December 2009	3,810,136	–	3,810,136
Additions	–	17,565	17,565
Transfer to property, plant and equipment	(34,408)	–	(34,408)
At 31 December 2010	3,775,728	17,565	3,793,293

Notes:

(a) The amount relates to exploration and evaluation assets in respect of oil exploration rights in Argentina.

On 19 August 2009, the Group as the purchaser, and City Smart International Investment Limited ("City Smart") and TCL Peak Winner Investment Limited ("TCL"), the independent third parties, as the vendors, entered into a sale and purchase agreement pursuant to which the Group conditionally agreed to acquire from the vendors the entire issued share capital of Have Result Investments Limited ("Have Result"). Both TCL and City Smart were independent third parties of the Company.

The principal assets of Have Result are the oil exploration rights through the participating interest (see note 36 for details) in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (collectively the "Concessions") as the concession of hydrocarbon exploitation concession in the Cuyana Basin, Mendoza Province, Argentina, covering a total surface area of approximately 169.4 and 40 square kilometers respectively.

The Puesto Pozo Cercado Concessions was awarded to Chañares Herrados Empresa de Trabajos Petroleros S.A. ("Chañares"), the concessionaire, under International Public Bid No. 1/92. Award of this area to Chañares was made by Resolution No. 782, dated 26 June 1992, issued by the Ministry of Economy and Public Works of the National Government, and approved by National Decree No. 1276, dated 21 July 1992. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years starting from 21 July 1992, with the possibility of obtaining a 10-year extension under certain conditions.

The Chañares Herrados Concession was obtained by Chañares under an assignment agreement executed with YPF Sociedad Anónima. This area is one of the areas that was formerly owned by YPF S.E. (i.e., when it was a state-owned company), and was converted into an exploitation concession at the time YPF S.E. became a private company (YPF Sociedad Anónima) in accordance with Law No. 24,145. Administrative Decision No. 21 from Chief of Cabinet of the National Government, dated 19 April 1996, authorised the assignment of this hydrocarbon exploitation concession to Chañares. In accordance with Law No. 17,319 the term of this exploitation concession is 25 years, with the possibility of obtaining a 10-year extension under certain conditions.

The acquisition was completed on 3 November 2009 and the Group settled the initial consideration for the acquisition to the vendors by the issuance of: (1) promissory notes with principal amount of HK$840,000,000; (2) 1,000,000,000 new ordinary shares of the Company and (3) zero coupon convertible notes with par value of HK$2,311,520,000 and a 20-year maturity. Details of the acquisition are set out in note 36 and details of the convertible notes, consideration shares and promissory notes issued are set out in notes 33, 32(d) and 30 respectively.

Pursuant to the sale and purchase agreement, the total consideration for the acquisition is subject to adjustment within 24 months following the completion and shall be determined by reference to the technical assessment prepared by a technical adviser (the "Updated Technical Report"). If the Updated Technical Report shows that the proved reserves (as defined in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers ("PRMS")) of oil in the areas are not less than 290 million barrels, the Group shall within 14 days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$500 million; or (ii) if the Updated Technical Report shows that proved reserves of oil in the areas are not less than 507.5 million barrels, the Group shall within 14 business days after the issue of the Updated Technical Report issue to the vendors or their respective nominee(s) additional convertible notes in the principal amount of HK$1,000 million.

Having considered the technical assessment and the fact that the oil field is still at the exploration stage, the directors of the Company does not expect that the proved reserves in the areas will exceed 290 million barrels at the end of the reporting period.

(b) Others represent the geological and geophysical costs, drilling and exploration expenses directly attributable to exploration activities.

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18. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties HK$'000	Buildings HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2009	–	12,676	6,713	8,236	18,578	2,279	48,482
Exchange realignment	–	64	28	16	215	–	323
Acquired on acquisition of a subsidiary	–	–	933	486	–	86,515	87,934
Derecognised on disposal of a jointly controlled entity	–	(15,401)	(1,142)	(1,099)	(18,864)	–	(36,506)
Derecognised on disposal of a subsidiary	–	–	(3,057)	(2,115)	–	–	(5,172)
Additions	–	380	276	245	195	81,744	82,840
Transfer	54,558	2,281	–	–	–	(56,839)	–
Disposals	–	–	(5)	(306)	(124)	–	(435)
At 31 December 2009	54,558	–	3,746	5,463	–	113,699	177,466
Derecognised on disposal of a subsidiary	–	–	(1,382)	(3,981)	–	–	(5,363)
Additions	8,184	–	186	1,117	–	149,640	159,127
Transfer from exploration and evaluation assets	–	–	–	–	–	34,408	34,408
Transfer	120,308	–	–	–	–	(120,308)	–
Disposals	–	–	(1,936)	(645)	–	–	(2,581)
Capitalised exploratory well costs charged to expense	–	–	–	–	–	(177,439)	(177,439)
At 31 December 2010	183,050	–	614	1,954	–	–	185,618
DEPLETION, DEPRECIATION, AMORTISATION							
At 1 January 2009	–	467	1,237	1,899	1,545	–	5,148
Exchange realignment	–	64	26	17	215	–	322
Provided for the year	1,442	438	986	1,516	1,322	–	5,704
Eliminated on disposal of a jointly controlled entity	–	(969)	(339)	(321)	(3,047)	–	(4,676)
Eliminated on disposal of a subsidiary	–	–	(402)	(442)	–	–	(844)
Eliminated on disposals	–	–	(1)	(130)	(35)	–	(166)
At 31 December 2009	1,442	–	1,507	2,539	–	–	5,488
Provided for the year	21,963	–	523	1,202	–	–	23,688
Eliminated on disposal of subsidiaries	–	–	(868)	(2,647)	–	–	(3,515)
Eliminated on disposals	–	–	(993)	(77)	–	–	(1,070)
At 31 December 2010	23,405	–	169	1,017	–	–	24,591
CARRYING VALUES							
At 31 December 2010	159,645	–	445	937	–	–	161,027
At 31 December 2009	53,116	–	2,239	2,924	–	113,699	171,978

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18. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The above items of property, plant and equipment other than oil and gas properties and construction in progress are depreciated on a straight-line basis, and after taking into account their estimated residual value, as follows:

Oil and gas properties	Unit-of-production basis over the total proven reserves
Buildings	Over the shorter of the term of the lease or 45 years
Motor vehicles	20%
Furniture, fixtures and equipment	20% - 33$^1/_3$%
Plant and machinery	12$^1/_2$%

At the end of the reporting period, the Group reviews the carrying amount of the construction in progress and considered that the drilling costs incurred for the deeper portion of two wells were found to be unsuccessful were irrecoverable. Therefore, a capitalised exploratory well costs of HK$177,439,000 (2009: nil) are impaired and recognised as an expense in the current year.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 **HK$'000**	2009 HK$'000
Index-linked note	**–**	2,947

The index-linked note was denominated in United States dollars ("USD" or "US$") with principal amount of USD300,000 (HK$2,340,000). The note did not bear any interest and the Group was entitled to a 100% principal protection level ("Principal Protection Clause") if the note was not redeemed before its maturity date. The Group had an option to require the issuer to redeem the note on or before maturity, settled at the valuation amount provided by the counterparty bank which shall be determined based on the exchange rate movements on certain specified currencies at the redemption date. Early redemption was not covered by the Principal Protection Clause.

The index-linked note was designated as financial asset at fair value through profit or loss upon initial recognition as it contains an embedded derivative. Since the index-linked note shall mature in July 2012 and the management had no intention to redeem the note in advance of the maturity date, the index-linked note was classified as non-current. At 31 December 2009, the fair value of the index-linked note was determined based on the exchange rate movements on certain specified currencies as valuation amount provided by the counterparty bank.

During the year ended 31 December 2010, the index-linked note was derecognised upon disposal of subsidiaries (note 37(i)).

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20. DEFERRED TAX

	2010 HK$'000	2009 HK$'000
Deferred tax assets	**295**	295
Deferred tax liabilities	**(5,718)**	–
	(5,423)	295

The following are the deferred tax assets recognised and movements thereon during the current and prior years:

	Withholding tax HK$'000	Accrued expenses HK$'000	Total HK$'000
At 1 January 2009	–	–	–
Credit to profit or loss	–	295	295
At 31 December 2009	–	295	295
Charge to other comprehensive income relating to available-for-sale investments	(5,718)	–	(5,718)
At 31 December 2010	(5,718)	295	(5,423)

21. OTHER TAX RECOVERABLE

The amount represents value-added tax recoverable arising from the drilling costs incurred and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina. Utilisation of the tax recoverable depends on the future revenue generated from sales of oil and gas. By reference to the current exploration and evaluation stages of the oil field, the directors of the Company considered that the amount of HK$33,643,000 (2009: HK$39,912,000) is expected to be recovered from the sales of oil and gas after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

22. LOAN RECEIVABLES

	2010 HK$'000	2009 HK$'000
Loan receivables comprise:		
Interest-bearing loan receivables	**–**	15,962

As at 31 December 2009, the loan represented the amount drawn down and remained outstanding from a HK$30 million facility granted by the Group to an independent third party ("ITP") during the year ended 31 December 2007. The loan was secured and bore interest at the Hong Kong prime rate offered by The Hongkong and Shanghai Banking Corporation plus 5%. During the year ended 31 December 2009, principal amount of HK$14,038,000 and interest of HK$2,952,000 were repaid. The remaining amount of HK$15,962,000 was settled in full in January 2010.

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23. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Trade receivables	**14,623**	47,850
Bills receivables	**90,214**	28,979
	104,837	76,829
Other tax recoverable	**6,214**	289
Prepayments to other suppliers (note a)	**40,000**	109,418
Consideration receivable on disposal of subsidiaries (note b)	**1,000**	–
Consideration receivable on disposal of a jointly controlled entity (note c)	**–**	37,800
Consideration receivable on disposal of held-for-trading investments (note d)	**49,000**	–
Amount due from a former subsidiary (note e)	**4,064**	–
Amount due from a former jointly controlled entity (note e)	**–**	4,700
Amount due from a shareholder (note e)	**–**	601
Other receivables and deposits	**917**	30,867
Total trade and other receivables	**206,032**	260,504

Notes:

(a) The prepayments to other suppliers represent the prepayments for purchase of scrap copper in metals sourcing and trading operation.

(b) As at 31 December 2010, consideration receivable on disposal of the Disposed Subsidiaries was not yet settled by the purchaser and the management of the Group expects that it will be settled within one year.

(c) As at 31 December 2009, consideration receivable on disposal of a jointly controlled entity was not yet settled by the purchaser. The amount was fully settled during 2010.

(d) As at 31 December 2010, consideration receivable on disposal of held-for-trading investments was not settled by the purchaser and the management of the Group expects that it will be settled within one year.

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

The Group allows on average credit period of 30 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The following is an aged analysis of trade and bills receivables presented based on the invoice date (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0 - 30 days	**104,837**	68,276
31 - 60 days	**–**	6,401
61 - 90 days	**–**	2,145
91 - 120 days	**–**	7
	104,837	76,829

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed regularly. Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality based on the good payment history of the related debtors from historical experience. No allowance has been made for each of the years ended 31 December 2010 and 2009.

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23. TRADE AND OTHER RECEIVABLES – CONTINUED

Movement in the allowance for bad and doubtful debts

	2010 HK$'000	2009 HK$'000
At beginning of the year	**–**	–
Impairment losses recognised	**13**	27,203
Derecognised on disposal of a subsidiary	**(13)**	(27,203)
At end of the year	**–**	–

Included in the allowance for doubtful debts are individually impaired trade receivables which have either been placed under liquidation or in severe financial difficulties.

Included in trade and bills receivables are the following amount denominated in currency other than functional currency of the relevant group entities:

	2010 HK$'000 Equivalent	2009 HK$'000 Equivalent
USD	**104,837**	74,353

24. AVAILABLE-FOR-SALE INVESTMENTS

	2010 HK$'000	2009 HK$'000
Unlisted securities		
– Equity securities at fair value	**67,600**	–

The above unlisted investments represent 40% equity investments in a private entity that was established in British Virgin Islands and operates in the PRC. The Group has no right to appoint directors in the board and the remaining 60% equity interest is owned by one shareholder. The private entity's major asset is the holding of certain exploration and mining rights of gold mines in PRC. They are measured at fair value at the end of the reporting period. As at 31 December 2010, the shares have been transferred to a purchaser, however, the management considers that the disposal was not yet completed as the purchaser has not yet paid the majority of the purchase consideration at the date of this report. Accordingly, they are continued to be recognised as available-for-sale investments. The fair value was determined based on the purchase consideration agreed with the purchaser.

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25. HELD-FOR-TRADING INVESTMENTS

	2010 HK$'000	2009 HK$'000
Held-for-trading investments include:		
Listed securities		
– Equity securities listed in Hong Kong	**4,000**	148,412

The investments represent investments in listed equity securities in Hong Kong. The fair values of these securities at 31 December 2010 and 2009 are based on bid prices quoted on the Stock Exchange.

26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	2010 HK$'000	2009 HK$'000
Cash at banks and in hand	**85,204**	93,002
Pledged bank deposits	**26,340**	22,624
	111,544	115,626

Bank balances carry interest at market rates which range from 0.3% to 0.76% (2009: 0.3% to 1.2%) per annum. The pledged deposits carry fixed interest at rate of 0.17% to 1.85% (2009: 0.1% to 1.2%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$26,340,000 (2009: HK$22,624,000) have been pledged to secure short-term trade financing from banks and are therefore classified as current assets.

In addition, included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entities:

	2010 HK$'000 Equivalent	2009 HK$'000 Equivalent
USD	**9,208**	37,009
Argentina Peso ("ARS")	**2,368**	14,822
Renminbi ("RMB")	**11**	–

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27. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	HK$'000
Trade payables	**8,575**	114,965
Bills payables	**89,128**	27,636
	97,703	142,601
Deposits received from a former jointly controlled entity (note a)	**–**	13,052
Payables for acquisition of available-for-sale investments (note b)	**10,424**	–
Payables for assignment of oil concession rights (note c)	**50,700**	50,700
Interest payable on promissory notes	**482**	1,412
Other payables and accruals	**9,063**	13,968
	168,372	221,733

Notes:

(a) As at 31 December 2009, deposits received from a former jointly controlled entity represented the deposits for sales of scrap copper in metals sourcing and trading operation.

(b) The amount is unsecured and interest-free. It has been settled in full on 18 January 2011.

(c) Pursuant to the assignment agreement dated 24 November 2007 as amended/supplemented by the "Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation" dated 19 December 2008 executed by and between Maxipetrol (as defined in note 35) and Have Result, Have Result is obliged to pay Maxipetrol US$20,000,000 (approximately HK$156,000,000) in consideration of Maxipetrol's assignment of 51% rights on the future production as a consequence of new drilling and operation of new wells in the Areas (as defined in note 35). As at 31 December 2010 and 2009, the balance payable is US$6,500,000 (approximately HK$50,700,000) (2009: HK$50,700,000).

The following is an aged analysis by invoice date (bills issued date for bills payable) of trade and bills payables at the end of the reporting period:

	2010	2009
	HK$'000	HK$'000
0 - 30 days	**97,703**	132,668
31 - 60 days	**–**	7,830
61 - 90 days	**–**	2,103
	97,703	142,601

The average credit period on purchases of goods is 30 days.

All of the other payables are unsecured, interest-free and expected to be settled within one year.

Included in trade and bills payables are the following amounts denominated in currencies other than the functional currency of the relevant group entities.

	2010	2009
	HK$'000	HK$'000
	Equivalent	Equivalent
USD	**89,128**	136,522
ARS	**8,575**	6,079

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28. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 HK$'000	2009 HK$'000
Commodity forward contracts - Copper cathode (note a)	**(9,769)**	(8,009)
Foreign currency swap contracts not under hedge accounting (note b)	**(601)**	–
Interest rate swap contracts not under hedge accounting (note c)	**(226)**	–
	(10,596)	(8,009)

Notes:

(a) The Group entered into commodity forward contracts to hedge forecasted purchase and sale of copper concentrate and/or related materials. These arrangements are designed to address significant fluctuation in the price of copper concentrate and/or related materials which move in line with the price of copper cathode. However, the Group does not designate these forward contracts as hedging instruments according to HKAS 39 "Financial instruments: recognition and measurement". Accordingly, they are treated as financial assets or financial liabilities held for trading and included in fair value through profit or loss. The respective unrealised gain/loss is recognised in profit or loss in the consolidated statement of comprehensive income and the respective balance is recognised under current assets and current liabilities.

Fair values of commodity forward contracts were determined by reference to the market forward price of related metals quoted from the London Metal Exchange and the Shanghai Futures Exchange as at the end of the reporting period.

The major terms of these contracts (with net settlement option) at 31 December 2010 and 2009 are as follows:

	2010	2009
Position: Sell forward contracts quantities (in tonnes)	**1,000**	8,000
Price per tonne (HK$)	**64,740**	46,979 - 55,029
Delivery period	**Feb 2011**	Jan 2010 - Mar 2010
Position: Buy forward contracts quantities (in tonnes)	**1,000**	4,700
Price per tonne (HK$)	**74,513**	47,970 - 53,110
Delivery period	**Feb 2011**	Jan 2010 - Mar 2010

(b) Major terms of the foreign currency swap contracts with net settlement option at 31 December 2010 and 2009 are as follows:

2010

Notional amount	Maturity date	Swaps
USD2,800,000	June 2011	The Group will receive USD2,800,000 while paying RMB at a forward rate of 6.700.

2009

Notional amount	Maturity date	Swaps
USD1,000,000/ USD3,000,000	January 2010	(i) The Group will receive USD1,000,000 while paying HK$ at forward rate of 7.7490 if the expiry reference rate* is greater than or equal to 7.7490. (ii) The Group will receive USD3,000,000 while paying HK$ at forward rate of 7.7490 if the expiry reference rate* is less than 7.7490.

* Expiry reference rate is determined by the counterparty bank by reference to the USD/HK$ mid rate which is publicly available on the expiry date.

(c) Major terms of interest rate swap contract with net settlement option at 31 December 2010 are as follows:

Notional amount	Maturity date	Swaps
HK$20,000,000	June 2011	1.5% for HIBOR (as defined in note 29) + 0.5%

As at 31 December 2010 and 2009, the fair value of the foreign currency swap and interest rate swap contracts which are estimated using valuation provided by the counterparty banks was insignificant.

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29. BANK BORROWINGS

The Group had no fixed-rate borrowings. Its variable-rate borrowings comprise the following:

	2010	2009
	HK$'000	HK$'000
Bank loans	**23,392**	8,370
Trust receipts loans	**112,285**	80,413
Bank overdrafts	**–**	14,632
	135,677	103,415
Analysed as:		
Secured	**112,285**	80,413
Unsecured	**23,392**	23,002
	135,677	103,415
Carrying amount repayable:		
Within one year	**135,677**	99,962
More than one year, but not exceeding two years	**–**	3,453
	135,677	103,415
Less: Amounts due within one year shown under current liabilities	**(135,677)**	(99,962)
	–	3,453

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

	2010	2009
Effective interest rate	**2.27% to 4.12%**	2.55% to 4.90%

The interest rates of variable-rate borrowings are based on bank's standard bills finance rate +1.5% per annum (2009: Hong Kong Interbank Offer Rate ("HIBOR") + 2.5% per annum). The trust receipt loans and bank overdrafts carry interest at prevailing market rates.

Included in bank borrowings are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2010	2009
	HK$'000	HK$'000
	Equivalent	Equivalent
USD	**112,285**	80,413

30. PROMISSORY NOTES

The promissory notes with an aggregate principal amount of HK$840,000,000 were issued during the year ended 31 December 2009 as partial consideration for the acquisition of the entire issued share capital of Have Result as disclosed in note 36. The promissory notes are unsecured, bearing interest at 1% plus 6-month HIBOR or the prime rate for Hong Kong dollars from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited, whichever is the lower. The promissory notes can be repaid at par before maturity at the discretion of the Company.

The promissory notes are denominated in Hong Kong dollars and shall be repaid in full on maturity on 2 November 2012. Repayment of HK$250,381,000 (2009: HK$587,720,000) was made during the year ended 31 December 2010.

31. ASSETS RETIREMENT OBLIGATION

	HK$'000
At 1 January 2009	–
Capitalised in property, plant and equipment	3,150
At 31 December 2009	3,150
Adjustments	(13)
At 31 December 2010	3,137

In accordance with the relevant rules and regulations in Argentina, the Group is obliged to accrue the cost for land reclamation and site closures for the Group's existing developed oil and gas fields. The provision for asset retirement obligation has been determined by the directors based on their best estimates in accordance with the relevant rules and regulations.

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32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2009	25,000,000,000	250,000
Increase during the year (note a)	75,000,000,000	750,000
At 31 December 2009 and 31 December 2010	100,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2009	4,131,348,570	41,313
Exercise of share options (note b)	800,000	8
Issue of new shares (note c)	820,000,000	8,200
Issue of shares for acquisition of a subsidiary (note d)	1,000,000,000	10,000
Conversion of convertible notes (note e)	1,741,463,414	17,415
At 31 December 2009	7,693,611,984	76,936
Issue of new shares (note f)	1,390,000,000	13,900
Shares repurchased (note g)	(109,080,000)	(1,090)
Conversion of convertible notes (note e)	9,534,243,901	95,342
At 31 December 2010	18,508,775,885	185,088

32. SHARE CAPITAL – CONTINUED

Notes:

(a) On 9 October 2009, the Board of Directors proposed an increase in the authorised share capital of the Company from HK$250,000,000 to HK$1,000,000,000 by the creation of 75,000,000,000 new ordinary shares of HK$0.01 each. The increase in authorised share capital of the Company became effective on 28 October 2009 after the approval by the shareholders at a special general meeting.

(b) During the year ended 31 December 2009 Mr. Poon Kwok Shin, a director of the Company, exercised share options amounting to 800,000 shares at a subscription price of HK$0.205 per share.

(c) On 12 October 2009, the Company entered into a subscription agreement with Climax Associates Limited ("CA Ltd"), a shareholder of the Company, to allot and issue 820,000,000 ordinary shares of HK$0.01 each (the "First Subscription Shares") at a subscription price of HK$ 0.225 per share. The subscription agreement is conditional upon completion of the placing of 820,000,000 ordinary shares of the Company made by the placing agent on behalf of CA Ltd. On 23 October 2009, following completion of the placing, the First Subscription Shares were issued under the general mandate granted to the directors of the Company on 6 July 2009. The net proceeds of approximately HK$177.5 million shall be used as general working capital and for future business development of the Group.

Wong Chi Wing, Joseph and Chu Kwok Chi, Robert, directors and shareholders of the Company, had beneficial interests in CA Ltd when the above transactions took place.

Further details of the above are set out in the Company's announcement dated 14 October 2009.

The First Subscription Shares of HK$ 0.01 were issued to CA Ltd pursuant to the subscription agreement.

(d) As part of the consideration for the acquisition of a subsidiary as detailed in note 36, 1,000,000,000 shares of HK$0.01 each were issued and allotted to the vendors on 3 November 2009. The fair value of the ordinary shares of the Company, determined by the published price available at the date of completion, was HK$0.244 per share.

(e) During the year ended 31 December 2010, 9,534,243,901 shares (2009: 1,741,463,414 shares) of the Company of HK$0.01 each were issued upon conversion of convertible notes with an aggregate principal amount of HK$2,326,356,000 (2009: HK$424,917,000).

(f) On 15 April 2010, the Company entered into a top-up placing and subscription agreement with CA Ltd, City Smart International Investment Limited ("City Smart"), the shareholder of the Company, and a placing agent, among others, to allot and issue 1,390,000,000 ordinary shares of HK$0.01 each (the "Second Subscription Shares") at a subscription price of HK$0.183 per share. The subscription agreement is conditional upon completion of the placing of 1,390,000,000 ordinary shares of the Company made by the placing agent on behalf of CA Ltd and City Smart. On 27 April 2010, following completion of the placing, the Second Subscription Shares were issued under the refreshed general mandate granted to the directors of the Company on 3 December 2009. The net proceeds of approximately HK$243.9 million shall be used as general working capital including financing the Group's operations in Mendoza, Argentina.

Wong Chi Wing, Joseph and Chu Kwok Chi, Robert, directors and shareholders of the Company, have beneficial interests in CA Ltd when the above transactions took place.

Further details of the above are set out in the Company's announcement dated 15 April 2010.

The Second Subscription Shares of HK$0.01 were issued to CA Ltd and City Smart pursuant to the top-up placing and subscription agreement.

(g) During the year ended 31 December 2010, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Highest HK$	Lowest HK$	Aggregate consideration paid HK$
May 2010	20,980,000	0.121	0.100	2,306,143
June 2010	9,140,000	0.109	0.101	953,430
July 2010	55,840,000	0.103	0.079	5,120,896
November 2010	23,120,000	0.077	0.071	1,700,583
	109,080,000			10,081,052

The shares repurchased by the Company during the year ended 31 December 2010 were cancelled. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

All shares issued by the Company during both years rank pari passu with the then existing ordinary shares in all respects.

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33. CONVERTIBLE NOTES

As part of the consideration for the acquisition of a subsidiary as detailed in note 36, the Company issued unsecured zero coupon convertible notes ("CN") during the year ended 31 December 2009 of an aggregate par value of HK$2,311,520,000 to the vendors at an initial conversion price of HK$0.205 per share (subject to anti-dilutive adjustments). The CN have a maturity of twenty years from the issue date.

The holders of the CN have the right to convert the whole or any part of the outstanding principal amount of the CN into shares of HK$0.01 each in the share capital of the Company at any time during the period commencing from the day immediately following the date of issue of the CN up to the day immediately prior to and exclusive of the maturity date at the conversion price of HK$0.205 per share. The CN may not be converted to the extent that, following such conversion, the CN holder(s) would directly or indirectly control or be interested in an aggregate of 30% or more of the issued shares of the Company as enlarged by the issue of the conversion shares (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer).

The CN are denominated in Hong Kong dollars. The Company has no obligation to repay any outstanding principal amount of the CN but has the right at its discretion to redeem any principal amount of the CN at its face value. The CN may be assigned or transferred to any third party, but may not be assigned or transferred to any company or other person which is a connected person of the Company without the prior written consent of the Company. The CN meet the definition of equity under HKAS 32 "Financial instruments: presentation" and therefore are accounted for as equity of the Company (convertible notes reserve).

The fair value of the conversion shares as at the date of issue of the CN is HK$0.244 per conversion share which represents the fair value of the ordinary shares as at 3 November 2009.

33. CONVERTIBLE NOTES – CONTINUED

CN with an aggregate carrying amount of HK$2,326,356,000 (2009: HK$424,917,000) were converted into 9,534,243,901 ordinary shares (2009: 1,741,463,414 ordinary shares) of HK$0.01 each of the Company during the year ended 31 December 2010 as follows:

Date of conversion	Carrying amount of CN HK$'000	Number of ordinary shares of HK$0.01 each
2010		
17 February 2010	59,512	243,902,439
19 April 2010	59,512	243,902,439
21 April 2010	357,074	1,463,414,634
5 August 2010	1,012,600	4,150,000,000
30 September 2010	34,508	141,426,341
28 October 2010	803,150	3,291,598,048
	2,326,356	9,534,243,901
2009		
19 November 2009	244,000	1,000,000,000
8 December 2009	46,420	190,243,902
17 December 2009	134,497	551,219,512
	424,917	1,741,463,414

There were no outstanding CN at 31 December 2010.

34. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 6 November 2006 pursuant to an ordinary resolution passed at the special general meeting of the shareholders held on 6 November 2006 for the purpose of providing incentives or rewards to selected employees and directors for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible vendors, customers, advisors and consultants to the Company and its subsidiaries at the discretion of the board of directors of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors, or any of their respective associates (including a discretionary trust whose discretionary objects include substantial shareholders, independent non-executive directors, or any of their respective associates) in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be also approved by the Company's shareholders.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of: (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

As at 31 December 2010, options to subscribe for an aggregate of 1,098,200,000 shares (2009: 3,000,000 shares) of the Company granted to the directors and certain employees pursuant to the Scheme remained outstanding.

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34. SHARE OPTIONS – CONTINUED

Details of the movements in the number of share options during both years under the Scheme are as follows:

Option type	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$	Outstanding at 1.1.2009	Exercise during the year	Lapsed during the year	Outstanding at 1.1.2010	Granted during the year	Lapsed during the year	Outstanding at 31.12.2010
Directors:										
A	31 January 2007	21 February 2007 - 31 December 2009	0.205	16,760,000	–	(16,760,000)	–	–	–	–
B	31 January 2007	1 January 2008 - 31 December 2009	0.205	17,600,000	(800,000)	(16,800,000)	–	–	–	–
C	31 January 2007	1 January 2009 - 31 December 2009	0.205	16,000,000	–	(16,000,000)	–	–	–	–
D	21 February 2007	28 February 2007 - 31 December 2009	0.300	680,000	–	(680,000)	–	–	–	–
E	21 February 2007	1 January 2008 - 31 December 2009	0.300	2,140,000	–	(2,140,000)	–	–	–	–
F	21 February 2007	1 January 2009 - 31 December 2009	0.300	4,340,000	–	(4,340,000)	–	–	–	–
M	19 March 2010	19 March 2010 - 9 February 2013	0.161	–	–	–	–	5,900,000	–	5,900,000
N	19 March 2010	10 November 2010 - 9 February 2013	0.161	–	–	–	–	5,900,000	–	5,900,000
O	19 March 2010	10 August 2011 - 9 February 2013	0.161	–	–	–	–	5,900,000	–	5,900,000
				57,520,000	(800,000)	(56,720,000)	–	17,700,000	–	17,700,000
Employees:										
A	31 January 2007	21 February 2007 - 31 December 2009	0.205	44,440,000	–	(44,440,000)	–	–	–	–
B	31 January 2007	1 January 2008 - 31 December 2009	0.205	47,440,000	–	(47,440,000)	–	–	–	–
C	31 January 2007	1 January 2009 - 31 December 2009	0.205	45,260,000	–	(45,260,000)	–	–	–	–
E	21 February 2007	1 January 2008 - 31 December 2009	0.300	4,700,000	–	(4,700,000)	–	–	–	–
F	21 February 2007	1 January 2009 - 31 December 2009	0.300	7,700,000	–	(7,700,000)	–	–	–	–
G	15 August 2007	15 August 2008 - 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
H	15 August 2007	15 August 2009 - 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
I	15 August 2007	15 August 2010 - 15 August 2011	0.642	1,000,000	–	–	1,000,000	–	–	1,000,000
J	10 February 2010	10 February 2010 - 9 February 2013	0.1564	–	–	–	–	44,099,994	(1,599,999)	42,499,995
K	10 February 2010	10 November 2010 - 9 February 2013	0.1564	–	–	–	–	44,099,994	(1,599,999)	42,499,995
L	10 February 2010	10 August 2011 - 9 February 2013	0.1564	–	–	–	–	44,100,012	(1,600,002)	42,500,010
P	10 November 2010	1 January 2011 - 31 December 2012	0.0816	–	–	–	–	475,000,000	–	475,000,000
Q	10 November 2010	1 January 2012 - 31 December 2012	0.0816	–	–	–	–	475,000,000	–	475,000,000
				152,540,000	–	(149,540,000)	3,000,000	1,082,300,000	(4,800,000)	1,080,500,000
				210,060,000	(800,000)	(206,260,000)	3,000,000	1,100,000,000	(4,800,000)	1,098,200,000

34. SHARE OPTIONS – CONTINUED

The vesting period ends on the date when the exercisable period of the share options begin.

In respect of the share options exercised during the year ended 31 December 2009, the share price at the dates of exercise ranged from HK$0.280 to HK$0.300 and the weighted average share price is HK$0.290. No share options were exercised during the year ended 31 December 2010.

The Company used the Binomial model (the "Model") with the consideration of vesting period and possible exercise pattern to value the share options granted. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Share options were granted on 31 January 2007, 21 February 2007, 15 August 2007, 10 February 2010, 19 March 2010 and 10 November 2010. The estimated fair value of the options granted on those dates was as follows:

Option type	**Grant date**	**Fair value** HK$
A	31 January 2007	0.0562
B	31 January 2007	0.0603
C	31 January 2007	0.0664
D	21 February 2007	0.0645
E	21 February 2007	0.0684
F	21 February 2007	0.0765
G	15 August 2007	0.2123
H	15 August 2007	0.2346
I	15 August 2007	0.2522
J	10 February 2010	0.0372
K	10 February 2010	0.0417
L	10 February 2010	0.0459
M	19 March 2010	0.0384
N	19 March 2010	0.0425
O	19 March 2010	0.0469
P	10 November 2010	0.0209
Q	10 November 2010	0.0250

The inputs into the Model in respect of the share options granted during the year ended 31 December 2010 were as follows:

	Option type							
	J	**K**	**L**	**M**	**N**	**O**	**P**	**Q**
Share price on grant date (HK$)	0.153	0.153	0.153	0.161	0.161	0.161	0.081	0.081
Exercise price (HK$)	0.1564	0.1564	0.1564	0.1610	0.1610	0.1610	0.0816	0.0816
Expected volatility	51.84%	51.84%	51.84%	50.12%	50.12%	50.12%	61.14%	61.14%
Expected life (years)	1.50	1.87	2.25	1.44	1.77	2.14	1.14	1.64
Risk-free rate	0.376%	0.485%	0.629%	0.394%	0.524%	0.663%	0.31%	0.37%

The Group recognised an expense in profit or loss in the consolidated statement of comprehensive income of HK$16,749,000 (2009: HK$157,000) for the year ended 31 December 2010 in relation to share options granted by the Company.

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35. JOINT VENTURE

Jointly controlled operation

Chañares entered into a joint venture agreement ("JV Agreement") with Maxipetrol - Petroleros de Occidente S.A. (formerly known as Oxipetrol - Petroleros de Occidente S.A., ("Maxipetrol")) on 14 November 2007 in connection with the development of incremental hydrocarbons production in the "Puesto Pozo Cercado" area and "Chañares Herrados" area ("Areas"), through the investments to be made by Maxipetrol. Under the JV Agreement, it was established that the hydrocarbons obtained from the wells drilled within the scope of the JV Agreement, as well as any other benefit obtained from the exploitation of the works performed thereunder, shall be distributed in the following proportion: 28% for Chañares and 72% for Maxipetrol.

Have Result entered into an agreement for the Assignment of Rights, Investment and Technical Cooperation with Maxipetrol dated 24 November 2007, as amended and/or supplemented by (i) a deed of undertaking executed by Maxipetrol on 12 December 2007; (ii) a supplementary deed of undertaking executed by Maxipetrol on 28 December 2007; and (iii) a document entitled "Amendment to Contract of Assignment of Rights, Investment and Technical Cooperation" executed by and between Maxipetrol and Have Result, dated 19 December 2008 (the "Assignment Agreement"). Under the Assignment Agreement, Maxipetrol assigned in favour of Have Result 51% of its rights on the future production as a consequence of new drillings and the operation of new wells in the Areas. The profit derived from the incremental hydrocarbon production in the Areas will first cover the operating costs and thereafter is shared by the proportion of 51% to Have Result, 21% to Maxipetrol and 28% to Chañares. As from the date the wells drilled under the terms of the Assignment Agreement go into production, Maxipetrol shall also reimburse Have Result for 21% of the aggregate investments made by Have Result in the Areas.

On 6 August 2009, a temporary union of enterprise was organised in which Have Result has a 70.83% interest and Maxipetrol has a 29.17% interest for carrying out the operation of petroleum production in the Areas with Chañares.

On 2 December 2010, Have Result sent a letter to Maxipetrol stating and confirming that the termination of the JV Agreement ("Termination"). As advised by the Argentina legal advisers of the Company, notwithstanding the Termination, Have Result remains entitled to a 51% right in the production from the five existing wells drilled by Have Result in the Areas ("Existing Wells"), provided that Have Result continues to pay the relevant operating costs as required by the production allocated to it.

Also on 2 December 2010, Southstart Limited ("Southstart"), a wholly-owned subsidiary of the Company, and Chañares entered into another joint venture agreement ("New JV Agreement"). Pursuant to the New JV Agreement, EP Energy S.A. ("EP Energy"), a wholly-owned subsidiary of Southstart which is organised and existing under the laws of Argentina, and Chañares shall form a new joint venture company which will be owned as to 72% by the Group (through EP Energy) and as to 28% by Chañares. The Group agreed to pay US$6,000,000 (equivalent to approximately HK$46,680,000) to Chañares in consideration for the right to drill in the Areas during the current term of the Concessions. The business of the new joint venture company will be the exploration, exploitation and development of hydrocarbons in the Areas under the terms of the New JV Agreement. As at 31 December 2010, the new joint venture company has not yet been set up and the consideration to be paid to Chañares for the right to drill in the Areas was not yet paid.

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35. JOINT VENTURE – CONTINUED

Jointly controlled operation – continued

Pursuant to the New JV Agreement, the total consideration for the right to drill is subject to adjustment with reference to whether or not Chañares can obtain the extension of the term of Concessions (the "Extension") by 31 December 2011. If Chañares obtains the Extension by 31 December 2011, the Group shall further pay an amount of US$800,000 (equivalent to approximately HK$6,224,000) for each year of extension of the term of the Concessions in excess of five years. In the event that Chañares obtains an extension of 10 years from the date of expiry of the existing term of Concessions, the Group shall further pay an aggregate amount of US$4,000,000 (equivalent to approximately HK$31,120,000) to Chañares. The New JV Agreement contains other provisions regarding the rights and responsibilities of the Group and Chañares if the Extension is not granted by 31 December 2011 and if Chañares obtains the Extension after 31 December 2011, details of which are set out in the Company's announcement dated 20 December 2010. While the directors of the Company expects that the Extension will be granted, the directors consider that it is premature to determine when the extension will be granted and for how long the period covered under the Extension will be. As such, other than the fixed sum of US$6,000,000 (equivalent to HK$46,680,000) referred to in the preceding paragraph which is included in capital commitments (see note 42), other amounts payable by the Group under the New JV Agreement have yet to be determined.

As advised by the Argentina legal advisers of the Company, the New JV Agreement constitutes valid and binding obligations of Chañares. Based on the aforesaid legal opinion, the Directors consider that (i) there will not be any material adverse effects on the ownership of the rights of Have Result regarding the production of the Existing Wells notwithstanding the Termination; and (ii) the entering into of the New JV Agreement and the future formation of the new joint venture company enables the Group to continue its expansion plan in the Areas.

The aggregate amount of assets and liabilities, income and expenses recognised in the consolidated financial statements in relation to the Group's interest in the jointly controlled operation is as follows:

	2010 **HK$'000**	2009 HK$'000
Assets	**211,270**	237,293
Liabilities	**235,273**	102,584
Income	**35,694**	4,409
Expenses	**248,335**	4,662

For the year ended 31 December 2010

36. ACQUISITION OF SUBSIDIARIES

As set out in note 17, the Group acquired the entire issued share capital of Have Result for a consideration of HK$3,835,273,000 during the year ended 31 December 2009. The principal assets then held by Have Result were exploration and evaluation assets, including oil exploration rights. Hence, the acquisition of the entire interest of Have Result has been accounted for as acquisition of assets and the related liabilities.

Further details of the acquisition are set out in the Company's circular dated 9 October 2009.

The net assets acquired in the transaction are as follows:

	2009 HK$'000
Net assets acquired:	
Exploration and evaluation assets	
– oil exploration rights	3,810,136
Property, plant and equipment	87,934
Other tax recoverable	20,074
Trade and other receivables	14,051
Bank balances and cash	6,588
Trade and other payables	(103,510)
Net assets acquired	3,835,273
Consideration satisfied by:	
Promissory notes issued (see note 30)	840,000
Shares issued, representing 16.8% the enlarged share capital of the Company at the date of acquisition	244,000
Convertible notes issued (see note 33)	2,751,273
Consideration	3,835,273
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	6,588

Pursuant to the terms of the agreement, the total consideration for the acquisition is subject to adjustment within 24 months following completion. Details of the consideration adjustment are set out in note 17.

For the fair value of the oil exploration rights acquired, as the exploration on the acquired areas was at the initial stage and the prospective resources have been estimated using a consideration of deterministic and probabilistic methods, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. As a result, the fair value of the consideration paid, including shares and convertible notes issued, was used to account for the cost of the oil exploration rights.

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37. DISPOSAL OF SUBSIDIARIES

(i) As detailed in note 12(i), on 31 December 2010, the Group discontinued its trading of consumer electronics operation through disposal of the Disposed Subsidiaries to independent third parties for a cash consideration of HK$1,000,000. The gain on disposal of the Disposed Subsidiaries is HK$7,744,000.

The net assets of the Disposed Subsidiaries at the date of the disposal were as follows:

	2010 HK$'000
Net assets disposed of:	
Property, plant and equipment	1,848
Financial asset at fair value though profit and loss	2,947
Trade and other receivables	14,773
Bank balances and cash	14,422
Trade and other payables	(40,854)
	(6,864)
Transfer from translation reserve	120
	(6,744)
Gain on disposal (see note 12)	7,744
Total consideration	1,000
Satisfied by:	
Cash	–
Deferred consideration (note)	1,000
	1,000
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(14,422)
	(14,422)

Note: The consideration was not yet settled by the purchaser as at 31 December 2010. The amount is unsecured, interest-free and repayable on demand. The amount is included in trade and other receivables (see note 23).

The financial impact of the Disposed Subsidiaries on the Group's results and cash flows in the current and prior periods are disclosed in note 12(i).

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37. DISPOSAL OF SUBSIDIARIES – CONTINUED

(ii) In May 2009, the Group entered into the following transactions to dispose of 47.80% interest in Vision Tech (renamed as China Boon Holdings Limited), a then subsidiary of the Company which carried out Group's consumer electronics operation, whose shares are listed on the Stock Exchange.

- disposed of 100,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share pursuant to a placing agreement.
- disposed of 200,000,000 ordinary shares of Vision Tech at a price of HK$0.115 per share pursuant to an option agreement at the option fee of HK$0.01 per option.
- disposed of 250,000,000 ordinary shares of Vision Tech at a price of HK$0.20 per share pursuant to a placing agreement.

After the series of transactions mentioned above, Vision Tech ceased to be a subsidiary of the Company. The remaining Vision Tech shares held by the Group, representing 10.12% of the then issued share capital of Vision Tech, have since been accounted for as held-for-trading investments upon and after completion of the disposal.

	2009 HK$'000
Net assets disposed of:	
Property, plant and equipment	4,328
Inventories	11,347
Trade and other receivables	47,262
Tax recoverable	1,144
Pledged bank deposits	3,327
Bank balances and cash	8,581
Trade and other payables	(20,127)
Taxation payable	(1,182)
	54,680
Share options reserve	(2,238)
Non-controlling interests	(22,067)
Attributable goodwill	14,996
	45,371
Transfer to held-for-trading investments	(20,000)
Gain on disposal	61,129
Total consideration, satisfied by cash	86,500
Net cash inflow arising from disposal:	
Cash consideration	86,500
Bank balances and cash disposed of	(8,581)
	77,919

Vision Tech did not contribute significantly to the revenue and cash flows of the Group during the year ended 31 December 2009 other than contributed a loss of HK$42,276,000 to the Group's profit for the period between 1 January 2009 to the date of disposal.

38. DISPOSAL OF A JOINTLY CONTROLLED ENTITY

As detailed in note 12(ii), on 30 December 2009, the Group discontinued its production of copper anode operation through the disposal of JCCL EPI to an independent third party for a cash consideration of HK$37,800,000. The gain on disposal of JCCL EPI is HK$96,524,000.

The net assets of JCCL EPI at the date of disposal were as follows:

	2009 HK$'000
Net assets disposed of:	
Property, plant and equipment	31,830
Prepaid lease payments	22,731
Inventories	92,655
Trade and other receivables	27,190
Derivative financial instruments	941
Bank balances and cash	5,498
Trade and other payables	(223,690)
Bank borrowings	(8,892)
	(51,737)
Transfer from translation reserve	(6,987)
	(58,724)
Gain on disposal	96,524
Total consideration	37,800
Satisfied by:	
Cash	–
Deferred consideration (note)	37,800
	37,800
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(5,498)
	(5,498)

Note: The consideration was not yet settled by the purchaser as at 31 December 2009. The amount was unsecured, interest-free and was settled in full in 2010. The amount is included in trade and other receivables as at 31 December 2009 (see note 23).

The impact of JCCL EPI on the Group's results and cash flows in the current and prior periods is disclosed in note 12.

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39. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2010, the Group had the following major non-cash transactions:

(a) As detailed in note 23, the consideration of HK$49,000,000 for the disposal of shares in Vision Tech has not yet been settled by the purchaser as at 31 December 2010.

(b) As detailed in note 37(i), the consideration of HK$1,000,000 for the disposal of the Disposed Subsidiaries has not yet been settled by the purchaser as at 31 December 2010.

(c) As detailed in note 27, the consideration of the acquisition of available-for-sale investments of HK$10,424,000 has not yet been settled as at 31 December 2010.

During the year ended 31 December 2009, the Group had the following major non-cash transactions:

(a) As detailed in note 36, the consideration for acquisition of 100% interest in Have Result was settled by the Company's issue of 1,000,000,000 new ordinary shares of HK$0.01 each at HK$0.244 per share and the Company's issue of convertible notes and promissory notes at an amount of HK$2,751,273,000 and HK$840,000,000 respectively.

(b) As detailed in note 38, consideration of HK$37,800,000 for the disposal of JCCL EPI has not yet been settled by the purchaser as at 31 December 2009.

40. PLEDGE OF ASSETS

At 31 December 2010, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

	2010 **HK$'000**	2009 HK$'000
Index-linked note	**–**	2,947
Pledged bank deposits	**26,340**	22,624
	26,340	25,571

41. OPERATING LEASE COMMITMENTS

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**2,814**	4,124
In the second to fifth year, inclusive	**1,673**	3,519
	4,487	7,643

The Group leases certain of its office properties and buildings under operating lease arrangements. Leases for properties are negotiated for terms of three years.

42. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2010	2009
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements		
– for acquisition of the right to drill under the New JV Agreement (see note 35)	**46,680**	–
– for wells drilling (note)	**–**	63,604
	46,680	63,604

Note: Maxipetrol is obliged to drill five production wells and provide for the infrastructure work that is necessary for the incremental production that the wells to be drilled may generate in the year 2010 under the JV Agreement. Failure to meet the minimum drilling requirements may render the JV Agreement to be terminated. At 31 December 2009, the Group has assumed the obligation of Maxipetrol for drilling the minimum production wells in the year 2010 pursuant to the Assignment Agreement. On 2 December 2010, the Company received a letter from Maxipetrol dated 22 November 2010 pursuant to which Maxipetrol acknowledged and confirmed, among others, the JV Agreement was terminated. Also on 2 December 2010, the Group sent a letter to Maxipetrol stating and confirming that the termination of the JV Agreement. As such, the directors of the Company are of the opinion that the Group has been released from the obligation of Maxipetrol for drilling further wells pursuant to the Assignment Agreement.

43. RETIREMENT BENEFITS SCHEMES

The Group contributes to MPF Schemes for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the MPF Schemes by the Group and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the funds. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds.

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

The Group has no other obligations for the payment of pension and other post-retirement benefits of employees other than the above contributions payments.

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44. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following significant transactions with the following related parties:

Name of related party	Nature of transaction	2010 HK$'000	2009 HK$'000
Jiangxi Copper Company Limited ("JCCL") (note i)	Sale of copper anode	–	87,570
	Processing service income	–	10,895
Shenzhen Jiangtong Southern Company Limited ("SZ Jiangtong Southern") (note ii)	Purchase of scrap copper	–	164,735

Notes:

(i) JCCL is the other joint venture partner of JCCL EPI.

(ii) SZ Jiangtong Southern is an associate of JCCL.

(b) Balances with related parties

	2010 HK$'000	2009 HK$'000
Deposits received from JCCL EPI	–	(13,052)

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010 HK$'000	2009 HK$'000
Short-term employee benefits	7,224	9,476
Post-employment benefits	60	78
	7,284	9,554

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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45. FINANCIAL INSTRUMENTS

Financial risk management objectives

The financial instruments are fundamental to the Group's daily operations. The Group's major financial instruments include loan receivables, trade and other receivables, financial assets at fair value through profit or loss, derivative financial instruments, held-for-trading investments, pledged bank deposits, bank balances and cash, trade and other payables, promissory notes and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with the financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**270,477**	262,336
Designated as at FVTPL	**–**	2,947
Held-for-trading investments	**4,000**	148,412
Available-for-sale investments	**67,600**	–
	342,077	413,695
Financial liabilities		
Amortised cost	**297,186**	550,709
Derivative financial instruments	**10,596**	8,009

Interest rate risk

The cash flow interest rate risk relates primarily to the Group's floating rate loan receivables, bank borrowings and in relation to short-term deposits placed in banks that are interest-bearing at market interest rates and promissory notes. The fair value interest rate risk relates primarily to the variable-rate bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the year ended 31 December 2010

45. FINANCIAL INSTRUMENTS – CONTINUED

Interest rate risk – continued

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for bank balances, bank borrowings, loan receivables and promissory notes at the end of the reporting period and the reasonably possible change taking place at the beginning of each year and held constant throughout the year. If interest rates on bank balances, loan receivables, bank borrowings and promissory notes had been 50 basis points higher/lower and all other variables were held constant, the potential effect on (loss) profit for the year is as follows:

	2010	2009
	HK$'000	HK$'000
Assets	**(426)**	(545)
Liabilities	**688**	1,782
Increase in loss/decrease in profit for the year	**262**	1,237

The management considers that the fair value interest rate risk is insignificant as the Group had no fixed-rate borrowings due more than one year.

Foreign currency risk management

The functional currency of the Company and its subsidiaries which operates in Hong Kong is HK$ in which most of the transactions are denominated. The functional currency of the Group's petroleum exploration and production in Argentina is USD. Certain trade receivables, trade payables, bank balances and bank borrowings of the Group are denominated in USD/ARS while the relevant group entities have HK$/USD as their functional currencies, which expose the Group to foreign currency risk. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. During the year ended 31 December 2010 and 2009, the Group entered into USD/RMB (2009: USD/HKD) swap forward contracts as part of the foreign currency risk management.

The carrying amounts of the Group's foreign currency denominated trade and bills receivables, trade and bills payables, bank borrowings and bank balances, at the reporting date are as follows:

	Liabilities		**Assets**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**201,413**	216,935	**114,046**	111,362
ARS	**8,575**	6,079	**2,368**	14,822

45. FINANCIAL INSTRUMENTS – CONTINUED

Foreign currency risk management – continued

Foreign currency sensitivity

The following table details the Group's sensitivity to a 1% and 10% increase and decrease in HK$ against the relevant foreign currencies. 1% and 10% is the sensitivity rate used for USD and ARS respectively when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the year end for a 1%/10% change in foreign currency rates. The sensitivity analysis represents the trade and bills receivables, trade and bills payables, bank borrowings and bank balances where the denomination are in USD or ARS, the major foreign currency risk. The sensitivity analysis also includes outstanding foreign currency swap contracts. A negative number indicates increase in loss/decrease in profit for the year where HK$ strengthens against USD or ARS. For a 1%/10% weakening of HK$ against USD or ARS, there would be an equal and opposite impact on the (loss) profit for the year below:

	Impact of USD		**Impact of ARS**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in loss for the year	**874**	N/A	**(568)**	N/A
Decrease (increase) in profit for the year	**N/A**	882	**N/A**	(730)

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk at the year end and the sensitivity analysis does not reflect the exposure during the year.

Other price risk

The Group's investments in listed equity securities are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to various price risks. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. Details of the investments in listed equity securities are set out in note 25. The management has closely monitored the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 20% higher/lower, loss for the year ended 31 December 2010 would increase/decrease by HK$14,320,000 (2009: profit for the year ended 31 December 2009 would decrease/increase by HK$30,272,000) as a result of the changes in fair value of held-for-trading investments and available-for-sale investments.

For the year ended 31 December 2010

45. FINANCIAL INSTRUMENTS – CONTINUED

Commodity price risk on commodity forward contracts

The Group's normal policy is to sell its products in metals sourcing and trading operation by reference to the prevailing market prices such as the London Metal Exchange and the Shanghai Futures Exchange. Exceptions to this rule are subject to strict limits laid down by the board of directors and to rigid internal controls. The Group is exposed to commodity prices risk of copper as the Group's metals sourcing and trading operation is primarily related to copper concentrate and/or related materials. The Group may hedge certain commitments with some of its purchases and sales using commodity forward contracts. Details of commodity derivatives held at 31 December 2010 and 2009 are set out in note 28.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to commodity price risk of outstanding commodity forward contracts at the reporting date.

If the prices of copper had been 10% higher/lower, loss for the year ended 31 December 2010 would decrease/increase by HK$1,059,600 (2009: profit for the year ended 31 December 2009 increase/decrease by HK$801,000). The sensitivities are based on the assumption that the market commodity price increases/decreases by 10% with all other variables being held constant. These sensitivities should be used with care. The relationship between currencies and commodity prices is a complex one and changes in exchange rates can influence commodity prices and vice versa. For the purpose of the above sensitivity analysis, exchange fluctuation is excluded.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position;

– the amount of contingent liabilities in relation of financial guarantees issued by the Group as disclosed in note 47.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in the Argentina (2009: PRC), which accounted for 97% (2009: 100%) of the total trade receivables as at 31 December 2010.

With respect to credit risk arising from other receivables and margin deposits to financial institutions, the Group's exposure to credit risk from default of counterparties are limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

The Group had concentration of credit risk. The five largest customers represented approximately 74% (2009: 93%) of the revenue of the Group for the year ended 31 December 2010. The Group had concentration of credit risk as 87% (2009: 95%) of the total trade receivables was due from the Group's five largest customers as at 31 December 2010. Trade receivables attributable to the Group's largest debtor represented approximately 87% (2009: 55%) of the total receivables as at 31 December 2010. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In determining whether allowance for bad and doubtful debts is required, the Group has taken into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the directors discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade and other receivables that is unlikely to be collected. In this regard, the management considers that the Group's credit risk is significantly reduced.

45. FINANCIAL INSTRUMENTS – CONTINUED

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilisation of current facilities is optimised; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assess the balance of capital and debt funding of the Group.

The board of directors continuously manage liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flows from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments settled on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

For the year ended 31 December 2010

45. FINANCIAL INSTRUMENTS – CONTINUED

Liquidity risk – continued

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 6 months HK$'000	7 months to 1 year HK$'000	1 - 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade payables	N/A	–	8,575	–	–	8,575	8,575
Bills payables	N/A	–	89,128	–	–	89,128	89,128
Other payables	N/A	11,207	–	50,700	–	61,907	61,907
Bank borrowings							
– variable-rate	2.87	14	136,698	894	–	137,606	135,677
Promissory notes	0.29	–	3	3	1,903	1,909	1,899
		11,221	234,404	51,597	1,903	299,125	297,186
Derivative settled							
Derivative financial liabilities	N/A	–	10,596	–	–	10,596	10,596

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 6 months HK$'000	7 months to 1 year HK$'000	1 - 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade payables	N/A	105,032	9,933	–	–	114,965	114,965
Bills payables	N/A	27,636	–	–	–	27,636	27,636
Other payables	N/A	1,713	–	50,700	–	52,413	52,413
Bank borrowings							
– variable-rate	3.43	14,632	84,313	2,562	3,401	104,908	103,415
Promissory notes	0.29	–	365	365	253,624	254,354	252,280
		149,013	94,611	53,627	257,025	554,276	550,709
Derivative settled							
Commodity forward contracts	N/A	–	8,009	–	–	8,009	8,009

As at 31 December 2010, the Group issued financial guarantees to banks in respect of banking facilities granted to the former subsidiary of the Group. The aggregate amounts that could be required to be paid if the guarantees were call upon in entirety amounted to HK$40,000,000, of which HK$3,050,000 has been utilised by that former subsidiary. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amounts will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

45. FINANCIAL INSTRUMENTS – CONTINUED

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the year ended 31 December 2010

45. FINANCIAL INSTRUMENTS – CONTINUED

Fair value of financial instruments – continued

Fair value measurements recognised in the consolidated statement of financial position- continued

	31.12.2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Held-for-trading				
– listed equity securities	**4,000**	**–**	**–**	**4,000**
Available-for-sale				
– equity securities	**–**	**–**	**67,600**	**67,600**
	4,000	**–**	**67,600**	**71,600**
Financial liabilities				
Derivative financial instruments	**10,596**	**–**	**–**	**10,596**

	31.12.2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Financial assets at fair value through profit or loss	–	2,947	–	2,947
Held-for-trading				
– listed equity securities	148,412	–	–	148,412
Total	148,412	2,947	–	151,359
Financial liabilities				
Derivative financial instruments	8,009	–	–	8,009

There were no transfers between Level 1, 2 and 3 in the current and prior years.

46. CAPITAL RISK MANAGEMENT

The Group's over-riding objectives when managing capital are to safeguard the business as a going concern, to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to provide a high degree of financial flexibility at the lowest cost of capital.

The capital structure of the Group consists of debt, which includes borrowings and equity attributable to owners of the Company, comprising issued capital, reserves and retained profits. The Group does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise.

The Company's board of directors reviews the capital structure on a continuous basis. As part of this review, the board of directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior years.

47. CONTINGENT LIABILITIES

As at 31 December 2010, the Group issued financial guarantees to banks in respect of banking facilities granted to a former subsidiary of the Group. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$40,000,000, of which HK$3,050,000 has been utilised by that former subsidiary.

The following contingent liabilities arise from the Group's interests in the third party:

	2010 **HK$'000**
Guarantees given to banks, in respect of banking facilities to a third party entity	
– amount granted	**40,000**
– amount utilised	**3,050**

For the year ended 31 December 2010

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are limited liability companies, at 31 December 2010 and 2009 are as follows:

Name of subsidiaries	Place of incorporation/ operations	Nominal value of issued and fully paid ordinary share/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Innovision Enterprises Limited	Hong Kong	HK$1	–	– (2009: 100%)	Trading of consumer electronics products (indent)
EPI Metals Limited	Hong Kong	HK$1	–	100% (2009: 100%)	Metals sourcing and trading
Have Result Investments Limited	British Virgin Islands/ Argentina	US$10,000	–	100% (2009: 100%)	Petroleum exploration and production
EP Energy S.A.	Argentina	ARS100,000	–	100% (2009: N/A)	Petroleum exploration and production

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

For the year ended 31 December 2010

49. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	2010 **HK$'000**	2009 HK$'000
ASSETS		
Property, plant and equipment	**566**	396
Interests in subsidiaries	**1**	1
Other receivables, prepayment and deposits	**496**	448
Held-for-trading investments	**–**	72,813
Amounts due from subsidiaries	**4,049,436**	4,086,702
Amounts due from a former subsidiary	**4,064**	–
Pledged bank deposits	**–**	15,912
Bank balances and cash	**46,850**	549
	4,101,413	4,176,821
LIABILITIES		
Other payables	**5,840**	5,860
Interest payable on promissory notes	**482**	1,412
Amounts due to subsidiaries	**90,100**	17,463
Bank borrowings - amounts due within one year	**–**	14,633
Promissory notes	**1,899**	252,280
	98,321	291,648
NET ASSETS	**4,003,092**	3,885,173
CAPITAL AND RESERVES		
Share capital	**185,088**	76,937
Reserves	**3,818,004**	3,808,236
TOTAL EQUITY	**4,003,092**	3,885,173

Five Year Financial Summary

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	**937,258**	945,929	1,285,960	1,188,934	–
Cost of sales	**(926,619)**	(943,832)	(1,200,317)	(1,083,800)	–
Gross profit	**10,639**	2,097	85,643	105,134	–
Net gain on debt restructuring	**–**	–	–	–	263,168
Other gain and losses	**17,685**	74,358	62,323	48,996	243
Distribution and selling expenses	**(11,799)**	(9,664)	(29,747)	(39,950)	–
Administrative expenses	**(89,162)**	(47,355)	(63,575)	(39,734)	(799)
Other expenses	**(214,496)**	(38,633)	(6,136)	(10,546)	–
Finance costs	**(2,385)**	(2,419)	107	(29)	–
(Loss) profit before taxation	**(289,518)**	(21,616)	48,615	63,871	262,612
Taxation credit (charge)	**–**	291	(8,581)	(14,211)	(200)
(Loss) profit for the year from continuing operations	**(289,518)**	(21,325)	40,034	49,660	262,412
Profit (loss) for the year from discontinued operations	**890**	41,639	(47,867)	13,851	2,530
(Loss) profit for the year	**(288,628)**	20,314	(7,833)	63,511	264,942

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**4,377,434**	4,565,772	1,286,483	1,119,587	283,518
Total liabilities	**(325,399)**	(588,887)	(472,116)	(337,735)	(17,870)
	4,052,035	3,976,885	814,367	781,852	265,648
Equity attributable to owners of the Company	**4,052,035**	3,976,885	772,375	781,852	265,648
Share options reserve of a subsidiary	**–**	–	2,238	–	–
Non-controlling interests	**–**	–	39,754	–	–
	4,052,035	3,976,885	814,367	781,852	265,648

Note: During the year ended 31 December 2010, the Group discontinued the consumer electronics operations. During the year ended 31 December 2009, the Group discontinued the production of copper anode operations. The results for the years ended 31 December 2006 to 2009 as presented in the above table have been re-presented to include the results of such discontinued operations under "profit (loss) for the year from discontinued operations".

Corporate Information

EXECUTIVE DIRECTORS

Mr. Wong Chi Wing Joseph (Chairman & CEO)
Mr. Chu Kwok Chi Robert
Mr. Zhou Jacky (resigned on 16 February 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qian Zhi Hui
Mr. Zhu Tiansheng

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Hong Kin Choy

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08 Bermuda

BRANCH SHARE REGISTRAR

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

AUDIT COMMITTEE

Mr. Qian Zhi Hui

REMUNERATION COMMITTEE

Mr. Qian Zhi Hui

NOMINATION COMMITTEE

Mr. Wong Chi Wing Joseph

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SOLICITORS

Vincent T.K. Cheung, Yap & Co.

AUDITOR

Deloitte Touche Tohmatsu

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 0689
Board lot: 20,000 shares
Financial year end: 31 December
Number of Shares at 31 December 2010: 18,508,775,885
Share price at 31 December 2010: HK$0.062
Market capitalization at 31 December 2010: HK$1,148 million

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