

* For identification purposes only

Interim Report 2010



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

(formerly known as New Times Group Holdings Limited)
(incorporated in Bermuda with limited liability)
(Stock code: 00166)

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wong Man Kong, Peter
Mr. Chan Chi Yuen

Independent Non-executive Directors

Mr. Fung Chi Kin
Mr. Fung Siu To, Clement
Mr. Chiu Wai On

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yu Wing Cheung

AUDITOR

Crowe Horwath (HK) CPA Limited

LEGAL ADVISER

On Hong Kong law
Chiu & Partners

On Bermuda law

Conyers Dill & Perman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
ICBC (Asia) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1007-08 New World Tower I,
18 Queen's Road Central
Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
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WEBSITE

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STOCK CODE

00166

The board of directors (the "Board") of New Times Energy Corporation Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with comparative figures for the corresponding period in 2009. These condensed consolidated financial statements for the six months ended 30 June 2010 have not been audited, but have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Unaudited	
		Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Turnover	3	29,798	4,310
Cost of sales		(29,223)	(4,288)
Gross profit		575	22
Other revenue, net income and operating income		4,785	16,353
Administrative expenses		(26,896)	(8,113)
Other operating expenses		–	(8,238)
(Loss)/profit from operations		(21,536)	24
Finance costs	4	(3,884)	(448)
Share of (loss)/profit of a jointly controlled entity		(569)	1,906
(Loss)/profit before taxation	5	(25,989)	1,482
Income tax	6	(28)	(15)
(Loss)/profit for the period		(26,017)	1,467
(Loss)/profit for the period attributable to:			
Owners of the Company		(20,872)	1,924
Minority interests		(5,145)	(457)
		(26,017)	1,467

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Unaudited	
		Six months ended 30 June 2010 HK\$'000	2009 HK\$'000
(Loss)/profit for the period		(26,017)	1,467
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange difference arising on translation of financial statements of overseas subsidiaries		17	(89)
Total comprehensive (loss)/income for the period (net of tax)		(26,000)	1,378
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(20,891)	1,835
Minority interests		(5,109)	(457)
		(26,000)	1,378
(Loss)/earnings per share	8		
– basic		(0.30 cents)	0.16 cents
– diluted		(0.30 cents)	0.14 cents

Tax effects relating to each component of other comprehensive income

	Six months ended 30 June					
	2010			2009		
	Before-tax amount HK\$'000	Tax (expense)/benefit HK\$'000	Net-of-tax amount HK\$'000	Before-tax amount HK\$'000	Tax (expense)/benefit HK\$'000	Net-of-tax amount HK\$'000
Exchange differences arising on translation of financial statements of overseas subsidiaries	17	–	17	(89)	–	(89)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	As at 30 June 2010 (Unaudited) HK\$'000	As at 31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	9	3,306,474	3,247,828
Property, plant and equipment		2,731	1,885
Intangible assets		2,545	3,246
Deposit paid for potential investment	10	60,000	30,000
Interest in a jointly controlled entity	11	9,037	9,606
		3,380,787	3,292,565
CURRENT ASSETS			
Trade and other receivables	12	201,455	42,447
Restricted bank deposits		–	9,265
Pledged bank deposits		–	28,355
Cash and cash equivalents	13	334,746	163,747
		536,201	243,814
CURRENT LIABILITIES			
Bank overdrafts		1	–
Trade and other payables	14	29,639	13,736
Bank and other borrowings		154,323	85,368
Obligations under finance leases		12	12
Current taxation		17	12
Provisions	15	7,512	7,713
		(191,504)	(106,841)
NET CURRENT ASSETS		344,697	136,973
TOTAL ASSETS LESS CURRENT LIABILITIES		3,725,484	3,429,538
NON-CURRENT LIABILITIES			
Obligations under finance leases		(7)	(13)
NET ASSETS		3,725,477	3,429,525
CAPITAL AND RESERVES			
Share capital	16	806,765	551,000
Reserves		2,926,185	2,880,889
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		3,732,950	3,431,889
MINORITY INTERESTS		(7,473)	(2,364)
TOTAL EQUITY		3,725,477	3,429,525

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company					Minority interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2010	551,000	2,185,338	870,291	(174,740)	3,431,889	(2,364)	3,429,525
Total comprehensive loss for the period	–	–	(19)	(20,872)	(20,891)	(5,109)	(26,000)
Transactions with owners							
Shares issued under placement, net of issuance costs	74,310	147,642	–	–	221,952	–	221,952
Subscription of new shares	32,258	67,742	–	–	100,000	–	100,000
Shares issued upon conversion of convertible notes	149,197	605,648	(754,845)	–	–	–	–
Lapse of share options granted under Share Option Scheme	–	–	(3,851)	3,851	–	–	–
Total transactions with owners	255,765	821,032	(758,696)	3,851	321,952	–	321,952
At 30 June 2010	806,765	3,006,370	111,576	(191,761)	3,732,950	(7,473)	3,725,477
At 1 January 2009	78,197	356,452	19,855	(142,806)	311,698	–	311,698
Total comprehensive income for the period	–	–	(89)	1,924	1,835	(457)	1,378
Transactions with owners							
Issue of consideration shares	9,375	38,437	95,625	–	143,437	–	143,437
Issue of convertible notes	–	–	1,832,400	–	1,832,400	–	1,832,400
Shares issued upon conversion of convertible notes	263,428	579,542	(842,970)	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	(745)	(745)
Total transactions with owners	272,803	617,979	1,085,055	–	1,975,837	(745)	1,975,092
At 30 June 2009	351,000	974,431	1,104,821	(140,882)	2,289,370	(1,202)	2,288,168

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Net cash (used in)/from operating activities	(164,925)	12,565
Net cash used in investing activities	(53,212)	(3,029)
Net cash from/(used in) financing activities	390,901	(83,306)
Net increase/(decrease) in cash and cash equivalents	172,764	(73,770)
Effect of foreign exchange rate changes	(1,766)	–
Cash and cash equivalents at the beginning of the period	163,747	154,085
Cash and cash equivalents at the end of the period	334,745	80,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It was authorised for issue on 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2009. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for the financial year but is derived from those financial statements. The statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

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

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments) HKAS 27 (Revised)	Improvements to HKFRSs 2009 Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners

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

3. SEGMENT INFORMATION

The Group manages its businesses by divisions which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group’s chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

General trading	This segment includes trading of non-ferrous metal, natural resources and frozen foods. Currently, the Group’s general trading activities are carried out in Hong Kong and Mainland China.
Exploration of natural resources	This segment is engaged in the exploration of natural resources in Argentina. The activities carried out in Argentina are through a non-wholly owned subsidiary.

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

For the six months ended 30 June 2010

3. SEGMENT INFORMATION *(CONTINUED)*

(a) Segment results, assets and liabilities

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

Segment assets include all non-current assets and current assets with the exception of interest in a jointly controlled entity and certain assets unallocated to an individual reportable segment. Segment liabilities include non-current liabilities and current liabilities with the exception of current taxation and certain liabilities unallocated to an individual reportable segment.

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

The measure used for reporting segment profit/(loss) is "profit/(loss) from operations". In addition to receiving segment information concerning profit/(loss) from operations, the board of directors is provided with segment information concerning revenue, interest income, interest expenses, depreciation and additions to non-current segment assets used by the segments in their operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (CONTINUED)

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

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

	General trading		Exploration of natural resources		Total	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
For the six months ended 30 June						
Revenue from external customers	<u>29,798</u>	<u>4,310</u>	<u>-</u>	<u>-</u>	<u>29,798</u>	<u>4,310</u>
Reportable segment revenue	<u>29,798</u>	<u>4,310</u>	<u>-</u>	<u>-</u>	<u>29,798</u>	<u>4,310</u>
Reportable segment loss	<u>(1,223)</u>	<u>(2,644)</u>	<u>(9,947)</u>	<u>(1,556)</u>	<u>(11,170)</u>	<u>(4,200)</u>
Depreciation and amortisation	<u>915</u>	<u>180</u>	<u>65</u>	<u>-</u>	<u>980</u>	<u>180</u>
Interest income	<u>(536)</u>	<u>(269)</u>	<u>-</u>	<u>-</u>	<u>(536)</u>	<u>(269)</u>
Interest expense	<u>3,155</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>3,155</u>	<u>1</u>
As at 30 June 2010/ 31 December 2009						
Reportable segment assets	<u>305,497</u>	<u>80,963</u>	<u>3,411,709</u>	<u>3,302,904</u>	<u>3,717,206</u>	<u>3,383,867</u>
Additions to non-current segment assets during the period	<u>329</u>	<u>3,425</u>	<u>64,609</u>	<u>3,248,137</u>	<u>64,938</u>	<u>3,251,562</u>
Reportable segment liabilities	<u>(120,172)</u>	<u>(54,203)</u>	<u>(28,890)</u>	<u>(8,218)</u>	<u>(149,062)</u>	<u>(62,421)</u>

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

For the six months ended 30 June 2010

3. SEGMENT INFORMATION *(CONTINUED)*

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

	<u>Six months ended 30 June</u>	
	<u>2010</u> <i>HK\$'000</i>	<u>2009</u> <i>HK\$'000</i>
Revenue		
Reportable segment revenue	29,798	4,310
Consolidated turnover	29,798	4,310
(Loss)/profit		
Reportable segment loss	(11,170)	(4,200)
Unallocated operating income and expenses	(10,366)	4,224
Finance costs	(3,884)	(448)
Share of post-tax (loss)/profit of a jointly controlled entity	(569)	1,906
Consolidated (loss)/profit before taxation	(25,989)	1,482

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

For the six months ended 30 June 2010

3. SEGMENT INFORMATION *(CONTINUED)*

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

	As at 30 June 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Assets		
Reportable segment assets	3,717,206	3,383,867
Interest in a jointly controlled entity	9,037	9,606
Cash and cash equivalents	124,554	110,525
Deposit paid on potential investment	60,000	30,000
Unallocated corporate assets	6,191	2,381
	<hr/>	<hr/>
Consolidated total assets	3,916,988	3,536,379
	<hr/>	<hr/>
Liabilities		
Reportable segment liabilities	(149,062)	(62,421)
Current taxation	(17)	(12)
Other borrowing	(40,000)	(40,000)
Unallocated corporate liabilities	(2,432)	(4,421)
	<hr/>	<hr/>
Consolidated total liabilities	(191,511)	(106,854)
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's operations are located in Hong Kong (country of domicile), Mainland China and Argentina.

Information about its revenue from external customers and non-current assets by geographical location of the customers and the assets are detailed below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		As at 30 June 2010	As at 31 December 2009
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (country of domicile)	20,358	4,310	70,192	41,297
Mainland China	9,440	–	3,289	3,302
Argentina	–	–	3,307,306	3,247,966
	29,798	4,310	3,380,787	3,292,565

(d) Information about major customers

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Customer A ¹	9,440	–
Customer B ²	–	4,310
Customer C ³	20,358	–

¹ Revenue from trading of non-ferrous metals in Mainland China

² Revenue from trading of frozen foods in Hong Kong

³ Revenue from trading of natural resources in Hong Kong

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

4. FINANCE COSTS

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Interest on other borrowing wholly repayable within five years	3,884	447
Finance charges on obligations under finance leases	–	1
Total interest expenses on financial liabilities not at fair value through profit or loss	3,884	448

5. (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Cost of inventories	29,223	4,288
Depreciation and amortisation	1,172	315
Staff cost (including directors' emoluments)		
– Wages, salaries and other benefits	4,781	2,244
– Contributions to defined contribution retirement scheme	55	40
Operating lease charges for the leasing of property	1,187	604
Interest income	(620)	(15,746)
Net foreign exchange loss/(gain)	2,451	(173)
Consultancy fees	4,244	844
Legal and professional expenses	3,903	1,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

6. INCOME TAX

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– PRC Enterprise Income Tax	28	22
– Argentina Corporate Tax	–	(7)
Deferred taxation	–	–
	28	15

No provision for Hong Kong profits tax has been made, as the Group did not generate any assessable profit arising in Hong Kong during the period.

Provision for Foreign Enterprise Income Tax in the People's Republic of China ("PRC") has been calculated based on total operating expenses of the PRC representative office in accordance with the provisions of the Circular of the State Administration of Taxation Concerning the Related Matters about Reinforcing the Collection and Administration of Taxes of Permanent Establishments of Foreign Enterprises (Guo Shui Fa [1996] No. 165) and the Circular of the State Administration of Taxation Concerning the Related Matters about the Tax Administration of the Permanent Establishments of Foreign Enterprises (Guo Shui Fa [2003] No. 28) issued by the State of Administration of Taxation of the PRC on 13 September 1996 and 12 March 2003 respectively.

Argentina Corporate Tax is provided at 35% on the estimated assessable profit for the period.

The Company did not carry out any business in other jurisdictions other than stated above.

7. DIVIDENDS

The directors do not recommend any payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

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

For the six months ended 30 June 2010

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company for the six months ended 30 June 2010 and 2009 is based on the following data:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2010	2009
Issued ordinary shares at 1 January	5,510,002,270	781,971,030
Effect of conversion of convertible notes	667,053,349	419,733,253
Effect of consideration shares issued	–	30,041,436
Effect of new shares issued	855,028,453	–
Weighted average number of ordinary shares	7,032,084,072	1,231,745,719
Effect of conversion of convertible notes	–	155,650,619
Effect of exercise of bonus warrants	38,205,145	–
Weighted average number of ordinary shares diluted at 30 June	7,070,289,217	1,387,396,338

Diluted loss per share for the six months ended 30 June 2010 was the same as the basic loss per share as the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

9. EXPLORATION AND EVALUATION ASSETS

	Exploration rights HK\$'000	Exploratory drilling HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2009	–	–	–	–
Exchange adjustments Arising on acquisition of a subsidiary	(38)	–	(122)	(160)
Additions	3,217,023	–	359	3,217,382
	<u>–</u>	<u>21,530</u>	<u>9,076</u>	<u>30,606</u>
At 31 December 2009 and 1 January 2010	3,216,985	21,530	9,313	3,247,828
Exchange adjustments	(50)	(601)	(223)	(874)
Additions	–	59,520	–	59,520
	<u>–</u>	<u>59,520</u>	<u>–</u>	<u>59,520</u>
At 30 June 2010	<u>3,216,935</u>	<u>80,449</u>	<u>9,090</u>	<u>3,306,474</u>

As at the end of the reporting period, the management of the Group determines that there is no impairment of exploration and evaluation assets.

The exploration permits to the Tartagal concession and Morillo concession (collectively the "Concessions") will expire on 29 December 2010. On 22 April 2010, the Group first submitted an application to the Secretary of Energy of Province of Salta, Argentina for an extension of the exploration permits. The application was approved on 2 July 2010 and the first exploration permits to the Concessions was extended to 29 February 2012, and additional extensions up to an aggregate of nine years may be obtained. The holder of an exploration permit has the right to obtain an exploitation permit.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

10. DEPOSIT PAID FOR POTENTIAL INVESTMENT

	As at 30 June 2010	As at 31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposit paid for potential investment	<u>60,000</u>	<u>30,000</u>

On 8 December 2009, Techno Wealth Limited ("Techno Wealth"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with an independent third party ("Vendor") in relation to the proposed acquisition of 90% of the equity interests of 青龍滿族自治縣宏文黃金有限責任公司 (Qinglong Manzu Autonomous County Hongwen Gold Company Limited) ("Hongwen Gold"), for an initially-agreed consideration of HK\$630,000,000. Hongwen Gold is principally engaged in mining and selling of gold concentrates. A refundable deposit of HK\$30,000,000 for the proposed acquisition was paid to the Vendor upon execution of the MOU.

On 6 February 2010, Techno Wealth, the Vendor, Hongwen Gold and Mr. Sun Jingzu, an independent third party, entered into a sale and purchase agreement ("Agreement") to acquire the entire issued share capital of Fortune Ease Holdings Limited (the "Target"), which in turn indirectly holds 90% equity interest in Hongwen Gold, and the shareholder's loan for an adjusted aggregate consideration of HK\$600,000,000. The adjusted consideration of HK\$600,000,000 is to be satisfied by (i) set-off of the HK\$30,000,000 deposit paid under the MOU; (ii) HK\$30,000,000 payable to the Vendors in cash after the signing of the Agreement; and (iii) HK\$540,000,000 by the issue of consideration shares upon completion. The further sum of HK\$30,000,000 was paid in cash on 8 February 2010.

The balance of HK\$60,000,000 (at 31 December 2009: HK\$30,000,000) as at the end of the reporting period represents the deposit money paid by the Group in relation to the acquisition of Hongwen Gold.

The acquisition of the Target had been approved in the special general meeting of the shareholders held on 16 July 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

11. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Share of net assets	9,037	9,606

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Smart Win International Limited ("Smart Win")	British Virgin Islands/ Hong Kong	200 shares of US\$1 each	50%	-	50%	Investment holdings

Summary financial information of the jointly controlled entity – Group's effective interest:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Current assets	9,037	9,646
Current liabilities	-	(40)
Net assets	9,037	9,606
Income	-	3,467
Expenses	(569)	(8,989)
Loss for the period/year	(569)	(5,522)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade receivables	421	2,829
Other receivables	131,085	5,987
Amount due from a minority shareholder	2	2
Loan and receivables	131,508	8,818
Held-to-maturity securities	–	11,342
Prepayment and deposits	69,947	22,287
	201,455	42,447

All of the trade and other receivables (including amount due from a minority shareholder) are expected to be recovered or recognised as expenses within one year.

The following is an ageing analysis of trade receivables net of allowances for doubtful debts represented based on the invoice date at the reporting date.

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
0-14 days	–	–
15-60 days	–	480
61-90 days	–	441
Over 90 days (note a)	421	1,908
	421	2,829

Trade receivables are due within 30 days (31 December 2009: 14 days) from the date of billing.

Notes:

- (a) The Group's trade receivables remain outstanding due to a litigation proceeding the Group brought against a customer. Further details on the Group's litigation as at 30 June 2010 are set out in note 19.

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

For the six months ended 30 June 2010

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2010 <i>HK\$'000</i>	As at 31 December 2009 <i>HK\$'000</i>
Deposits with banks	205,366	93,001
Cash at bank and in hand	129,380	70,746
Cash and cash equivalents in the condensed consolidated statement of financial position	334,746	163,747
Bank overdrafts	(1)	–
Cash and cash equivalents in the condensed consolidated statement of cash flows	334,745	163,747

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

14. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade payables (note a)	100	257
Other payables and accruals	29,372	13,277
Amounts due to directors (note b)	167	202
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	29,639	13,736

All of the trade and other payables (including amounts due to directors) are expected to be settled within one year or are repayable on demand.

Notes:

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

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
0-14 days	–	–
15-60 days	–	257
61-90 days	–	–
Over 90 days	100	–
	<hr/>	<hr/>
	100	257

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

15. PROVISIONS

Provision for compensation to landowners

	2010 HK\$'000	2009 HK\$'000
As 1 January	7,713	–
Additional provision made	–	7,713
Provisions utilised	–	–
Exchange adjustments	(201)	–
At 30 June and 31 December	7,512	7,713
Less: Amount included under “current liabilities”	(7,512)	(7,713)
	–	–

Pursuant to the terms and conditions set out in the bidding documents in relation to the exploration permits of the Concessions, the Group is obliged to indemnify the surface owners for any damage caused by the activities conducted by them. Provision is therefore made for the best estimate of the expected settlement by the directors of the Company, after seeking advice from an Argentine solicitor, for the compensation to be paid for the entry permit and implementation of work as regards to property involved in explorative operations within one year prior to the end of the reporting period. As at the end of the period, Argentine Peso 3,800,000 (equivalent to approximately HK\$7,512,000) (At 31 December 2009: Argentine Peso 3,800,000 (equivalent to approximately HK\$7,713,000)) was included in the exploration and evaluation assets in respect of such compensation to be incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

16. SHARE CAPITAL

	As at 30 June 2010		As at 31 December 2009	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised				
Ordinary shares of HK\$0.10 each	20,000,000	2,000,000	20,000,000	2,000,000
Ordinary shares issued and fully paid:				
At 1 January	5,510,002	551,000	781,971	78,197
Issue of consideration shares	–	–	93,750	9,375
Share issued upon conversion of convertible notes (note (a))	1,491,969	149,197	4,634,281	463,428
Issue of new shares under a placing agreement (note (b))	743,100	74,310	–	–
Issue of new shares under a subscription agreement (note (c))	322,582	32,258	–	–
At 30 June 2010/ 31 December 2009	8,067,653	806,765	5,510,002	551,000

Notes:

- (a) On 4 May 2009, the Company issued convertible notes for an aggregate principal amount of HK\$1,832,400,000 at a conversion price of HK\$0.32 per share, pursuant to the agreement of acquisition of 100% interest in Jade Honest Limited. During the reporting period, convertible notes for a principal amount of HK\$477,430,000 were converted and 1,491,968,750 ordinary shares of the Company were issued. Up to the date of this report, convertible notes totalling HK\$1,832,400,000 were fully converted into 5,726,250,000 ordinary shares of the Company.
- (b) On 28 January 2010, the Company issued 743,100,000 new shares of HK\$0.10 each, pursuant to a placing agreement to place the said shares to independent third parties, at a price of HK\$0.31 per share.
- (c) On 26 February 2010, the Company issued 322,582,000 new shares of HK\$0.10 each, pursuant to a subscription agreement and a special mandate approved at the special general meeting held on 24 February 2010, to allot and issue the said shares to Max Sun Enterprises Limited at a price of HK\$0.31 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

17. COMMITMENTS

(a) Capital commitments

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

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Contracted for		
– Activities of exploration	97,653	153,780

(b) Commitments under operating leases

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

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Within one year	1,315	1,334
In the second to fifth year, inclusive	1,970	1,933
	3,285	3,267

The Group leases its offices under operating lease arrangements. The leases for properties were negotiated for terms ranged from one to three years.

(c) Other commitments

Other commitments outstanding at 30 June 2010 not provided for in the condensed consolidated financial statement were as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Contracted for		
– Investment cost of potential investment (note 10)	540,000	600,000

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

For the six months ended 30 June 2010

17. COMMITMENTS *(CONTINUED)*

(c) Other commitments *(Continued)*

In addition, as at 30 June 2010, the Group has the following obligations and commitments in respect of the exploration of natural resources operation in Argentina:

- (i) It is the obligation of High Luck Group Limited, an indirect wholly-owned subsidiary of the Company, JHP International Petroleum Engineering Limited, and Maxipetrol – Petroleros de Occidente S.A. (collectively the "Consortium") to fulfill the investment commitment for the exploration work in the Tartagal and Morillo license areas up to a total amount of US\$35,990,000 and US\$13,000,000 respectively (the "Investment Commitment") within the initial four-year period of the Concessions. The amount not spent in the exploration work at the end of the initial four-year period must be paid to the government of Salta Province of Argentina. The Consortium is obliged to obtain a guarantee for the benefit of the government of Salta Province of Argentina for an amount equal to the Investment Commitment (the "Guarantee"). The Guarantee is to be fulfilled by posting a performance bond which shall consist of, among others, a surety bond issued by leading insurance companies in Argentina for an amount equal to the Investment Commitment (subject to the amount spent relating to the exploration work in the Concession sites) to the government of Salta Province of Argentina;
- (ii) To place in the Province of Salta two Work-Over equipment capable of operating at 3,000/4,000 meters deep;
- (iii) To provide its own personnel for the exploration of the Tartagal and Morillo license areas;
- (iv) To reach agreements with surface owners and finish the survey of the Tartagal and Morillo license;
- (v) To prepare a work plan for submission to UTE-Administration Committee within 45 days after JHP's technicians arrive to Argentina;
- (vi) To produce a monthly report regarding the status of the works, to be submitted to the Province of Salta;
- (vii) An annual fee of AR\$948,985 (equivalent to approximately HK\$1,876,039) in relation to the exploration permits of the Concessions payable to the government of Salta Province of Argentina; and
- (viii) To take an environmental liability insurance in favour of the government of Salta Province of Argentina and/or third persons to cover any damage that the work may cause in the Tartagal and Morillo license areas.

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

For the six months ended 30 June 2010

18. CONTINGENT LIABILITIES – FINANCIAL GUARANTEE

In December 2009, 四會市志來煤炭實業有限公司 (“Sihui Zhilai”), a subsidiary indirectly owned by the Company, issued corporate guarantees to a bank in connection with banking facilities granted by the bank to 四會市鯤鵬物資回收有限公司 (“Sihui Kun Peng”), an independent third party of the Group. At 31 December 2009, such facilities were drawn down by Sihui Kun Peng to the extent of USD3,406,000 (equivalent to HK\$26,413,000). The maximum liabilities of the Group under the guarantee issued represent the amount drawn down by Sihui Kun Peng of USD3,406,000 (equivalent to HK\$26,413,000). No recognition was made because, in the opinion of the director of the Company, the fair value of the guarantee was insignificant and that the directors did not consider it is probable that a claim would be made against the Group under the guarantee.

The financial guarantee given by the Group was released on 6 April 2010. The Group did not have any financial guarantee as at 30 June 2010.

19. LITIGATION

As at the date of this report, the Company applied for an interpleader relief from the High Court of Hong Kong (the “Court”) for the purpose of seeking an order or direction from the Court regarding the allotment and issue of the second tranche and third tranche consideration shares for the acquisition of the entire share capital of Jade Honest Limited. The interpleader applications are solely for the purpose of applying to Court for a determination of whether the vendors (on the one hand) or the nominee (on the other) under such acquisition is entitled to be allotted and issued the second and third tranche consideration shares, and that neither the vendors nor the nominee has instituted any proceedings against the Company in respect of these Shares.

In March 2010, Sihui Zhilai brought legal action against a customer, claiming the outstanding amount on the goods delivered, interest on late payment and related legal fees in relation to a sales and purchase agreement. According to a verdict issued by The People’s Court of Futian District dated 16 July 2010, Sihui Zhilai is entitled to recover the outstanding balance of approximately RMB3.98 million, accrued interests, and related legal fees incurred from the customer.

Save as disclosed above, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

20. MATERIAL RELATED PARTY TRANSACTIONS

Name of party	Relationship
New World Development Company Limited	The companies are controlled by Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the single largest shareholder of the Company
New World Insurance Management Limited	
CiF Solutions Limited	

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

Related parties	Nature of transactions	Term and pricing policies	Six months ended 30 June	
			2010 HK\$'000	2009 HK\$'000
New World Development Company Limited	Rent, rates and management fee	(i)	429	–
New World Insurance Management Limited	Insurance	(i)	65	–
CiF Solutions Limited	IT management and support	(i)	33	–

Note:

- (i) Agreed by parties concerned.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

20. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel remuneration

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Short-term employee benefits	872	1,167
Post-employment benefits	7	10
	879	1,177

(c) Amount due from related parties

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
	Amount due from a minority shareholder	2
Prepayment and deposits	226	287

21. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in the financial statements, the Group does not have any other significant events after the end of the reporting period which required to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL REVIEW

During the period under review, our trading business has provided a stable source of revenue for the Group. In the meantime we have made remarkable progress in exploration for crude oil and natural gas resources in our Argentina project, therefore paving the way for the commencement of extraction. On the other hand, the gold mine acquisition in Hebei, China is nearing its closing stage. The Board believes that the acquisition of gold mines would be completed in 2010 and the acquired projects are expected to soon turn into strong revenue drivers.

For the six months ended 30 June 2010, the Group's turnover was approximately HK\$29.80 million (for the six months ended 30 June 2009: HK\$4.31 million), representing an encouraging increase of 591.42%. Nevertheless, the Group recorded a loss attributable to owners of the Company of approximately HK\$20.87 million as compared to a profit of HK1.92 million for the corresponding period in 2009. The loss was in large part driven by the pre-operating expenses in its existing resources exploration projects prior to the production stage, as well as the necessary costs incurred in searching for and critically evaluating projects with abundant natural resources growth potential. As expected by the Board, administrative expenses rose by 231.69% to HK\$26.90 million (for the six months ended 30 June 2009: HK\$8.11 million), and continued to be the major source of the loss. Administrative expenses mainly comprised staff's salaries, consultancy fees, and legal and professional expenses.

REVIEW OF BUSINESS OPERATIONS

Trading business

In the first half of 2010, while chance and timing of the return of a strong economy remain uncertain, the Group continued to execute its plan to improve and strengthen its involvement in the resources sector. The Board's strategy focused on trading in resources related strategic investment business, in order to provide stronger and steadier income inflow for the Group. During the period under review, the Group recorded sales of approximately HK\$29.80 million (for the six months ended 30 June 2009: HK\$4.31 million), with a gross profit of approximately HK\$575,000 (for the six months ended 30 June 2009: HK\$22,000). Increase in sales was resulted from the Group's strategy to transform and expand its resources-related trading operations in order to broaden the earning base and growth potentials to the business.

Oilfield exploration and exploitation business

It has been more than a year since the Group completed the acquisition of 60% interest in the exploration and potential exploitation concessions granted by the Government of Argentina in Tartagal and Morillo blocks. The Group fully recognized the strategic importance of advancing the projects into development and exploitation stages. During the first six months in 2010, the Group continued to build its oil exploration and exploitation business in Argentina, and provided all the required funding, human resources, and access to advanced technology to the projects.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EXPLORATION, DEVELOPMENT AND PRODUCTION

Overview

The Tartagal concession and Morillo concession (collectively the "Concessions") are the concessions of the exploration permits and potential exploitation permits for oil and developments of hydrocarbons in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. It is one of the largest oil exploration land parcels open for tender in Argentina. The Company holds interests in the Concessions through an indirect wholly-owned subsidiary, and is responsible for carrying out the duties in regard to all legal acts, contracts, and operations of the exploration works in the Concessions.

Exploration

In the first half of 2010, our progress in exploration was remarkable. The Group carried out exploration activities for crude oil and natural gas in the Concessions, focusing on 3D seismic acquisition in Tartagal concession and 2D seismic acquisition in Morillo concession. Seismic acquisition is a process to create and record seismic data with the aid of equipment. W.I.C.A.P. S.A., our contractor in Argentina, first used surveying equipment to level and survey points on the cleared lines, then used vibrators to generate seismic signals along the lines. The signals were subsequently recorded by geophones, a type of receiver used for collecting data. Seismic data recorded in the Concessions will be analyzed by our internal experts and external technical consultants before we begin to drill oil wells for further exploration works.

Pursuant to the obligations imposed in the exploration permits granted by the Secretariat of Energy of the Province of Salta, the Company is required to perform 3D seismic data acquisition covering a total surface area of 500 square kilometers and 2D seismic data acquisition covering lines of 997.74 kilometers in Tartagal and Morillo concessions respectively. As at the date of this report, 2D seismic data acquisition in Morillo concession has been fully completed, and 3D seismic data acquisition in Tartagal concession is expected to be finished in 2010.

In July 2010, the Secretariat of Energy of the Province of Salta granted an extension of the exploration permits of the initial period for an additional fourteen months until February 2012, allowing the Group to design and develop further exploration programs in Tartagal and Morillo blocks.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EXPLORATION, DEVELOPMENT AND PRODUCTION *(CONTINUED)*

Exploration *(Continued)*

A table of major exploration activities and a summary of expenditure incurred on these activities for the six months ended 30 June 2010 are as follows:

TABLE OF MAJOR EXPLORATION ACTIVITIES

	Line Clearance		Surveying		Data Recording	
	Distance Cleared (km)	Percentage of Completion	Point Surveyed	Percentage of Completion	Distance Recorded (km)	Percentage of Completion
Argentina						
Tartagal						
<i>(3D Seismic Acquisition)</i>	1,298.16	58.3%	18,503	49.7%	–	–
Morillo						
<i>(2D Seismic Acquisition)</i>	905.57	90.8%	35,907	71.9%	575.94	57.7%

SUMMARY OF EXPENDITURE INCURRED

Nature of Expenditure	Amount <i>HK\$'000</i>
Seismic exploration service charges	57,984
Fieldwork consultancy fees	1,151
Compensations paid to affected landlords and occupants in the Concessions	950
Total	60,085

Development and Production

During the period under review, as the Concessions were under exploration permits and the explorations of the projects were in progress, no development or production activity has taken place at this stage. Development and production activities will commence once the exploration works in the Concessions are completed.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS

As resources are irreplaceable and scarce in general, the Board believes that the rising demand for energy and natural resources is sustainable. In order to better position itself in the industry to grasp the emerging opportunities, the Group's strategy is to expand its trading business in order to increase the sales volume and search for strategic investment opportunities in natural resources. The Board believes that the revenue contribution from the trading operations is crucial to the Group, as the Tartagal and Morillo oilfield projects are in exploration at this stage.

The Group will continue to support the needs of its oilfield exploration and potential exploitation business in Argentina, in both financial and operation aspects. Working closely with its business partners, technical advisors and contractors, the Group seeks to work upon its exploration activities in the Tartagal and Morillo concessions, aiming to turn prospective oil and gas reserves into proved reserves with substantial potential for commercial productions.

In February 2010, the Group signed a sales and purchase agreement to acquire 90% interest in a corporation with access to three gold mines in operation, namely Banbishan Gold Mine, Sanjia Gold Mine, and Qingheyan Gold Mine (collectively the "Gold Mines") in Hebei, China. The total consideration for this acquisition is approximately HK\$600 million. The Gold Mines have an aggregate gold ore resource estimate of up to about 3.9 million tones, with a reserve of gold metal of about 21,000 kilograms. The legitimate mining areas covered by the Gold Mines amount to 6.3549 square kilometers, and may be further expanded to 11.853 square kilometers upon the completion of the proposed integration of the mines. Upon the satisfaction of a number of conditions stated in the sales and purchase agreement, the Group expects the acquisition of the Gold Mines will be completed shortly, with an immediate cash revenue contribution to the current portfolio.

As a consolidated natural resources company, the Group's strategy goes beyond gold and oil exploration and exploitation, to monitoring trends in natural resources and actively evaluating strategic investment opportunities in resources-related projects around the world. We remained focused on establishing and developing our existing operations while searching for potentially lucrative business opportunities around the globe with careful analysis of detailed information and in a professional manner. This approach is motivated by our dedication to strive for maximising the interest of our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

On 4 May 2009, the Company issued convertible notes for an aggregate principal amount of HK\$1,832.4 million at a conversion price of HK\$0.32 per share, pursuant to the agreement of acquisition of 100% interest in Jade Honest Limited. As at 30 June 2010, the said convertible notes were exercised in full, and were converted into 5,726,250,000 shares of the Company.

On 28 January 2010, the Company issued 743,100,000 new shares of HK\$0.10 each, pursuant to a placing agreement to place the said shares to independent third parties, at a price of HK\$0.31 per share. Net proceeds of approximately HK\$221.4 million were used for general working capital purpose and for financing future investment opportunities identified by the Group.

On 26 February 2010, the Company issued 322,582,000 new shares of HK\$0.10 each, pursuant to a subscription agreement and a special mandate approved at the special general meeting held on 24 February 2010, to allot and issue the said shares to Max Sun Enterprises Limited at a price of HK\$0.31 per share. Net proceeds of approximately HK\$99.9 million were used for general working capital purpose and for financing future investment opportunities identified by the Group.

On 25 June 2010, a total of 1,152,521,860 bonus warrants were issued by the Company to the shareholders on the basis of one bonus warrant for every seven shares held on 9 June 2010. The holders of these bonus warrants are entitled to subscribe in cash for 1,152,521,860 new shares at an initial exercise price of HK\$0.27 per share at any time during the period commencing from 25 June 2010 to 24 June 2011 (both days inclusive). Assuming the full exercise of the subscription rights attaching to the bonus warrants, the net proceeds to be raised is approximately HK\$310.9 million, which is intended to be used for general working capital purpose and for financing future business development of the Group. As at 30 June 2010, 1,152,521,860 units of bonus warrants remained outstanding.

As at 30 June 2010, the total equity of the Group was approximately HK\$3,725.48 million (31 December 2009: HK\$3,429.53 million) and the net asset value per share was HK\$0.46 (31 December 2009: HK\$0.62). The debt ratio, calculated by total liabilities divided by total assets, was 4.89% as at 30 June 2010 (31 December 2009: 3.02%).

As at 30 June 2010, working capital, calculated by current assets minus current liabilities, was approximately HK\$344.70 million. (31 December 2009: HK\$136.97 million).

As at 30 June 2010, the balances of cash and cash equivalents of the Group were approximately HK\$334.75 million (31 December 2009: HK\$163.75 million) and were mainly denominated in Hong Kong dollars, Argentine peso, and Renminbi.

As at 30 June 2010, the gearing ratio, calculated on the basis of interest bearing borrowings to total equity, was 4.14% (31 December 2009: 2.49%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CONTINGENT LIABILITY

As at 30 June 2010, the Group did not have any material contingent liabilities. Details of contingent liabilities of the Group as at 31 December 2009 are set out in note 18 to the financial statements.

CHARGES ON ASSETS

As at 30 June 2010, the Group had not charged any of its assets. As at 31 December 2009, a fixed deposit of approximately HK\$28.36 million, dominated in Renminbi, of an indirect subsidiary of the Company in a PRC bank was pledged to secure banking facilities granted to its supplier. The financial guarantee was released on 6 April 2010.

CAPITAL COMMITMENTS

Details of the Group's capital commitments are set out in note 17 to the financial statements.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Argentine peso, Renminbi, and United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the Group's foreign exchange exposure on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

As at 30 June 2010, the Group employed a total of 31 employees (31 December 2009: 26) in Hong Kong, Argentina, and the PRC. The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

OTHER INFORMATION

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

As at 30 June 2010, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

Long positions of Directors' interests in shares of the Company

Name of Directors	Nature of interest	Number of ordinary shares of the Company held	Number of warrants of the Company held	Approximate percentage of the total issued share capital
Mr. Cheng Ming Kit	Beneficial Owner	20,000	2,857	0.0003%
Mr. Fung Siu To, Clement	Beneficial Owner	600,000	85,714	0.008%

Save as disclosed above, as at 30 June 2010, none of the directors or chief executives of the Company and their associates had any personal, family, corporate or other interests had registered an interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

OTHER INFORMATION *(Continued)*

DISCLOSEABLE INTERESTS AND SHORT POSITION OF SHAREHOLDERS UNDER THE SFO

At 30 June 2010, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors of chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions:

Name of shareholder	Notes	Capacity and Nature of Interest	Number of ordinary share held	Number of warrants held	Percentage of the Company's issued share capital
Max Sun Enterprises Limited	(i)	Beneficially owned	868,605,530	124,086,504	12.30%
Chow Tai Fook Nominee Limited	(ii)	Interest in a controlled corporation	868,605,530	124,086,504	12.30%

Notes:

- (i) Max Sun Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited.
- (ii) So far as is known to the directors, Chow Tai Fook Nominee Limited is wholly owned by Dato' Dr. Cheng Yu Tung.

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

OTHER INFORMATION *(Continued)*

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include any director, or proposed director, including independent non-executive director, employee or proposed employee, seconded, any holder of securities issued by any member of the Group, any business or joint venture partner, contractor, agent or representative, any person or entity that provides research, development or other technology support or advisory, consultancy, professional or other services to the Group, any supplier, producer or licensor of goods or services to the Group, any customer, licensee or distributor of goods or services of the Group, or any landlord or tenant of the Group or any substantial shareholder or company controlled by a substantial shareholder, or any company controlled by one or more persons belonging to any of the above classes of participants. The Scheme became effective on 30 August 2002 and, unless otherwise terminated earlier by shareholders in a general meeting, will remain in force for a period of 10 years from that date.

During the period under review, no share options were granted. A summary of the movement of the share options granted under the Scheme are as follows:

Category of grantees	Date of grant	Exercise period	Exercise price	Balance at beginning of the period	Number of share options			Balance at the end of the period
					Granted during the period	Exercised during the period	Lapsed during the period	
Other employees in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK\$0.60	8,666,000	–	–	4,333,000	4,333,000
Other participants in aggregate	8.5.2007	8.5.2007 – 7.5.2012	HK\$0.60	25,998,000	–	–	8,666,000	17,332,000
				<u>34,664,000</u>	<u>–</u>	<u>–</u>	<u>12,999,000</u>	<u>21,665,000</u>

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

OTHER INFORMATION *(Continued)*

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company had complied with the Code Provisions on Corporate Governance (the "Code Provision(s)") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010 except for the following deviations:

Code Provision A.2.1

This code stipulates that the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Company does not at present have any office with the title "Chief Executive Officer".

Code Provision A.4.1

This code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The non-executive and independent non-executive directors of the Company are not appointed for a specific term but they are subject to retirement by rotation and re-election at the general meeting of the Company.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2010.

OTHER INFORMATION *(Continued)*

MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

ON BEHALF OF THE BOARD
Cheng Kam Chiu, Stewart
Chairman and Executive Director

Hong Kong, 27 August 2010