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EPI (Holdings) Limited
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

RESULTS

The board of directors (the “Directors”) of EPI (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010 with comparative figures for the year ended 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2010	2009
		HK\$'000	HK\$'000
			(restated)
Continuing operations:			
Revenue	3	937,258	945,929
Cost of sales		(926,619)	(943,832)
		—————	—————
Gross profit		10,639	2,097
Other gains and losses	4	17,685	74,358
Distribution and selling expenses		(11,799)	(9,664)
Administrative expenses		(89,162)	(47,355)
Other expenses	5	(214,496)	(38,633)
Finance costs	6	(2,385)	(2,419)
		—————	—————
Loss before taxation		(289,518)	(21,616)
Taxation	7	—	291
		—————	—————
Loss for the year from continuing operations	8	(289,518)	(21,325)
		—————	—————
Discontinued operations:			
Profit for the year from discontinued operations	9	890	41,639
		—————	—————
(Loss) profit for the year		(288,628)	20,314
		—————	—————

* For identification purpose only

	<i>Note</i>	Year ended 31 December	
		2010	2009
		HK\$'000	HK\$'000
			<i>(restated)</i>
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	<i>11</i>		
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
	Note	2010	2009
		HK\$'000	HK\$'000
Non-current assets			
Exploration and evaluation assets	12	3,793,293	3,810,136
Property, plant and equipment		161,027	171,978
Financial assets at fair value through profit or loss		–	2,947
Deferred tax assets		295	295
Other tax recoverable		33,643	39,912
		<hr/>	<hr/>
		3,988,258	4,025,268
Current assets			
Loan receivables		–	15,962
Trade and other receivables	13	206,032	260,504
Available-for-sale investments		67,600	–
Held-for-trading investments		4,000	148,412
Pledged bank deposits		26,340	22,624
Bank balances and cash		85,204	93,002
		<hr/>	<hr/>
		389,176	540,504
Current liabilities			
Trade and other payables	14	168,372	221,733
Derivative financial instruments		10,596	8,009
Bank borrowings-amounts due within one year		135,677	99,962
Taxation payable		–	300
		<hr/>	<hr/>
		314,645	330,004
Net current assets		<hr/>	<hr/>
		74,531	210,500
Total assets less current liabilities		<hr/>	<hr/>
		4,062,789	4,235,768

		At 31 December	
	<i>Note</i>	2010	2009
		HK\$'000	HK\$'000
Non-current liabilities			
Promissory notes		1,899	252,280
Bank borrowings-amounts due after one year		–	3,453
Deferred tax liabilities		5,718	–
Assets retirement obligation		3,137	3,150
		—————	—————
		10,754	258,883
		—————	—————
		4,052,035	3,976,885
Capital and reserves			
Share capital		185,088	76,936
Reserves		3,866,947	3,899,949
		—————	—————
Equity attributable to owners of the Company		4,052,035	3,976,885
		—————	—————

1. BASIS OF PREPARATION

These consolidated statement of financial position as at 31 December 2010, and the consolidated comprehensive income statement for the year then ended and the related notes 1 to 14 are extracted from the Group's consolidated financial statements for the year ended 31 December 2010. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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. These policies have been consistently applied to the two years presented, unless otherwise stated. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

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.

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 will affect the classification and measurement of the Group’s available-for-sale investments, financial assets at fair value through profit or loss, held-for-trading investments and derivative financial instruments. 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. 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
	<hr/> 937,258 <hr/>	<hr/> 945,929 <hr/>

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 9 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)

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)

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.

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.

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
	—	—	—	—

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.

4. OTHER GAINS AND LOSSES

	2010 HK\$'000	2009 HK\$'000
Continuing operations:		
Bank interest income	115	199
Interest income from loan receivables	–	2,436
Other interest income	5,404	–
	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 (<i>note</i>)	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.

5. OTHER EXPENSES

	2010 HK\$'000	2009 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 valued added tax expenses	35,795	3,414
Capitalised exploratory well costs charged to expense	177,439	–
	214,496	38,633

6. 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
	<hr/>	<hr/>
	2,385	2,419
	<hr/>	<hr/>

7. TAXATION

	2010 HK\$'000	2009 HK\$'000
Continuing operations:		
Current tax:		
Hong Kong	–	–
Other jurisdictions	–	(216)
	<hr/>	<hr/>
	–	(216)
	<hr/>	<hr/>
Overprovision in prior years		
Hong Kong	–	212
	<hr/>	<hr/>
Deferred tax		
Current year	–	295
	<hr/>	<hr/>
	–	291
	<hr/>	<hr/>

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.

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.

8. 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	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

9. DISCONTINUED OPERATIONS

- (i) 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.

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.

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.

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)	7,744
Profit for the year from discontinued operations (attributable to owners of the Company)	890
	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
	13,389

	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)
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
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)	61,129	96,524	157,653
	<hr/>	<hr/>	<hr/>
Profit (loss) for the year from discontinued operations	44,084	(2,445)	41,639
	<hr/>	<hr/>	<hr/>
Attributable to:			
Owners of the Company	61,771	(2,445)	59,326
Non-controlling interest	(17,687)	–	(17,687)
	<hr/>	<hr/>	<hr/>
	44,084	(2,445)	41,639
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
	1,744	2,652	4,396
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Other information:			
Capital additions	2	613	615
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
Net cash outflows	(12,276)	(4,183)	(16,459)
	<hr/>	<hr/>	<hr/>

10. DIVIDEND

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

11. (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
	<hr/> <hr/>	<hr/> <hr/>
	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	—	—
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	12,324,837	4,606,917
	<hr/> <hr/>	<hr/> <hr/>

The computation of diluted loss per share for the years ended 31 December 2010 and 31 December 2009 does not assume the exercise of the 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	 <hr/> <hr/>	 <hr/> <hr/>
	(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 before for basic earning per share.

From discontinued operations:

Basic earnings per share for the discontinued operations is 0.007HK cent per share (2009: 1.29 HK cent per share) and the diluted earning per share for discontinued operations is 0.007HK 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 basis and diluted earnings per share.

12. 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	3,810,136	—	3,810,136
At 31 December 2009	3,810,136	—	3,810,136
Additions	—	17,565	17,565
Transfer to oil and gas properties	(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 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.

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. Hence, in the opinion of the directors of the Company, the fair value of the contingent consideration at the date of acquisition and at the end of the reporting period is not significant.

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

13. TRADE AND OTHER RECEIVABLES

	2010 HK\$'000	2009 HK\$'000
Trade receivables	14,623	47,850
Bills receivables	90,214	28,979
	<hr/>	<hr/>
Other tax recoverable	104,837	76,829
Prepayments to other suppliers (note a)	6,214	289
Consideration receivable on disposal of subsidiaries (note b)	40,000	109,418
Consideration receivable on disposal of a jointly controlled entity (note c)	1,000	–
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
Consideration receivable on disposal of held-for-trading investments (note d)	49,000	–
Other receivables and deposits	917	30,867
	<hr/>	<hr/>
Total trade and other receivables	206,032	260,504
	<hr/>	<hr/>

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
	<hr/> 104,837 <hr/>	<hr/> 76,829 <hr/>

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.

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)
	<hr/> – <hr/>	<hr/> – <hr/>
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

14. TRADE AND OTHER PAYABLES

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

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.

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 HK\$'000	2009 HK\$'000
0-30 days	97,703	132,668
31-60 days	–	7,830
61-90 days	–	2,103
	<hr/>	<hr/>
	97,703	142,601
	<hr/>	<hr/>

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 HK\$'000	2009 HK\$'000
	Equivalent	Equivalent
USD	89,128	136,522
ARS	<hr/>	<hr/>
	8,575	6,079
	<hr/>	<hr/>

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 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 Agreements 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 Oxitoprol – 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 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. Pursuant to the agreements, Have Result has a 70.83% interest and Maxipetrol a 29.17% interest, for carrying out the operation of petroleum production in the Areas. Therefore, Have Result has a 51% working interest in 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 will 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 Governments, and employing local technicians and labor. On August 2010, SinoPec has completed the registration of its wholly-owned subsidiary in Argentina.

On 20 November 2010, the equipments have arrived Mendoza, SinoPec have setup a full teams professionals in Mendoza includes recruitment of Argentina local professionals and workers, and secondment of Chinese expertise and management team.

In the year 2010, Have Result had completed the drilling of 3rd to 5th wells in the Areas, namely CH-1055, CH-7 bis and CH-25 bis. All the 5 oil wells namely CH-1052, CH-1053, CH-1055, CH-25 bis and CH-7 bis are in production, at 100% successful rate. Out of the 5 oil wells, CH-25 bis and CH-7 bis are deep well with depth over 4,200 meters, have reached the Proterrillos Formation, the Group has collected logging data and geologic information on the deep formation that is valuable for the future development plan in the Areas. CH-25 bis and CH-7 bis are defined as both Development and Exploration wells, a substantial portion of the investment cost was classified for exploration purpose and expensed in year 2010. According to the test result of CH-7 bis and CH-25 bis, under the 3600m of there are great potential inside the PO oil layers. The first testing result of CH-7 bis is 40m³/day at interval 3953-3961m, and we also found oil layer between 4200m-4600m inside the CH-25 bis with 5% oil content at PO oil layers.

During the year, Have Result had commercial disputes with Maxipetrol. On 7 September 2010, Maxipetrol served a notice to Have Result communicating her 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 fault and the Company has instructed Argentina Legal advisers 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 after the aforesaid Maxipetrol's notice of termination of the Assignment Agreements, the Group, via its wholly-owned subsidiary Southstart Limited, began discussion 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 the Assignment Agreements (the "Termination") was ungrounded and reserving all rights and remedies against it. The Company has sought legal advice from its Argentina legal advisers on the implications of the Termination and was advised that notwithstanding the termination of the Chañares Agreement and the Assignment Agreements, Have Result remains entitled to a 51% right in the production from the existing 5 wells, provided that Have Result continues to pay the relevant operating costs. On 2 December 2010, the Company received a letter from Chañares dated 22 November 2010 and in the letter Chañares acknowledged and confirmed, that, among other rights, 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.

Maxipetrol breached its obligations under the Assignment Agreements. 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 actions against Maxipetrol in due course.

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 Agreement, E.P. Energy S.A., a wholly-owned subsidiary of Southstart Limited, which is organized and existing under the laws of Argentina and Chañares shall form a joint venture company which will be owned as to 72% by E.P. Energy S.A. and as to 28% by Chañares. The business of the joint venture company will be the exploration, exploitation and development of hydrocarbons in the Areas under the terms of the New Agreement.

Upon signing of the New Agreement, Southstart Limited and E.P. Energy S.A. are 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. The total consideration for the right to drill is subject to adjustment on whether Chañares can 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 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 Agreement, E.P. Energy S.A. has to complete the 2011 Investment Plan which consisted of 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 this connection, 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 E.P. Energy S.A. fails to complete the 2011 Investment Plan.

As advised by the Group’s Argentina legal advisers, the New Agreement between Southstart Limited and Chañares 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 existing 5 wells notwithstanding the termination of the Assignment Agreements with Maxipetrol; and (ii) the entering into of the direct New Agreement with Chañares enable the Group to continue its expansion plan in the Areas.

The contingent oil resources in certain shallow reservoirs in the Mendoza Oilfield, after taking into consideration of 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.

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 has finished the drilling of 3 wells according to the last's year investment plan. As of the date of announcement, there are 5 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 year 2010, the 5 wells generate oil sales, revenue of HK\$35.70 million. All the oil was sold to YPF Sociedad Anónima, through the Chañares, the Concession owner. During year 2010, 2 shallow wells CH1052 and CH-1053 are in full year production, another shallow well CH-1055 and 2 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 started depreciation from commencement of production. During year 2010, the depreciation of oil & gas properties is HK\$21.96 million. In year 2010, the Company has reclassified HK\$177.44 million oil well drilling exploration cost for exploration purpose to collect data in the Proterrillos Formation that located at over 4,200 meters in depth, this amount 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 trend of increase in international oil selling price, the local selling price of crude oil in Argentina increase during year 2010. The local crude oil price increase from USD44.4 per barrel in January 2010 to USD52.1 per barrel in December 2010, represents increase of USD7.9 per barrel or a 18% increase. The oil selling continue increase in year 2011, the February 2011 selling price reach

USD54.1 per barrels. The Group expects that the oil selling price will continue to increase and the domestic oil selling price and the international oil selling price will be closer and closer.

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 and 1996 respectively, with the possibility of a 10-year extension. According to legal advice on Argentina laws 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 Mendoza oilfield that the Group has 72% working interest, has made the application of 10-year extension to the Mendoza Government. The application has been accepted by the Mendoza Government, Chañares Herrados has filed all the information and documents required by the Mendoza Government. Chañares Herrados is in the process of negotiation with Government and expects to be finalised during second quarter of year 2011.

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

Overall drilling plan

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

The Group is also investigating the opportunity of horizontal drilling in the concession areas which the general international practice is to increase the production to 3-7 times of vertical drilling with 2 times investment of vertical drilling. The Group is employing vertical drilling at present.

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 3 oil wells include 1 shallow well and 2 deep development & production wells in year 2010, these 3 wells commence its production in the second and third quarter of year 2010. There are 5 oil well producing in year 2010, with only two wells CH-1052 & CH-1053 are accountable for 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 is USD48.4 per barrel or USD304.4 per m³.

In year 2010, the Company has reclassified HK\$177.44 million oil well drilling exploration cost for exploration purpose to collect data in the Protrerillos Formation that located at over 4,200 meters in depth, this amount 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.

Administrative and Financial expenses of HK\$32.11 million mainly include professional and consultancy fees on oil drilling service, salary, travel expenses and exchange difference.

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 trading of non-ferrous metals business remained difficult in 2010. The Group used to purchase the scrap copper from overseas markets including United States, Europe and Asia and fixed the price by reference to the London Metal Exchange (“LME”) and sold to the customers in China with the 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 the scrap copper into China. The Group had stopped trading the scrap copper in the year of 2010 and only traded the copper cathodes on selective basis when the transactions allowed a reasonable margin, despite the fact that the margin was thin.

The Group had 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 MTBE 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 the financing needs for the general working capital requirements and the funding needs of the Mendoza oil project, the Group had 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 planned to drill 5 to 10 wells in the year of 2011, and will require 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 of drilling 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 towards the 10 years' extension of the hydrocarbons exploitation concession and is considering various means to raise the required capital, including but not limited to placing of shares, issue of convertible bonds, rights issue and bank loans. The Group is currently undergoing a negotiation with the banks for obtaining a 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).

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 37.72 million (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.

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 <i>HK\$</i>	Lowest <i>HK\$</i>
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
	<u>109,080,000</u>			

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 DIRCTORS

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

REVIEW OF FINANCIAL STATEMENTS

Following the resignation of Mr. Poon Kwok Shin Edmond on 11 March 2011 and Mr. Leung Hon Chuen on 17 March 2011, the audit committee of the Company has only one member, the number of which falls below the minimum number required under Rule 3.21 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 audit committee and further announcement will be made by the Company upon fulfilling the requirements under Rule 3.21 of the Listing Rules. The annual results of the Group for the year ended 31 December 2010 had been reviewed by Mr. Qian Zhi Hui, the sole audit committee member.

PUBLICATION OF ANNUAL REPORT

The 2010 annual report of the Group will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.epiholdings.com) respectively in due course.

For and on behalf of
EPI (Holdings) Limited
Wong Chi Wing, Joseph
Chairman

Hong Kong, 31 March 2011

As at the date of this announcement, the Board comprises of two executive Directors, namely Mr. Wong Chi Wing, Joseph and Mr. Chu Kwok Chi, Robert and two independent non-executive Directors, namely, Mr. Zhu Tiansheng and Mr. Qian Zhi Hui.