中國基礎能源控股有限公司

China Primary Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8117)

Annual Report 2015

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This annual report, for which the directors (the "Directors") of CHINA PRIMARY ENERGY HOLDINGS LIMITED (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

Contents

Expressed in Hong Kong dollars ("HK$")

The English translation of Chinese names or words in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

Corporate Information

Board of directors

Executive Directors

Ms. Ma Zheng *(Chairman)*
Mr. Wong Pui Yiu

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Registered office, head office and principal place of business

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business

Suite 701
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Company secretary

Mr. Wong Chun Sing

Compliance officer

Mr. Wong Pui Yiu

Audit committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Nomination committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Remuneration committee

Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

Authorised representatives

Ms. Ma Zheng
Mr. Wong Pui Yiu

Principal bankers

OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Share registrar and transfer office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Stock code

8117

Website

http://china-p-energy.etnet.com.hk

Cayman Islands assistant secretary

Codan Trust Company (Cayman) Limited

Auditors

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong branch share registrar

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

Chairman's Statement

It is my pleasure to present the annual results of China Primary Energy Holdings Limited (the "Company") together with its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2015.

Operation

In the year 2015, the global economic environment, especially Asia, changed rapidly. Economic growth was slowing down after years of rapid growth. Although the political and economic environment of The People's Republic of China (the "PRC") was relatively stable when compared with other countries, certain areas like the finance sector and the construction sector were being adversely affected. Renminbi and the PRC stock market depreciated a lot in the second part of 2015. Being a PRC based group, however, in such a volatile economic environment, we believed it is an opportunity for us to expand and strengthen our business.

After the Company settled the prolonged convertible bonds issue with Lehman Brothers in 2014, the Group made a fresh start in 2015. Investors and new shareholders felt confidence with the prospect of the Group and so we obtained funds through subscription of shares and issue of convertible bonds in 2015. These brought in additional resources which make the Group more strong and competitive. The financial basis of the Group was significant enhanced.

2015 was the second year and the first whole year of our energy segment. Natural gas is a kind of clean energy that most of the large countries, include PRC, are using and the extent of usage is growing rapidly. The PRC government has announced its policy to encourage businesses and citizens to use clean energy. The policy benefits the natural gas business. The Group completed the acquisition of the Wuhu City natural gas company in 2015. Together with the natural gas projects in Fujian Province and Anhui Province acquired in 2014, a strong energy segment has been built up.

In 2015, the Polyethylene pipes ("PE pipes") segment continued to improve and its performance was the best for the past few years. This is a result of reinforcement of internal control and change of product mix occurred during the year. In addition, the entrance of new markets like Shenzhen speeded up the growth of the segment. In 2015, this segment continued to serve as one of the major businesses of the Group.

Results

Since 2015 was the first full year operation of the energy segment, the results of the Group was yet to be improved. Although the results of the Group in 2015 did not meet expectation, revenue was significantly improved. Moreover, revenue from the natural gas segment exceeded the revenue from the PE pipes manufacturing segment. In 2015, gross margin of the Group improved a lot but was still not enough to cover the fixed costs of the Group but we believe that increase revenue and improved effectiveness in the near future can definitely improve the result of the Group soon.

Chairman's Statement

Future Development

Definitely, the acquisition and corporate exercises in the last two years had strengthened the foundation and broaden the earning base of the Group. As announced during 2015, we are strategically cooperating with electricity companies to expand our natural gas business. With the continuing growth of the natural gas business, we are expanding our market share in the industry and is looking for every opportunity to growth. We believe their contributions will be positive and significant to the Group in 2016 and behind.

For the manufacturing sector, synergy effect has been benefiting the Group as gas pipes produced can be used by the natural gas companies. We are also expanding the PE pipes business by entering into the Shenzhen market and we are confident that the PE pipes business will be improved a lot in 2016. Also, the fibre reinforced plastic ("FRP") business, which is a new business, will start to contribute in 2016.

As the Chairman of the Company, I will continue to lead the Board and the Company to achieve our goal. I strongly believe that with the continuous efforts and support of the management team and business partners, the target of the Group is to develop into a large natural gas service provider and a leading manufacturer of PE pipes and FRP in the PRC. In the meantime, as mentioned several times before, we are still investigating for possible investing opportunities to increase the Company's value. In this respect, I can assure you that the shareholders' return will be increased in the near future.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, fellow directors, staff, customers, suppliers, professional advisers and business partners for their ongoing support and contributions. 2016 will be a challenging year but, with the strong commitment and contribution from all of you, I believe the Group can achieve its goal.

MA ZHENG
Chairman

Hong Kong, 23 March 2016

Management Discussion and Analysis

OPERATION REVIEW

Revenue of the Group for the year ended 31 December 2015 increased when compared to the corresponding period in 2014. Such significant increase was because the revenue of the Polyethylene pipes ("PE pipes") business was sustained and 2015 was the first whole year to incorporate the revenue of the natural gas business. In 2015, the natural gas business contributed significant revenue to the Group. The board of directors (the "Board") believes that revenue of the Group will be further improved with the development of the natural gas business and anticipated improvement of the PE pipes business. Therefore, the results of the Group will be improved accordingly.

The business segment of the PE pipes has been the core business of the Group in previous years and continued as one of the main businesses of the Group in 2015. The PE pipes include both water pipes and gas pipes. They are products used for construction and city development in the People's Republic of China (the "PRC"). The Group's major customers are the government and public entities, or their suppliers, from different provinces and cities in the PRC. In the last quarter of 2015, we began to sell to government related bodies and customers in a new market – Shenzhen. Shenzhen market will become a very important market of the Group. With the anticipated higher revenue under continuous improvement of revenue and a strengthened customer portfolio, gross margin of the PE pipes business will definitely improve in 2016 and in the long term.

Operation of the natural gas business segment was on the right track in 2015. In view of the PRC government has implemented the policy to use clean energy in the PRC, the prospect of natural gas business is very bright. Besides the natural gas companies acquired in 2014, the acquisition of Wuhu Shengyuteng Natural Gas Pipeline Company Limited was completed in the third quarter of 2015. As a result of various acquisitions and investments, the Group operated the natural gas business in various areas and provinces in the PRC. Our customers include industrial customers and domestic customers. The Group is of the view that the natural gas business is still growing and will become the most significant business of the Group in the near future.

In the meantime, the Board has been exploring possible investing opportunities to increase the Company's value.

Issue of the Convertible Bonds

On 17 February 2015, the Company entered into the conditional subscription agreement (the "CB Subscription Agreement") with Golden Peak Minerals Limited (the "CB Subscriber"), pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK$60,000,000 (the "Convertible Bonds").

Management Discussion and Analysis

Based on the initial conversion price of HK$1.00 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Share(s)") has been allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represented: (i) approximately 7.31% of the issued share capital of the Company as at the date of the CB Subscription Agreement; and (ii) approximately 6.81% of the issued share capital of the Company as at the date of completion as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The net proceeds of the subscription of approximately HK$59,400,000 will be applied towards appropriate acquisition and investment opportunities of the Group and the considerations thereof and working capital of the Group.

The Convertible Bonds shall not be converted into conversion shares for the period from the date of issue of the Convertible Bonds to the date falling three years after the issue of the Convertible Bonds.

The Conversion Price is initially HK$1.00 per Conversion Share, subject to adjustment for subdivision or consolidation of shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

Details are set out in the announcements dated 17 February 2015 and 8 April 2015 and the circular dated 11 March 2015 of the Company.

The Convertible Bonds were issued on 8 May 2015.

Grant of share options

The share option scheme (the "Share Option Scheme") was adopted by way of the shareholders' (the "Shareholders") resolution of the Company on 8 May 2012. On 18 November 2014, the scheme mandate limit was refreshed to 82,089,767 shares, being 10% of the issued share capital of the Company as at 18 November 2014.

On 10 April 2015, the Board had resolved to grant share options to certain individuals to subscribe for a total of 81,720,000 ordinary shares of HK$0.0625 each (with exercise price of HK$0.87 per share) in the share capital of the Company under the Share Option Scheme.

Details are set out in the announcement dated 10 April 2015 of the Company.

Management Discussion and Analysis

Subscription of new shares

On 9 June 2015, the Company entered into the subscription agreement (the "Shares Subscription Agreement") with Ultra Vantage Holdings Limited (the "Shares Subscriber"), pursuant to which the Shares Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 110,000,000 new Shares (the "Subscription Share(s)") at the subscription price of HK$1.39 per Subscription Share (the "Shares Subscription").

The subscription price of HK$1.39 per Subscription Share represented a discount of approximately 11.46% to the closing price of HK$1.57 per Share as quoted on the Stock Exchange on 9 June 2015, being the date of the Shares Subscription Agreement. The net subscription price, after deduction of relevant expenses, is approximately HK$1.385 per Subscription Share.

By entering into the Shares Subscription Agreement, the Group can enhance its working capital and strengthen the assets and financial position for future development and operation of the Group. Furthermore, the Shares Subscription will bring in new shareholder and will broaden the shareholder base of the Company.

The gross proceeds of the Shares Subscription are approximately HK$152.9 million and was used as the working capital of the Group.

The completion of the Shares Subscription has taken place on 24 June 2015 pursuant to the terms of the Shares Subscription Agreement and all the 110,000,000 Subscription Shares have been issued and allotted to the Shares Subscriber in accordance with the terms and conditions of the Shares Subscription Agreement. The Subscription Shares rank equally in all respects among themselves and with all other ordinary shares of HK$0.0625 each.

Details are set out in the announcements dated 9 June 2015 and 24 June 2015 of the Company.

Bank Loan

On 2 November 2015, China Primary Energy (Shenzhen) Limited, a wholly-owned subsidiary of the Company (the "Borrower"), as borrower has entered into a loan agreement with China Construction Bank Corporation Limited – Shenzhen City Branch (the "Bank"), whereby the Bank has agreed to advance to the Borrower a medium term loan of RMB37,500,000 (the "Bank Loan") for a term of five years. The Bank Loan is secured by the shareholdings of two subsidiaries of the Company and certain properties of a director and a director's family member. Each of Ms. Ma Zheng, the Chairman of the Company, and the Company has also executed a guarantee in favour of the Bank to secure the obligations of the Borrower under the Bank Loan.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue was approximately HK$162,432,000 for the year ended 31 December 2015, which represented an increase of approximately 83.7% when compared with last year's revenue of approximately HK$88,428,000. The Board believes that revenue of the Group will be further improved with the growing of the natural gas business and anticipated improvement of the manufacturing business.

During the year under review, audited loss before income tax was approximately HK$89,980,000 (2014: loss of approximately HK$46,201,000). The loss attributable to owners of the Company was approximately HK$91,321,000 (2014: loss of approximately HK$46,605,000). Significant loss is mainly due to change in fair value of financial assets of approximately HK$19,000,000 in relation to the Convertible Bonds and impairment of HK$20,000,000 on property, plant and equipment of the PE pipes business. In the current economic environment, the Board will continue to exercise stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group's corporate resources to create wealth for the Shareholders.

BUSINESS OUTLOOK AND PROSPECTS

From 2016 onwards, the Board is optimistic that the Group will perform much better with the current two major segments – the energy segment and the manufacturing segment. Currently, the energy segment mainly consists of the natural gas business. With the completion of acquisition of the natural gas company in Wuhu city in 2015, the Group has developed a strong natural gas sales network. The network is still expanding and with the clean energy policy carried out by the PRC government, the management believes the natural gas business will grow steadily under the current economic environment. Significant revenue will be contributed by the natural gas business. The energy segment will become the core business segment of the Group in the near future.

The PE pipes business of the manufacturing segment will continue to improve in 2016. The management is exploring new markets and improving the factory capacity and effectiveness. With the entrance of the Shenzhen market mentioned before, both revenue and gross profit will be increased and the Directors are optimistic on the prospects of PE pipes market. On the other hand, FRP products have been launched to the market and are heading for the growth stage. As a result, the manufacturing segment will definitely perform much better.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, net assets of the Group were approximately HK$388,049,000 (2014: approximately HK$246,345,000) while its total assets were approximately HK$550,241,000 (2014: approximately HK$373,556,000) including cash and bank balances of approximately HK$62,263,000 (2014: approximately HK$8,708,000).

FUNDING ACTIVITIES DURING THE YEAR

Other than the issue of the Convertible Bonds and Shares Subscription mentioned above, the Company did not carry out any fund raising activities during the year under review.

GEARING RATIO

As at 31 December 2015, current assets of the Group amounted to approximately HK$213,558,000 which included cash of approximately HK$49,415,000 and approximately RMB10,765,000, while current liabilities stood at approximately HK$105,380,000. The Group has borrowings of approximately HK$41,766,000. Equity attributable to owners of the Company amounted to approximately HK$366,693,000. In this regard, the Group was in a net assets position and had a gearing ratio of approximately 11.4% (borrowings to equity attributable to owners of the Company) as of 31 December 2015.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Sales and payment of the Group are denominated in Hong Kong dollars and Renminbi ("RMB"). The Group's cash and bank deposit were mainly denominated in Hong Kong dollars and RMB, and the business is mainly operated in the PRC. The only foreign currency exposure comes mainly from the funds movement between Hong Kong and the PRC. Although RMB depreciated in second part of 2015, risk is not significant as the Group conducts business in PRC and does not have import and export business. No hedging or other alternatives had been implemented for foreign currency exposure. However, the Group will continue to monitor closely the exchange rate movements and will enter into hedging arrangements in future if necessary.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities and save as disclosed above, no other assets of the Group were pledged.

Management Discussion and Analysis

SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to the financial statements.

CAPITAL STRUCTURE

The ordinary shares of the Company were initially listed on the GEM of the Stock Exchange on 13 December 2001. As at 31 December 2015, the issued share capital of the Company was made up of 930,897,672 ordinary shares of HK$0.0625 each.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES/FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and affiliated companies during the year.

SIGNIFICANT INVESTMENTS

Save as disclosed above, the Group had not made any significant investment for the year ended 31 December 2015.

EMPLOYEE INFORMATION

As at 31 December 2015, the Group had 8 full-time employees working in Hong Kong and 292 full-time employees working in the PRC. Total employees' remuneration for the year under review amounted to approximately HK$34,136,000. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Biographical Details of Directors and Senior Management

Directors

Ms. Ma Zheng, aged 49

Chairman and Executive Director

Ms. Ma joined the Group in February 2004. She is currently the chairman and the major shareholder of the Company. Ms. Ma has over 26 years of experience in international trade, electronic industry and corporation management. She graduated from Wuhan University majoring in construction structure engineering.

Mr. Wong Pui Yiu, aged 53

Executive Director

Mr. Wong joined the Group in February 2008. He has over 15 years of experience in business administration and corporate management. He is currently the general manager of Smart Honest Group Limited which has been a distributor of semiconductors since 2004.

Mr. Wan Tze Fan Terence, aged 51

Independent Non-executive Director

Mr. Wan joined the Group in March 2004. Mr. Wan holds a bachelor degree in commerce and a master degree in business administration. Mr. Wan has years of experience in accounting and financial management. He had worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practicing Accountant of CPA Australia. Currently, he is an executive director of Sino Oil and Gas Holdings Limited and an independent non-executive director of Eagle Legend Asia Limited, both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Biographical Details of Directors and Senior Management

Mr. Chung Chin Keung, aged 48

Independent Non-executive Director

Mr. Chung joined the Group in February 2008. Mr. Chung holds a bachelor degree of Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from Manchester Business School. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. He has more than 23 years of experience in finance, accounting and management. Mr. Chung is currently the financial controller and company secretary of China Financial Services Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Wang Xiao Bing, aged 48

Independent Non-executive Director

Mr. Wang joined the Group in March 2012. Mr. Wang holds a bachelor degree in law from China University of Political Science and Law. He used to work for several famous corporations and law office in China. He has over 14 years of experience in corporation law counselor. Mr. Wang has the lawyer's license of China and he is a member of Shenzhen lawyer association. Currently, Mr. Wang is a lawyer and one of the partners of Guangdong C&B Law Office, which is a new style and professional law office.

Senior management

Mr. Wong Chun Sing, aged 45

Financial Controller and Company Secretary

Mr. Wong joined the Group in April 2008. Mr. Wong holds a master degree in business administration. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong has over 22 years of management experience in the accounting and finance sector and he had worked for an international accounting firm, listed companies and securities and finance companies in Hong Kong.

Directors' Report

The directors of the Company (the "Director(s)") herein present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries are manufacture and sale of PE pipes and transmission and distribution of natural gas. Details of the principal activities of its subsidiaries are set out in Note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segment is set out in Note 7 to the financial statements.

Business review and future development

Business review of the operation of the Group for the year ended 31 December 2015 and outlook and future prospects are provided in both the sections of Chairman's Statement and Management Discussion and Analysis of this annual report.

Results and appropriations

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 40 to 147.

The Board does not recommend the payment of any dividend.

Share capital

Details of the movements in share capital of the Company during the year are set out in Note 33 to the financial statements.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and Note 44 to the financial statements, respectively.

Distributable reserves

As at 31 December 2015, the Company had reserves available for distribution amounted to approximately HK$233,684,000 (2014: approximately HK$180,090,000) as calculated according to the laws of the Cayman Islands.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

Directors' Report

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") and there is no restriction against such rights under the laws of the Cayman Islands, which will oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 148.

Purchase, sale or redemption of securities

The Company had not redeemed any of its ordinary shares during the year ended 31 December 2015. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's ordinary shares during the year ended 31 December 2015.

Directors

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Ms. Ma Zheng
Mr. Wong Pui Yiu

Independent Non-Executive Directors

Mr. Wan Tze Fan Terence
Mr. Chung Chin Keung
Mr. Wang Xiao Bing

In accordance with article 87(1) of the Articles of Association, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

All other remaining Directors will continue in office.

All Directors are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Articles of Association and code provision as set out in paragraph A.4.3 of Appendix 15 of the GEM Listing Rules.

Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any future re-appointment of Mr. Wan Tze Fan Terence will follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

Mr. Wan Tze Fan Terence is an independent non-executive Director and was appointed without a specific term.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 12 and 13.

Directors' service contracts

Ms. Ma Zheng and Mr. Wong Pui Yiu, both are executive Directors, have renewed their service contracts with the Company for a term of two years commenced on 1 January 2016 and 1 February 2016 respectively. They are subject to termination by either party giving not less than three months' written notice. These service contracts are exempt from the shareholders' approval requirement under Rule 17.90 of the GEM Listing Rules.

Independence of independent non-executive directors

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

Directors' Report

Directors' interests

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

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 2015, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

The approximate percentage of interests set out below is based on 930,897,672 ordinary shares in issue as at 31 December 2015.

(i) Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2015:

	Number of ordinary shares held		
Name of Director	**Type of interests**	**Number of ordinary shares**	**Approximate percentage of interests**
Ms. Ma Zheng	Beneficial	358,841,632	38.55%

Directors' Report

(ii) Long position in the underlying shares or debentures of the Company as at 31 December 2015:

Name of Directors	Type of interests	Description of securities	Number of underlying shares	Approximate percentage of interests
Ms. Ma Zheng	Beneficial	Share options (Note)	820,000	0.09%
Mr. Wong Pui Yiu	Beneficial	Share options (Note)	3,500,000	0.38%
Mr. Wan Tze Fan Terence	Beneficial	Share options (Note)	700,000	0.08%
Mr. Chung Chin Keung	Beneficial	Share options (Note)	700,000	0.08%
Mr. Wang Xiao Bing	Beneficial	Share options (Note)	700,000	0.08%

Note: On 10 April 2015, a total of 6,420,000 share options were granted to Directors as to 820,000 share options to Ms. Ma Zheng, as to 3,500,000 share options to Mr. Wong Pui Yiu, as to 700,000 share options to Mr. Wan Tze Fan Terence, as to 700,000 share options to Mr. Chung Chin Keung and as to 700,000 share options to Mr. Wang Xiao Bing. For further details of the share options granted, please refer to the announcement dated 10 April 2015 of the Company and under the heading "Share Option" below.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company had any other interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations, within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Directors' Report

Share option

On 8 May 2012, a new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant share options to any full-time employee and any Director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding share options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional.

The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which share options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which share options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of shares issued and to be issued upon exercise of the share options granted and to be granted (including share options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

Directors' Report

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant. Any share options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of share options.

On 10 April 2015, share options of 81,720,000 were granted by the Company to certain individuals at exercise price HK$0.87 per share.

As at 31 December 2015, total number of share options can be granted to qualified grantees or granted but not yet lapsed or cancelled were 78,989,767. As a result, 78,989,767 shares of the Company could be issued which represented about 8.49% of the issued share capital of the Company as at 31 December 2015 if all the share options were granted and exercised.

Directors' Report

Details of the share options granted by the Company under the Share Option Scheme to eligible persons and movement in such holding during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share *HK$*	Number of share options: Outstanding as at 1 January 2015	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2015
Directors							
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	820,000	–	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	3,500,000	–	3,500,000
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Sub-total				**-**	**6,420,000**	**-**	**6,420,000**
Others							
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	75,300,000	(3,100,000)	72,200,000
Sub-total				**-**	**75,300,000**	**(3,100,000)**	**72,200,000**
Total				**-**	**81,720,000**	**(3,100,000)**	**78,620,000**

Directors' Report

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2015, the Company had been notified that the following substantial shareholders having the following interests and short positions, being 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, in the Company. These interests are shown in addition to those disclosed above in respect of the Directors and chief executives:

The approximate percentage of interests set out below is based on 930,897,672 ordinary shares in issue as at 31 December 2015.

(i) Long position in the ordinary shares of HK$0.0625 each in the Company as at 31 December 2015:

Name of shareholders	Type of interests	Number of the shares held	Approximate percentage of interests
Ms. Guo Xiuqin	Corporate	123,867,678	13.31%
Tung Shing Energy Investment Limited	Corporate	123,867,678	13.31%
Excel Sino Investments Limited	Beneficial (Note 1)	123,867,678	13.31%
Mr. Ji Shengzhi	Corporate	110,000,000	11.82%
Ms. Lu Ke	Corporate	110,000,000	11.82%
Ultra Vantage Holdings Limited	Beneficial (Note 2)	110,000,000	11.82%

Directors' Report

Notes:

1. Excel Sino Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 80% by Tung Shing Energy Investment Limited, a company incorporated in the British Virgin Islands (which in turn is 100% beneficially owned by Ms. Guo Xiuqin), and as to the remaining 20% by an independent investor. Tung Shing Energy Investment Limited and Ms. Guo Xiuqin are deemed to be interested in these underlying shares under SFO.

2. Ultra Vantage Holdings Limited, a company incorporated in Samoa with limited liability, is jointly owned by Ms. Lu Ke and Mr. Ji Shengzhi. Ms. Lu Ke and Mr. Ji Shengzhi are deemed to be interested in these underlying shares under SFO.

(ii) Long position in the underlying shares or debentures of the Company as at 31 December 2015:

Name	Type of interests	Description of derivatives	Number of underlying shares	Approximate percentage of interests
Golden Peak Minerals Limited	Beneficial	Convertible Bonds in the principal amount of HK$60,000,000 (Note)	60,000,000	6.45%

Note:

On 17 February 2015, the Company entered into the conditional subscription agreement with Golden Peak Minerals Limited (the "CB Subscriber"), pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK$60,000,000 (the "Convertible Bonds"). Golden Peak Minerals Limited is wholly-owned by Mr. He Xiaoyang, independent third party. Details are set out in the announcements dated 17 February 2015 and 8 April 2015, the circular dated 11 March 2015 of the Company and under the heading "Issue of the Convertible Bonds" above.

The Convertible Bonds were issued on 8 May 2015.

Directors' Report

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who had an interest, directly or indirectly, 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 the Company, or any other substantial shareholders whose interests or short position were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' rights to acquire shares

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Management contracts

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

Major customers and suppliers

Sales to the Group's five largest customers accounted for approximately 33% of the total sales for the year, and sales to the largest customer included therein amounted to approximately 13%.

Purchases from the Group's largest supplier accounted for approximately 17% of the total purchases for the year and the five largest suppliers accounted for approximately 37% of the Group's total purchases for the year.

None of the Company's Directors or their respective associates (as defined in the GEM Listing Rules) or the existing shareholders, which, to the knowledge of the Directors holding more than 5% of the Company's issued share capital, had any interests in the Group's five largest customers or suppliers at any time during 2015.

Corporate governance

A report on the principal corporate governance practice adopted by the Company is set out on pages 29 to 37 of this annual report.

Directors' Report

Audit committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary role and function of the Audit Committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the Audit Committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company. During the year under review, the Audit Committee held four meetings and performed duties including reviewing the Group's quarterly, interim and annual reports and announcements. After reviewing the Group's financial statements for the year ended 31 December 2015, the Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2015 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

Remuneration committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 1 June 2005. The primary role and function of the Remuneration Committee is to consider and recommend to the Board on the Group's remuneration policy and structure for the remuneration of all executive Directors and senior management and to review and determine the remuneration packages of the executive Directors and senior management. During the year under review, the Remuneration Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Nomination committee

The nomination committee of the Company (the "Nomination Committee") was established on 22 March 2012. The primary role and function of the Nomination Committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of the independent non-executive Directors; and (iii) make recommendations to the Board on appointment and re-appointment of Directors. The Nomination Committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are the independent non-executive Directors of the Company.

Directors' Report

Connected and related party transactions

Details of the related party transactions during the year are included in Note 39 to the financial statements. The Directors are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary course of business and did not require reporting pursuant to Chapter 20 of the GEM Listing Rules.

Competition and conflict of interests

During the year under review, none of the Directors, significant shareholders, substantial shareholders and any of their respective associates had been engaged in any business that competed or might compete directly or indirectly, with the business of the Group, or had or might have any other conflicts of interest with the Group.

Principal risks and uncertainties

The Group's financial condition, results of operations, business and prospects would be affected by a number of risks and uncertainties include business risks, operational risks and financial management risks.

Starting from 2014, the Group operated natural gas business in the PRC. The demand of the natural gas business mainly relies on the PRC government policy on energy and the supply of natural gas from natural gas producers. The natural gas price fluctuates and is determined by the global environment which is a major uncertainty of the natural gas business of the Group.

Details of the financial risk management are disclosed in Note 41 to the financial statements.

Environmental policies and performance

As a responsible listed company, the Board ensures the Group is committed to support the environmental sustainability. The Group endeavours to comply with laws and regulations regarding environmental protection and adopts effective measures to achieve efficient use of resources, energy saving and waste reduction. The manufacturing segment and natural gas segment of the Group are non-polluting businesses and do not produce much waste and polluted materials. The management ensures that environmental protection remains a major element of our operations.

Directors' Report

Besides the above two operating segments, generally, the Group is committed to maintain an environmental friendly corporation to conserve natural resources. The Group strives to minimise our environmental impacts by saving electricity and encouraging recycle of office supplies and other materials.

Compliance with relevant laws and regulations

As far as the Board is aware, the Group has complied in all material aspects of relevant laws and regulations that may have significant impacts on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

Relationship with employees, customers and suppliers

The Group believes that employees are valuable assets. The Group provides competitive remuneration packages to attract and motivate the employees and such packages are reviewed regularly. The Company also grants share options to employees with good performance.

The Group understands the importance of maintaining good relationship with our suppliers and customers to meet our corporate goals. The Group communicates with suppliers and customers constantly to exchange ideas and views. We provide information on development of the Group to suppliers and customers so that they are confident with the Group's prospects so as to maintain a strong relationship.

Permitted indemnity provision

The Articles of Association provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties, or supposed duties, in their respective offices or trusts.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and Directors of the subsidiaries of the Group.

Directors' Report

Sufficiency of public float

The Company had maintained sufficient public float throughout the year ended 31 December 2015.

Contingent liabilities

As at 31 December 2015, the Directors were not aware of any material contingent liabilities.

Significant event after the reporting date

There is no significant event after the reporting date up to the date of this annual report.

Auditors

The financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as the auditors of the Company. There has been no change in auditors of the Company in any of the preceding three years.

On behalf of the Board

Ma Zheng
Chairman

Hong Kong, 23 March 2016

Corporate Governance Report

(A) Corporate governance practices

The Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (the "Code") for the year ended 31 December 2015 contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (collectively referred as the "GEM Listing Rules"), with the exception of two deviations as set out under section (D) and (F) below. The application of the relevant principles and the reasons for the abovementioned deviations are contained in this report.

The Company strives to attain and maintain high standards of corporate governance to enhance shareholder value and safeguard shareholder interests. The Company's corporate governance principles emphasise the need to have a quality Board, effective internal control and accountability to shareholders.

(B) Directors' securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors confirmed they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year.

(C) Board of directors

The Company is governed by the Board, which has the responsibility for leading and controlling the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. More specifically, the Board formulates strategy, monitors its financial performance and maintains effective oversight over management. The Board delegates daily operations and administration of the Company to management.

The Board includes (up to the approval date of this financial statements) the Chairman together with one executive Director, and three independent non-executive Directors, and their biographical details have been set out in the "Biographical Details of Directors and Senior Management" section.

Corporate Governance Report

Board Meetings

The Company Secretary is responsible to the Board for providing with Board papers and related materials, for ensuring that all Board procedures and all applicable laws, rules and regulations are followed, and for reporting to the Chairman and/or the chief executive on governance matters. All Directors have unrestricted access to the advice and services of the Company Secretary. The Company Secretary also keeps minutes of all meetings which are available for inspection at any reasonable time on reasonable notice by any Director.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues. The board committees, including the audit committee, the remuneration committee and the nomination committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings. If considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

The Board meets regularly and held 16 Board meetings in 2015. At least 14 days notice of the regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each regular board meeting or committee meeting to keep Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Directors attended the meetings in persons or through other means of electronic communication in accordance with the Articles of Association. During regular Board meetings, the Directors discussed and formulated the overall strategies of the Group, reviewed and approved the annual, interim and quarterly results, as well as discussed and decided on other significant matters of the Group. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. Individual attendance records of each Director at the respective Board and committee meetings are set out in the section of "Directors' Attendance Record at Meetings" of this report.

Corporate Governance Report

Continuous Professional Development

Pursuant to code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending seminars or programmes or studying relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2015 is summarized below:

Name of Directors	**Attending seminar(s) or programme(s)/ studying relevant materials in relation to the business or directors' duties**
	Yes/No
Executive Directors	
Ms. Ma Zheng *(Chairman)*	Yes
Mr. Wong Pui Yiu	Yes
Independent non-executive Directors	
Mr. Wan Tze Fan Terence *(Committee Chairman)*	Yes
Mr. Chung Chin Keung	Yes
Mr. Wang Xiao Bing	Yes

All Directors also understand the importance of continuous professional development and are committed to participate in any suitable training or study relevant materials in order to develop and refresh their knowledge and skills.

During the year under review, there was no conflict of interest in any matters with the substantial shareholders and Directors of the Company. In addition, if the Board considers a Director to be having a conflict of interest, that Director will be required to abstain from voting.

Corporate Governance Report

(D) Chairman and chief executive officer

For the year 2015, we still did not have an officer with the title of "Chief Executive Officer". The Code envisages that the management of the Board should rest with the Chairman, whereas the day-to-day management of the Company's business should rest with the Chief Executive. Ms. Ma Zheng, the Chairman, is also a director of some of the Company's operating subsidiaries. This constitutes a deviation of code provision A.2.1 of the Code. The Board holds the view that this arrangement is appropriate for the Company but we do not compromise accountability and independent decision making for this since we have an audit committee, all members of which are independent non-executive Directors, to help to ensure the accountability and independence of Ms. Ma Zheng.

(E) Appointment and re-election of directors

According to the Articles of Association (a) every director, including those appointed for a specific term, should be subjected to retirement by rotation at least once every three years; and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the next following general meeting of the Company after their appointment.

(F) Independent non-executive directors

During the year under review, the Company had three independent non-executive Directors, they were Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Except for Mr. Chung Chin Keung and Mr. Wang Xiao Bing who are appointed for a specific term of two years, Mr. Wan Tze Fan Terence is not appointed for any specific terms. This constitutes a deviation of code provision A.4.1 of the Code which requires that non-executive Directors should be appointed for specific terms. However, he is subject to retirement by rotation at least once every three years in accordance with the Articles of Association. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to retirement and re-election is fair and reasonable, and therefore will not change the terms of appointment of Mr. Wan Tze Fan Terence.

Mr. Wan Tze Fan Terence is an independent non-executive Director serving the Company for more than 9 years. Any future re-appointment of Mr. Wan Tze Fan Terence should follow the requirements of paragraph A.4.3 of Appendix 15 of the GEM Listing Rules. The Board considers that Mr. Wan Tze Fan Terence continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

(G) Responsibilities of directors

The Board will make sure every newly appointed director will receive the necessary information for his proper understanding of the operations and business of the Group and that he will be fully aware of his responsibilities under statute and common law, the GEM Listing Rules and other regulatory requirements and governance policies of the Company. The Directors will continually update themselves with legal and regulatory development, business and market changes and the development of the Company so as to facilitate the discharge of their responsibilities.

(H) Remuneration committee

The Board has established a remuneration committee with specific written terms of reference in compliance with the code provision B.1.2 of the Code. These terms of reference were already reviewed by all Directors before they were adopted. During the year under review, the remuneration committee comprised only of the independent non-executive Directors, namely Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing. Mr. Wan Tze Fan Terence is the chairman of the remuneration committee. The remuneration committee had held one meeting during 2015 and was attended by Mr. Wan Tze Fan Terence and Mr. Wang Xiao Bing.

The role and function of the remuneration committee include determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration package. During the year under review, the remuneration committee adopted the approach under the code provision B.1.2(c)(ii) of the Code to make recommendations to the Board on the remuneration packages of executive Directors and senior management.

(I) Nomination committee

The Company established the nomination committee on 22 March 2012 with written terms of reference in compliance with the code provision A.5.2 of the Code. The primary role and function of the nomination committee, among other things, are to (i) review the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendations to the Board on the appointment and re-appointment of Directors. The nomination committee comprises three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the Chairman of the nomination committee.

The nomination committee had held one meeting during the year under review. The nomination committee reviewed the structure, size and composition of the Board.

Corporate Governance Report

(J) Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Code. The primary role and function of the audit committee, among other things, are to (i) review the financial controls, internal controls and risk management systems of the Group; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) review the financial statements and the quarterly, interim and annual reports of the Group. During the year under review, the audit committee comprised three members, Mr. Wan Tze Fan Terence, Mr. Chung Chin Keung and Mr. Wang Xiao Bing, all of them are independent non-executive Directors. Mr. Wan Tze Fan Terence is the chairman of the audit committee.

The audit committee had held four meetings during the year under review. The audit committee has reviewed and provided supervision over the financial reporting system and internal control procedures of the Group and reviewed the Company's annual report and financial statements, interim report and quarterly reports and to provide advice and comments thereon to the Board that such reports were prepared in accordance with the applicable accounting standards and requirements. The audit committee also met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending the annual financial reports to the Board for approval.

The audit committee is satisfied with their review of the audit fee and audit process and has recommended the Board to re-appoint the existing auditors at the forthcoming annual general meeting.

The Group's 2015 annual report, 2015 quarterly reports and 2015 interim report had been reviewed by the audit committee.

Corporate Governance Report

Directors' Attendance Record at Meetings

Details of the attendance of the Directors at the meetings of the Board and its respective committees during the year ended 31 December 2015 are as follows:

Name of Directors	Board Meeting Attended/ Eligible to attend	Audit Committee Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	General Meeting Attended/ Eligible to attend
Number of meetings held during the financial year	16	4	1	1	2
Executive Directors					
Ms. Ma Zheng *(Chairman)*	14/16	4/4	0/1	0/1	0/2
Mr. Wong Pui Yiu	15/16	3/4	0/1	0/1	2/2
Independent non-executive Directors					
Mr. Wan Tze Fan Terence *(Committee Chairman)*	10/16	4/4	1/1	1/1	0/2
Mr. Chung Chin Keung	8/16	3/4	0/1	0/1	0/2
Mr. Wang Xiao Bing	8/16	3/4	1/1	1/1	0/2

Directors' and Auditors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The management provides such explanations and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval.

The responsibilities of the external auditors of the Company for reporting responsibilities on the financial statements are set out in the independent auditors' report on pages 36 and 37.

Corporate Governance Report

(K) Auditors' remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions can lead to any potential material adverse effect on the Company. During the year under review, an amount of approximately HK$1,280,000 (2014: approximately HK$1,100,000) was charged to the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 for audit services provided by the external auditors. No non-audit services was provided by the external auditors in 2015.

(L) Risk management and internal control systems

The Directors of the Company acknowledged that they have the overall responsibility for the Company's internal control systems, financial controls and risk management and shall monitor its effectiveness from time to time. Therefore, the Company has already adopted a well-designed internal control systems to safeguard the assets of the Company and the shareholders' investments and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules.

Generally, the risk management and internal control systems are reviewed annually. During the year, there was no significant changes in the internal control systems, the Audit Committee has assigned a project team of the Group to perform the internal audit function to review designated parts of the internal control systems of the Group. The Board considers that the existing internal control systems of the Group basically covers the current operating conditions of the Group. However, with the development of the Group's business and continual increase in management standard, the internal control systems of the Group shall need continuous revision and improvement.

In the view of the Board, the Group's system of risk management and internal control systems are effective and there is no material deficiency in the effectiveness of the Group's internal control systems.

(M) Company secretary

Mr. Wong Chun Sing is the Company Secretary of the Company. As an employee of the Company, he is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance development. During the year under review, Mr. Wong confirmed that he undertook no less than 15 hours of relevant professional training. His biography is set out in the "Biographical Details of Directors and Senior Management" of this annual report.

Corporate Governance Report

(N) Communication with shareholders

Communication with shareholders is given a high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, announcements and circulars made through websites of the Company and of the Stock Exchange.

The Board also maintains an on-going dialogue with shareholders and make use of general meetings to communicate with shareholders. The Company encourages all shareholders to attend general meetings which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are available to answer shareholders' questions in all general meetings.

(O) Investor relations

The Company disclosed all necessary information to shareholders in compliance with GEM Listing Rules. The Company will also reply to enquires from shareholders on request.

During the year under review, there was no significant change in the Articles of Association.

(P) Shareholders' rights

As one of the measures to safeguard shareholders' interest and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the GEM website and the Company's website after the relevant shareholders' meeting.

(Q) Right to convene extraordinary general meeting

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company's head office and principal place of business in Hong Kong.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's head office and principal place of business in Hong Kong.

Independent Auditors' Report

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TO THE SHAREHOLDERS OF CHINA PRIMARY ENERGY HOLDINGS LIMITED
(中國基礎能源控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Primary Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 147, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditors' Report

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate Number: P01330

Hong Kong, 23 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**162,432**	88,428
Other income and gains and losses	8	**(18,736)**	(1,885)
Cost of sales		**(134,977)**	(88,223)
Staff costs, including directors' remuneration	14	**(32,077)**	(15,950)
Depreciation		**(8,069)**	(5,605)
Amortisation of land use rights	17	**(771)**	(771)
Amortisation of other intangible assets	20	**(1,425)**	(344)
Impairment loss on trade receivables	24	**(4,258)**	(4,218)
Impairment loss on other receivables	25	**(1,002)**	–
Impairment loss on property, plant and equipment	16	**(20,000)**	–
Other operating expenses		**(28,212)**	(17,187)
Share of profits of associates		**291**	75
Finance costs	9	**(3,176)**	(521)
Loss before income tax	10	**(89,980)**	(46,201)
Income tax	11	**(1,099)**	(60)
Loss for the year		**(91,079)**	(46,261)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale investments			
– Changes in fair value		**–**	(5,427)
– Impairment loss recognised in profit or loss		**–**	3,863
		–	(1,564)
Exchange differences on translation of foreign operations		**(21,038)**	(7,382)
Exchange differences reclassified to profit or loss upon disposal of subsidiaries		**–**	(9,809)
Share of other comprehensive income of associates		**(194)**	20
Other comprehensive income for the year		**(21,232)**	(18,735)
Total comprehensive income for the year		**(112,311)**	(64,996)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015** **HK$'000**	2014 HK$'000
(Loss)/profit attributable to:			
Owners of the Company		**(91,321)**	(46,605)
Non-controlling interests		**242**	344
		(91,079)	(46,261)
Total comprehensive income attributable to:			
Owners of the Company		**(111,768)**	(65,297)
Non-controlling interests		**(543)**	301
		(112,311)	(64,996)
Basic and diluted loss per share (HK$)	13	**(0.104)**	(0.068)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	16	**224,751**	151,224
Land use rights	17	**30,397**	32,570
Goodwill	19	**32,814**	24,660
Other intangible assets	20	**23,086**	25,643
Interests in associates	21	**6,509**	5,269
Prepayments	25	**19,093**	–
Available-for-sale investments	22	**33**	33
Total non-current assets		**336,683**	239,399
Current assets			
Inventories	23	**9,007**	18,176
Trade receivables	24	**69,571**	45,702
Other receivables, deposits and prepayments	25	**70,659**	61,039
Amounts due from associates	21	**380**	410
Investments held for trading	26	**6**	122
Financial assets at fair value through profit or loss	29	**1,672**	–
Cash and cash equivalents	27	**62,263**	8,708
Total current assets		**213,558**	134,157
Total assets		**550,241**	373,556
Current liabilities			
Trade payables	28	**31,543**	21,597
Other payables and accruals		**63,081**	58,570
Customers' deposits		**3,776**	507
Obligations under finance leases	30	**4,963**	305
Borrowings	31	**1,790**	37,479
Tax payable		**227**	–
Total current liabilities		**105,380**	118,458
Net current assets		**108,178**	15,699

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	32	**7,449**	8,055
Obligations under finance leases	30	**9,387**	698
Borrowings	31	**39,976**	–
Total non-current liabilities		**56,812**	8,753
Total liabilities		**162,192**	127,211
NET ASSETS		**388,049**	246,345
Equity			
Share capital	33	**58,181**	51,306
Reserves		**308,512**	186,030
Equity attributable to owners of the Company		**366,693**	237,336
Non-controlling interests		**21,356**	9,009
TOTAL EQUITY		**388,049**	246,345

These financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

Ma Zheng
Director

Wong Pui Yiu
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

	Equity attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000 (Note a)	Convertible bonds equity reserve HK$'000 (Note 29)	Statutory surplus reserve HK$'000 (Note b)	Available-for-sale financial assets reserve HK$'000 (Note c)	Exchange translation reserve HK$'000 (Note d)	Share option reserve HK$'000 (Note e)	Accumulated losses HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2014	30,180	443,564	17,922	5,110	1,564	81,656	–	(365,918)	33,905	247,983
(Loss)/profit for the year	–	–	–	–	–	–	–	(46,605)	344	(46,261)
Other comprehensive income	–	–	–	–	(1,564)	(17,128)	–	–	(43)	(18,735)
Total comprehensive income	–	–	–	–	(1,564)	(17,128)	–	(46,605)	301	(64,996)
Rights issue (Note 33(i))	15,090	35,613	–	–	–	–	–	–	–	50,703
Share issue expenses in relation to rights issue (Note 33(i))	–	(778)	–	–	–	–	–	–	–	(778)
Subscription of shares (Note 33(ii))	6,036	32,594	–	–	–	–	–	–	–	38,630
Redemption of Old Convertible Bonds and disposal of subsidiaries (Note 37)	–	–	(17,922)	–	–	–	–	17,922	(33,905)	(33,905)
Acquisition of non-controlling interests (Note 38(b))	–	–	–	–	–	–	–	–	4,914	4,914
Capital contribution to a non-wholly owned subsidiary by non-controlling shareholder	–	–	–	–	–	–	–	–	3,794	3,794
Transfer to statutory surplus reserve	–	–	–	69	–	–	–	(69)	–	–
Balance at 31 December 2014 and at 1 January 2015	**51,306**	**510,993**	**–**	**5,179**	**–**	**64,528**	**–**	**(394,670)**	**9,009**	**246,345**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91,321)**	**242**	**(91,079)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(20,447)**	**–**	**–**	**(785)**	**(21,232)**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(20,447)**	**–**	**(91,321)**	**(543)**	**(112,311)**
Subscription of shares (Note 33(iii))	**6,875**	**146,025**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**152,900**
Equity-settled share-based transactions (Note 34)	**–**	**–**	**–**	**–**	**–**	**–**	**8,046**	**–**	**–**	**8,046**
Lapse of share options (Note 34)	**–**	**–**	**–**	**–**	**–**	**–**	**(70)**	**70**	**–**	**–**
Issue of Convertible Bonds (Note 29)	**–**	**–**	**80,179**	**–**	**–**	**–**	**–**	**–**	**–**	**80,179**
Transfer to statutory surplus reserve	**–**	**–**	**–**	**61**	**–**	**–**	**–**	**(61)**	**–**	**–**
Acquisition of non-controlling interests (Note 38(a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,890**	**12,890**
Balance at 31 December 2015	**58,181**	**657,018**	**80,179**	**5,240**	**–**	**44,081**	**7,976**	**(485,982)**	**21,356**	**388,049**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

Notes:

(a) The share premium account of the Group includes: (i) the premium arising from the issue of shares of the Company at a premium less share issue expenses; and (ii) the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") over the nominal value of the shares of the Company issued in exchange therefor.

(b) Subsidiaries of the Company established in the People's Republic of China (the "PRC") are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) Available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with the accounting policy in Note 4(j)(ii).

(d) Exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(p).

(e) Share option reserve comprises cumulative expenses recognised on the granting of share options to the employees over the vesting period. This reserve is dealt with in accordance with the accounting policy in Note 4(r).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before income tax		**(89,980)**	(46,201)
Adjustments for:			
Depreciation	16	**20,630**	14,974
Amortisation of land use rights	17	**771**	771
Amortisation of intangible assets	20	**1,425**	344
Equity-settled share-based payment expenses	14	**8,046**	–
Bank interest income	8	**(121)**	(69)
Finance costs	9	**3,176**	521
Impairment of available-for-sale investments	8	**–**	3,863
Fair value loss/(gain) on investments held for trading	8	**30**	(120)
Gain on disposal of property, plant and equipment	8	**(33)**	(235)
Impairment loss on property, plant and equipment	16	**20,000**	–
Loss on the Redemption and Disposal	8	**–**	234
Change in fair value of financial assets at fair value through profit or loss	8	**18,708**	–
Recovery of bad debts	8	**–**	(584)
Written off of property, plant and equipment	8	**181**	–
Write down/(reversal of write down) of inventories	10	**2,732**	(524)
Share of profits of associates		**(291)**	(75)
Impairment loss on trade receivables	24	**4,258**	4,218
Impairment loss on other receivables	25	**1,002**	–
Operating loss before working capital changes		**(9,466)**	(22,883)
Decrease in inventories		**5,806**	4,458
Increase in trade receivables		**(29,599)**	(7,975)
Increase in other receivables, deposits and prepayments		**(10,152)**	(25,486)
Decrease/(increase)in amounts due from associates		**30**	(410)
Decrease in investments held for trading		**86**	702
Increase/(decrease) in trade payables		**9,946**	(1,640)
(Decrease)/increase in other payables and accruals		**(18,769)**	12,764
Increase in customers' deposit		**3,269**	101
Effect of foreign exchange differences		**(1,371)**	661
Cash used in operations		**(50,220)**	(39,708)
Income tax paid		**(873)**	(63)
Bank interest income received		**121**	69
Net cash used in operating activities		**(50,972)**	(39,702)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(42,495)**	(17,952)
Acquisition of subsidiaries, net of cash acquired	38	**(45,863)**	(51,417)
Payment for investments in associates		**(1,143)**	–
Prepayments for purchases of items of property, plant and equipment		**(19,093)**	–
Proceeds from disposal of available-for-sale investments		**–**	4,611
Net cash outflow from the Redemption and Disposal	37	**–**	(36,331)
Proceeds from disposal of property, plant and equipment		**547**	3,574
Net cash used in investing activities		**(108,047)**	(97,515)
Cash flows from financing activities			
Proceeds from bank borrowings		**60,859**	–
Repayment of bank borrowings		**(19,093)**	–
Proceeds from other borrowings		**8,831**	44,479
Repayment of other borrowings		**(44,630)**	–
Repayment of obligations under finance leases		**(2,634)**	(68)
Proceeds from rights issue	33	**–**	49,925
Proceeds from subscription of shares	33	**152,900**	31,317
Proceeds from issuance of convertible bonds	29	**59,799**	–
Interest paid		**(3,176)**	(208)
Net cash from financing activities		**212,856**	125,445
Net increase/(decrease) in cash and cash equivalents		**53,837**	(11,772)
Cash and cash equivalents at beginning of year		**8,708**	20,935
Effect of foreign exchange rate changes		**(282)**	(455)
Cash and cash equivalents at end of year		**62,263**	8,708
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**62,263**	8,708

Notes to the Financial Statements

31 DECEMBER 2015

1. ORGANISATION AND OPERATIONS

The Company is a limited liability company incorporated in the Cayman Islands, as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands on 5 September 2001. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is in Hong Kong. The Company's shares are listed on the GEM of the Stock Exchange.

The principal activity of the Company is investment holding. The Group engages in the manufacture and sale of Polyethylene pipes ("PE pipes") and transmission and distribution of natural gas which operates primarily in the PRC market. The activities of the principal subsidiaries are set out in Note 18.

As further detailed in Note 37, the Group ceased its mining activities in the independent sovereign state of Mongolia since November 2010 and completed the disposal of its mining business to the holder of the Company's Old Convertible Bonds during the year ended 31 December 2014.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2015

In the current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2015 *(Continued)*

The Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle issued in January 2014 set out amendments to a number of HKFRSs. Details of the amendments that are relevant to the Group's operations and effective for the current year are as follows:

Annual Improvements 2010-2012 Cycle

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e. an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Notes to the Financial Statements

31 DECEMBER 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2015 *(Continued)*

Annual Improvements 2011-2013 Cycle

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact to the Group as the Group does not apply the portfolio exception in HKFRS 13.

In addition, the Company has adopted the amendments to the Rules Governing the Listing Securities on the GEM of the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instrument[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

Notes to the Financial Statements

31 DECEMBER 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 (2014) – Financial Instruments (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

Notes to the Financial Statements

31 DECEMBER 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers (Continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs in the period of their initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– Substantive potential voting rights held by the Company and other parties who hold voting rights;

– Other contractual arrangements; and

– Historic patterns in voting attendance.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(c) Associates *(Continued)*

Profits or losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits or losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

(d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(d) Goodwill *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(e) Other intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives as follows:

Customer relationships	10 years
Exclusive rights of natural gas operations	23 years

Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in other operating expenses.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Other intangible assets *(Continued)*

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

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

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see Note 4(h)).

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy in Note 4(s). In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Depreciation of property, plant and equipment commences when the assets are ready for their intended use. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the remaining term of the lease but not exceeding 4 years
Computer equipment	20% – 33%
Natural gas pipelines	Over the remaining term of 23 years of the exclusive rights of natural gas operations
Plant and machinery	10%
Furniture, fixtures and office equipment	20% – 33%
Motor vehicles	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Land use rights

Land use rights represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(h) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment under cost model;
– land use rights under operating leases;
– interests in subsidiaries; and
– interests in associates

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets (other than financial assets) *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventories, is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets, except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. The Group's financial assets are subsequently accounted for as follows, depending on their classification:

(i) Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale investments

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(iii) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(iv) Impairment

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(iv) Impairment (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which has been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity investments carried at fair value, where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

– For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(j) Financial assets *(Continued)*

(iv) Impairment (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vi) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Financial liabilities and equity instruments issued by the Group

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(k) Financial liabilities and equity instruments issued by the Group *(Continued)*

(ii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, customers' deposits, obligations under finance leases and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Convertible bonds

Convertible bonds contain financial assets at fair value through profit or loss and equity component

Convertible bonds issued by the Group that contain both the financial assets at fair value through profit or loss and conversion option component are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the financial assets at fair value through profit or loss is determined using the Trinominal Tree Model. The difference between the proceeds of the issue of the convertible bonds and the liability component including the fair value of the financial assets at fair value through profit of loss is included in equity (convertible bonds equity reserve).

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Financial liabilities and equity instruments issued by the Group *(Continued)*

(iv) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) Leases

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Leases *(Continued)*

The Group as lessee (Continued)

The total rental payable under the operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Income taxes

Income taxes for the year comprise current tax and deferred tax.

(i) Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

(ii) Deferred tax

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

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

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

Notes to the Financial Statements

31 DECEMBER 2015

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(o) Income taxes *(Continued)*

(ii) Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in profit or loss except when it relates to items recognised in other comprehensive income in which case the income tax is recognised in other comprehensive income.

(p) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary items and from the translation at year end exchanges rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Foreign currencies *(Continued)*

Transactions and balances (Continued)

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of monetary items in respect of which gains or losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, the statements of financial position of the group entities denominated in foreign currencies are translated into HK$ at the applicable rates of exchange ruling at the end of reporting period while income and expenses items are translated at an average rate for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on translation of long-term monetary items forming part of the Group's net investment in foreign operations are reclassified to other comprehensive income and accumulated in equity as exchange translation reserve. Such accumulated translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of reporting period. Exchange differences arising are recognised in the exchange translation reserve.

4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(q) Employees' benefits

(i) Short term benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits (other than termination benefits) are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The employees of the Group's entities which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to the Financial Statements

31 DECEMBER 2015

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(s) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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4. *PRINCIPAL ACCOUNTING POLICIES (Continued)*

(t) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Revenue from sale of products is reduced for estimated customer returns, rebates and other similar allowances and excluded value-added tax or other sales related taxes. It is recognised when the Group has delivered the products to the customer and the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding at the applicable interest rate.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Carrying value of non-current assets and impairment of assets

Non-current assets, including property, plant and equipment, land use rights and other intangible assets, are carried at cost less accumulated depreciation and amortisation, where appropriate, and impairment losses. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. Details of the assessment on impairment in property, plant and equipment are set out in Note 16 to the financial statements.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of fair value less costs of disposal of the cash-generating units to which goodwill has been allocated. The determination of fair value less costs of disposal requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(c) Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(d) Impairment of trade and other receivables

The Group's management determines impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of trade and other receivables at the end of each reporting period.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassesses these estimations at the end of each reporting period to ensure inventories are shown at the lower of cost and net realisable value.

Notes to the Financial Statements

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(f) Purchase price allocation for business combinations

Accounting for business combinations requires the Group to allocate the cost of the acquisition to the specific assets acquired and liabilities assumed based on estimated fair values at the date of acquisition. The Group undertakes a process to identify all assets and liabilities acquired, including any identified intangible assets where appropriate. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets' useful lives, may materially impact the Group's financial position and results of operations. In determining the fair values of the identifiable assets acquired and liabilities assumed, valuations were conducted by an independent professional valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

(g) Fair value measurement

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group's fair value measurement of its financial assets that might have a significant risk of causing a material adjustment to the carrying amount of the assets at the end of the reporting period related to its financial assets at fair value through profit or loss (Note 29).

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(h) Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and carry-forward income tax losses. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on earnings.

6. REVENUE

Revenue represents the net invoiced amounts received and receivable for sales of PE pipes and natural gas to customers. An analysis of the Group's revenue is as follows:

	2015 **HK$'000**	2014 HK$'000
Sales of PE pipes	**51,538**	48,955
Transmission and distribution of natural gas	**110,894**	39,473
	162,432	88,428

Notes to the Financial Statements

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7. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments for the years ended 31 December 2015 and 2014. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Manufacture and sale of PE pipes

– Transmission and distribution of natural gas

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There was no inter-segment sale or transfer during the years ended 31 December 2015 and 2014. Central revenue and expenses are not allocated to the operating segments as they are not included the measure of the segment result that is used by the chief operating decision-maker for assessment of segment performance.

Notes to the Financial Statements

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7. SEGMENT REPORTING (Continued)

(a) Reportable segments

For the year ended 31 December 2015

	Manufacture and sale of PE pipes HK$'000	Transmission and distribution of natural gas HK$'000	Total HK$'000
Revenue from external customers	51,538	110,894	162,432
Reportable segment (loss)/profit	(33,948)	2,279	(31,669)
Reportable segment assets	170,254	243,146	413,400
Reportable segment liabilities	(16,928)	(88,151)	(105,079)
Other segment information:			
Bank interest income	19	24	43
Unallocated			78
Total bank interest income			121
Loss on disposal of investments held for trading			(1,019)
Fair value loss on investments held for trading			(30)
Share of (loss)/profit of associates	(406)	697	291
Depreciation	(12,421)	(7,622)	(20,043)
Unallocated			(587)
Total depreciation			(20,630)
Amortisation of land use rights	(733)	(38)	(771)
Amortisation of other intangible assets	–	(1,425)	(1,425)
Impairment loss on trade receivables	(4,258)	–	(4,258)
Impairment loss on other receivables	(1,002)	–	(1,002)
Impairment loss on property, plant and equipment	(20,000)	–	(20,000)
Interests in associates	71	6,438	6,509
Additions to non-current assets	852	125,492	126,344
Unallocated			8,120
Total additions to non-current assets			134,464

Notes to the Financial Statements

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7. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 December 2014

	Manufacture and sale of PE pipes HK$'000	Transmission and distribution of natural gas HK$'000	Total HK$'000
Revenue from external customers	48,955	39,473	88,428
Reportable segment (loss)/profit	(24,482)	1,116	(23,366)
Reportable segment assets	185,529	136,389	321,918
Reportable segment liabilities	(15,107)	(48,418)	(63,525)
Other segment information:			
Bank interest income			69
Loss on disposal of investments held for trading			(104)
Fair value gain on investments held for trading			120
Share of profit of an associate	–	75	75
Recovery of bad debts	584	–	584
Depreciation	(12,995)	(1,237)	(14,232)
Unallocated			(742)
Total depreciation			(14,974)
Amortisation of land use rights	(767)	(4)	(771)
Amortisation of other intangible assets	–	(344)	(344)
Impairment loss on trade receivables	(4,218)	–	(4,218)
Impairment loss on available-for-sale investments			(3,863)
Loss on the Redemption and Disposal			(234)
Interest in an associate	–	5,269	5,269
Additions to non-current assets	3,268	107,542	110,810
Unallocated			145
Total additions to non-current assets			110,955

Notes to the Financial Statements

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7. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment loss, assets and liabilities

	2015 HK$'000	2014 HK$'000
Loss before income tax		
Reportable segment loss	**(31,669)**	(23,366)
Unallocated other income and gains and losses	**(19,504)**	(2,704)
Corporate and other unallocated expenses	**(35,631)**	(19,610)
Finance costs	**(3,176)**	(521)
Consolidated loss before income tax	**(89,980)**	(46,201)

	2015 HK$'000	2014 HK$'000
Assets		
Reportable segment assets	**413,400**	321,918
Cash and cash equivalents	**62,263**	8,708
Unallocated corporate assets	**74,578**	42,930
Consolidated total assets	**550,241**	373,556

Notes to the Financial Statements

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7. SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment loss, assets and liabilities (Continued)

	2015	2014
	HK$'000	HK$'000
Liabilities		
Reportable segment liabilities	**(105,079)**	(63,525)
Deferred tax liabilities	**(7,449)**	(8,055)
Unallocated corporate liabilities	**(49,664)**	(55,631)
Consolidated total liabilities	**(162,192)**	(127,211)

(c) Geographical information

All operating assets and operations of the Group during the years ended 31 December 2015 and 2014 were located in the PRC.

(d) Information about major customers

For the year ended 31 December 2015, revenue from a customer in the transmission and distribution of natural gas segment amounted to HK$20,408,000 (2014: HK$12,084,000) and contributed to more than 10% of the Group's total revenue.

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8. OTHER INCOME AND GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Sundry income	1,048	449
Bank interest income	121	69
Loss on disposal of investments held for trading	(1,019)	(104)
Recovery of bad debts	–	584
Written off of property, plant and equipment	(181)	–
Gain on disposal of property, plant and equipment	33	235
Fair value (loss)/gain on investments held for trading	(30)	120
Change in fair value of financial assets at fair value through profit or loss (Note 29)	(18,708)	–
Exchange gains, net	–	859
Loss on the Redemption and Disposal (Note 37)	–	(234)
Impairment loss on available-for-sale investments (Note 22)	–	(3,863)
	(18,736)	(1,885)

9. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans and other borrowings	2,796	521
Finance lease interest	380	–
	3,176	521

Notes to the Financial Statements

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10. LOSS BEFORE INCOME TAX

	2015 HK$'000	2014 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**132,245**	88,747
Write down/(reversal of write down) of inventories (Note 23)	**2,732**	(524)
Auditors' remuneration	**1,280**	1,100
Minimum operating lease payments in respect of land and buildings	**3,798**	1,749
Depreciation of property, plant and equipment (Note 16)		
– Owned	**20,199**	14,915
– Held under finance leases	**431**	59

Note: Depreciation charge included an amount of HK$13,620,000 (2014: HK$9,369,000) recognised as cost of inventories sold for the year.

11. INCOME TAX

	2015 HK$'000	2014 HK$'000
Current tax – PRC		
– tax for the year	**1,074**	63
– under provision in respect of prior years	**58**	–
	1,132	63
Deferred tax liabilities (Note 32)		
– current year	**(33)**	(3)
Income tax	**1,099**	60

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11. INCOME TAX (Continued)

No provision has been made for Hong Kong profits tax as the Group has no assessable profit arising from Hong Kong during the current and prior years.

In accordance with the PRC Enterprise Income Tax Law approved by the National People's Congress on 16 March 2007 and became effective from 1 January 2008, the Company's subsidiaries in the PRC are subject to enterprise income tax ("EIT") at the unified EIT rate of 25%.

Income tax for the year can be reconciled to accounting loss, at applicable tax rates:

	2015 **HK$'000**	2014 HK$'000
Loss before income tax	**(89,980)**	(46,201)
Income tax credit calculated at the statutory PRC EIT tax rate of 25% (2014: 25%)	**(22,495)**	(11,550)
Effect of different tax rates of subsidiaries operating in Hong Kong	**1,301**	1,376
Tax effect of expenses not deductible for taxation purposes	**15,574**	5,815
Tax effect of non-taxable items	**(250)**	(344)
Tax effect of temporary differences not recognised	**–**	86
Tax effect on unused tax losses not recognised	**6,911**	4,677
Under provision in respect of prior years	**58**	–
Income tax for the year	**1,099**	60

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12. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$91,321,000 (2014: HK$46,605,000), and the weighted average number of ordinary shares of 878,459,000 (2014: 682,946,000) in issue during the year.

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's outstanding convertible bonds and the exercise of the Company's outstanding share options since their conversion and exercise had an anti-dilutive effect on the basic loss per share. Accordingly, the basic and diluted loss per share for the year ended 31 December 2015 are the same.

Diluted loss per share for the year ended 31 December 2014 was the same as the basic loss per share as there were no dilutive potential ordinary shares in issue in that year.

14. STAFF COSTS, INCLUDING DIRECTORS' REMUNERATION

	2015 **HK$'000**	2014 HK$'000
Salaries and allowances	**21,432**	15,089
Retirement benefit scheme contributions	**2,599**	861
Equity-settled share-based payment expenses	**8,046**	–
	32,077	15,950

Staff salaries of HK$2,059,000 (2014: HK$1,697,000) were included in cost of inventories sold for the year.

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15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Executive directors and non-executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Share-based payments (Note(iii)) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2015					
Executive directors:					
Ms. Ma Zheng	–	1,160	94	21	1,275
Mr. Wong Pui Yiu	–	673	400	18	1,091
	–	1,833	494	39	2,366
Independent non-executive directors:					
Mr. Wan Tze Fan Terence	174	–	80	–	254
Mr. Chung Chin Keung	174	–	80	–	254
Mr. Wang Xiao Bing	174	–	80	–	254
	522	–	240		762

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

	Fees HK$'000	Salaries and allowances HK$'000	Share–based payments HK'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2014					
Executive directors:					
Ms. Ma Zheng	–	1,202	–	30	1,232
Mr. Wong Pui Yiu	–	721	–	17	738
Mr. Pan Feng (Note(i))	–	1,580	–	57	1,637
	–	3,503	–	104	3,607
Independent non-executive directors:					
Mr. Wan Tze Fan Terence	169	–	–	–	169
Mr. Chung Chin Keung	169	–	–	–	169
Mr. Wang Xiao Bing	169	–	–	–	169
	507	–	–	–	507

Notes to the Financial Statements

31 DECEMBER 2015

15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

Notes:

(i) Mr. Pan Feng was appointed as an executive director on 1 March 2014 and subsequently resigned on 4 February 2015.

(ii) During the current and prior years, no emolument was paid by the Group to any directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any remuneration during the current and prior years.

(iii) These amounts represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the accounting policy for share-based payments as set out in Note 4(r) to the financial statements. Further details of the options granted are set out in Note 34 to the financial statements.

(b) Five highest paid individuals

The five highest paid individuals during the year included two (2014: three) directors, details of whose remuneration are set out in Note 15(a) above. Details of the remuneration of the remaining three (2014: two) non-director, highest paid individuals for the year are as follows:

	2015	2014
	HK$'000	HK$'000
Basic salaries, share options and other benefits	**3,579**	1,347
Discretionary bonuses	**143**	217
Retirement benefit scheme contributions	**50**	41
	3,772	1,605

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15. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals *(Continued)*

Their emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Nil – HK$1,000,000	**1**	2
HK$1,000,000 – HK$2,000,000	**2**	–
	3	2

The emoluments paid or payable to members of senior management other than directors were within the following band:

	Number of individuals	
	2015	2014
Nil – HK$1,000,000	**–**	1
HK$1,000,000 – HK$2,000,000	**1**	–
	1	1

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Computer equipment HK$'000	Natural gas pipelines HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 January 2014	112,825	1,245	1,738	–	89,966	113	5,097	–	210,984
Acquired through business combinations	4,067	–	–	4,252	21,826	357	5,574	2,614	38,690
Additions	–	–	198	–	11,859	139	1,430	5,397	19,023
Disposals	(3,300)	(847)	–	–	–	–	(192)	–	(4,339)
Reclassification	–	–	–	–	605	–	–	(605)	–
Exchange realignment	(2,814)	(21)	(31)	(46)	(2,137)	2	(66)	11	(5,102)
At 31 December 2014 and 1 January 2015	110,778	377	1,905	4,206	122,119	611	11,843	7,417	259,256
Acquired through business combinations	–	–	14	–	66,709	63	201	804	67,791
Additions	–	1,226	310	–	1,568	707	931	53,778	58,520
Disposals	–	–	–	–	(667)	–	–	–	(667)
Written off	–	(376)	(453)	–	–	(109)	(1,798)	–	(2,736)
Reclassification	–	–	38	4,907	44,268	(38)	–	(49,175)	–
Exchange realignment	(4,965)	–	(62)	(190)	(8,815)	(25)	(491)	(343)	(14,891)
At 31 December 2015	105,813	1,227	1,752	8,923	225,182	1,209	10,686	12,481	367,273
Accumulated depreciation and impairment									
At 1 January 2014	42,719	748	897	–	47,959	112	3,280	–	95,715
Depreciation	4,842	94	281	11	8,803	62	881	–	14,974
Disposals	(371)	(457)	–	–	–	–	(172)	–	(1,000)
Exchange realignment	(752)	(8)	(12)	–	(811)	–	(74)	–	(1,657)
At 31 December 2014 and 1 January 2015	46,438	377	1,166	11	55,951	174	3,915	–	108,032
Depreciation	4,749	34	323	212	13,812	146	1,354	–	20,630
Impairment loss	1,331	–	–	–	18,669	–	–	–	20,000
Disposals	–	–	–	–	(153)	–	–	–	(153)
Written off	–	(376)	(453)	–	–	(108)	(1,618)	–	(2,555)
Exchange realignment	(1,537)	–	(32)	(2)	(1,704)	(3)	(154)	–	(3,432)
At 31 December 2015	50,981	35	1,004	221	86,575	209	3,497	–	142,522
Net book value									
At 31 December 2015	54,832	1,192	748	8,702	138,607	1,000	7,189	12,481	224,751
At 31 December 2014	64,340	–	739	4,195	66,168	437	7,928	7,417	151,224

Note: Since the land lease prepayment cannot be allocated reliably between the land and buildings elements at the inception of the lease, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment.

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of the Group's assets held under finance leases included in the total amounts of plant and machinery and motor vehicles at 31 December 2015 were HK$11,501,000 (2014:Nil) and HK$ 869,000 (2014: HK$1,071,000) respectively.

As at 31 December 2015, the directors evaluated the financial performance of the Group's cash generating unit of manufacture and sale of PE pipes (the "CGU") in light of the persistently net loss suffered by the Group and excess production capacity noted during the year. An impairment loss of HK$20,000,000 was recognised for the year which represented the write-down of certain property, plant and equipment in the manufacture and sale of PE pipes segment to the recoverable amount. This was recognised in the consolidated statement of profit or loss and other comprehensive income as an expense. The directors determined the recoverable amount of the CGU from its fair value less costs of disposal based on the business valuation performed by an independent firm of professional valuers using the income approach. The income approach is based on the projected cash flows of the CGU from the financial budgets covering a five-year period plus extrapolated cash flow projections by applying a long-term growth rate of 3% beyond the five-year. An average gross margin of 14% is applied to the cash flow projections for the budget periods. The projected cash flows are discounted using post-tax discount rate of 17.9%. The key assumptions have been determined based on past performance and management expectations of market development. The discount rate used reflects specific risks relating to this business. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

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17. LAND USE RIGHTS

The Group's interest in land use rights represents prepaid operating lease payments and movements in the year are analysed as follows:

	2015 HK$'000	2014 HK$'000
Outside Hong Kong, held under medium-term lease	**31,171**	33,380
At 1 January	**33,380**	32,513
Acquired through business combinations	**–**	2,407
Amortisation	**(771)**	(771)
Exchange difference	**(1,438)**	(769)
At 31 December	**31,171**	33,380
Less: Current portion included in other receivables, deposits and prepayments	**(774)**	(810)
Non-current portion	**30,397**	32,570

The Group held two leasehold land located in the PRC under lease terms of 50 years commencing on 28 February 2005 and 17 December 2005 respectively.

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18. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 were as follows:

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activity**
e-gameasia.com Ltd	BVI/Hong Kong	10,279,450 ordinary shares of HK$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	BVI/Hong Kong	1 ordinary share of US$0.01 each	100%	100%	–	Investment holding
China Primary Energy Holdings Limited	BVI/Hong Kong	20,000,000 ordinary shares of US$1 each	100%	100%	–	Investment holding
Billybala Software (BVI) Limited	Hong Kong	7 ordinary shares of US$1 each	100%	–	100%	Provision of administrative services to group companies
China Primary Sky Valley (Yichang) Composites Co., Ltd. (formerly known as Yichang Fuliangjiang Joint Composite Limited) (Note (v))	PRC	HK$122,380,000	100%	–	100%	Production of PE pipes and trading of composite materials
China Primary Energy (Shenzhen) Limited (Note (v))	PRC	HK$250,000,000	100%	–	100%	Investment holding
Yaoqixin Technology (Shenzhen) Co., Ltd (Note (v))	PRC	HK$1,000,000	100%	–	100%	Provision of administrative services to group companies
Fujian China Primary Energy Limited ("Fujian CP Energy") (Note (v))	PRC	RMB20,000,000	70%	–	70%	Transmission and distribution of natural gas
Nanjing Zhongchen Natural Gas Investment Company Limited ("Nanjing Zhongchen") (Note (v))	PRC	RMB900,000	49.7%	–	71%	Transmission and distribution of natural gas

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18. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activity
Ningde Zhongchen Natural Gas Investment Company Limited ("Ningde Zhongchen") (Note (v))	PRC	RMB900,000	49%	–	70%	Transmission and distribution of natural gas
Ningguo China Primary Energy Limited (formerly known as Ningguo Ruide Natural Gas Company Limited) ("Ningguo CP") (Note (v))	PRC	RMB10,000,000	100%	–	100%	Transmission and distribution of natural gas
Wuhu Shengyuteng Natural Gas Pipeline Company Limited ("Wuhu Shengyuteng") (Notes (iii) & (v))	PRC	RMB50,000,000	75%	–	75%	Transmission and distribution of natural gas
Zhongshan China Primary Energy Limited *(Notes (iv) & (v))*	PRC	RMB 1,000,000	100%	–	100%	Transmission and distribution of natural gas
Tengchong China Primary Energy Limited *(Notes (iv) & (v))*	PRC	RMB 1,600,000	100%	–	100%	Transmission and distribution of natural gas

Notes:

(i) The business structure of each of these subsidiaries is corporation

(ii) None of the subsidiaries had issued any debt securities at the end of the year

(iii) The subsidiary was newly acquired during the year

(iv) The subsidiary was newly established during the year

(v) The English name of the subsidiary represents the best effort by the Company's management to translate from its Chinese name as this subsidiary has no official English name

In the opinion of the directors, the above subsidiaries principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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19. GOODWILL

	2015 HK$'000	2014 HK$'000
At 1 January	**24,660**	–
Arising from business combinations	**8,154**	24,660
At 31 December	**32,814**	24,660

Impairment testing on goodwill

The Group recognised goodwill of HK$8,154,000 (Note 38(a)) arising from acquisition of a business during the year (2014: HK$24,660,000 (Notes 38(b) & (c)) arising from acquisition of two similar businesses) which were allocated to the cash generating units ("CGUs") relating to the Group's transmission and distribution of natural gas business in the PRC.

For the purpose of the goodwill impairment test, the directors determined the recoverable amounts of the CGUs from their fair value less costs of disposal based on the business valuations performed by an independent firm of professional valuers using the income approach. The income approach is based on cash flow projections from the financial budgets covering a five-year period plus extrapolated cash flow projections by applying a long-term growth rate of 3% beyond the five-year. Post-tax discount rates of 12.04% (2014: Nil), 17.98% (2014: 19.89%) and 14.49% (2014: 15.70%) and gross margins of 28% (2014: Nil), 28% (2014: 24%) and 21% to 24% (2014: 13%) are used for the cash flow projections for the business acquired during the year and the two businesses acquired in 2014 respectively.

The key assumptions have been determined based on past performance and management expectations of market development. The discount rates used reflect specific risks relating to these businesses.

The directors concluded that the CGUs demonstrate sufficient cash flows to justify the carrying value of the goodwill and no impairment of goodwill was necessary as at the end of reporting period.

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20. OTHER INTANGIBLE ASSETS

	Customer relationships HK$'000	Exclusive rights of natural gas operations HK$'000	Total HK$'000
Cost			
At 1 January 2014	–	–	–
Addition through business combinations	5,416	20,759	26,175
Exchange realignment	34	(222)	(188)
At 31 December 2014 and 1 January 2015	5,450	20,537	25,987
Exchange realignment	(211)	(921)	(1,132)
At 31 December 2015	**5,239**	**19,616**	**24,855**
Amortisation			
At 1 January 2014	–	–	–
Amortisation	271	73	344
At 31 December 2014 and 1 January 2015	271	73	344
Amortisation	542	883	1,425
At 31 December 2015	**813**	**956**	**1,769**
Net book value			
At 31 December 2015	**4,426**	**18,660**	**23,086**
At 31 December 2014	5,179	20,464	25,643

Customer relationships and exclusive rights of natural gas operations were recognised by the Group upon the acquisition of Fujian CP Energy and Ningguo CP respectively in last year (Note 38(b)&(c)).

Customer relationships is amortised on a straight-line method over the period of 10 years. Ningguo CP obtained an operating license for a period of 30 years from 12 May 2008 to 11 May 2038 and is amortised on a straight-line method over the remaining term of 23 years from the date of acquisition.

The Group's goodwill (Note 19) and the other intangible assets listed above which arose from the business acquisition of Fujian CP Energy and Ningguo CP last year are allocated to their respective natural gas business CGUs for impairment testing as detailed in Note 19.

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21. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	**6,509**	5,269
Amounts due from associates	**380**	410

The amounts due from associates classified as current assets are unsecured, interest free and repayable on demand.

Details of the associates are as follows:

Name	Form of business structure	Place of establishment and operation	Percentage of paid up capital held indirectly by the Company	Principal activity
Minsheng Natural Gas Company Limited ("Minsheng")	Corporation	PRC	30%	Transmission and distribution of natural gas
China Primary Sky Valley (Shenzhen) New Material Development Company Limited	Corporation	PRC	40%	Development and trading of fibre reinforced plastic ("FRP")
Shenzhen China Primary Sky Valley New Material Scientific and Technical Development Company Limited	Corporation	PRC	31.2%	Development and trading of FRP
Three Gorges Changgang New Energy (Yichang) Company Limited	Corporation	PRC	43%	Transmission and distribution of natural gas

The English names of the associates represent the best effort by the Company's management to translate from its Chinese name as the associates have no official English names.

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21. INTERESTS IN ASSOCIATES (Continued)

(i) Summarised financial information of Minsheng (material associate)

	2015 HK$'000	2014 HK$'000
As at 31 December		
Current assets	**8,784**	10,458
Non-current assets	**29,144**	39,305
Current liabilities	**(20,935)**	(29,919)
Non-current liabilities	**(620)**	(2,279)

	2015 HK$'000	2014 HK$'000
Year ended 31 December		
Revenue	**15,727**	52,488
Profit for the period	**3,292**	247
Other comprehensive income	**(79)**	68
Total comprehensive income	**3,213**	315

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21. INTERESTS IN ASSOCIATES (Continued)

(ii) Summarised financial information (immaterial associates)

	HK$'000
Year ended 31 December	
Revenue	160
Profit for the period	357
Other comprehensive income	6
Total comprehensive income	363

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 **HK$'000**	2014 HK$'000
Listed outside Hong Kong	**33**	33

This investment offers the Group the opportunity for return through dividend income and capital gains. The Group acquired approximately a 1% equity interest in the investee through share subscription in 2011. The investee succeeded to have its shares listed and traded in the OTC Bulletin Board ("OTC") in the United States on 7 August 2012. The Group intends to hold this investment for long term purpose.

There was a significant decline in the market value of this investment in the year 2014. The directors considered that such a decline indicated that the investment has been impaired and an impairment loss of HK$3,863,000 has been recognised in profit or loss for the year ended 31 December 2014 (Note 8). The carrying amount of the investment approximates its quoted market price as at 31 December 2015.

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23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**6,469**	7,076
Work in progress	**325**	129
Finished goods (net of provision of HK$7,724,000 (2014: HK$4,992,000))	**2,213**	10,971
	9,007	18,176

During the year ended 31 December 2015, the Group made a provision of HK$2,732,000 to reduce the cost of finished goods to their net realisable value. The provision was recognised as cost of inventories sold for the year (Note 10).

During the year ended 31 December 2014, a provision of HK$524,000 made in prior years against the carrying value of finished goods had been reversed. This reversal arose due to an increase in net realisable value as a result of the sales occurred during last year. The reversal of write down was recognised in cost of inventories sold for last year (Note 10).

24. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**103,791**	77,070
Less: Provision for impairment	**(34,220)**	(31,368)
	69,571	45,702

(a) The Group's trading terms from sales of PE pipes and composite materials with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month and can be extended to three months or more for major customers. For the business of transmission and distribution of natural gas, payment in advance is normally required and some customers are on credit terms within 30 days. The Group sets a maximum credit limit for each customer and seeks to maintain strict control over its outstanding receivables. The sales department and the management of the responsible department for the sales together perform the credit control function to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

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24. TRADE RECEIVABLES (Continued)

(b) The table below reconciled the provision for impairment loss of trade receivables for the year:

	2015	2014
	HK$'000	HK$'000
At 1 January	**31,368**	27,835
Impairment loss recognised	**4,258**	4,218
Exchange realignment	**(1,406)**	(685)
At 31 December	**34,220**	31,368

At 31 December 2015, the Group's trade receivables of HK$34,220,000 (2014: HK$31,368,000 were individually determined to be impaired. These receivables have been long outstanding and management assessed them to be irrecoverable. The Group does not hold any collateral over these balances.

(c) An ageing analysis of the trade receivables (net of impairment loss) as at the end of reporting period, based on the invoice dates, is as follows:

	2015	2014
	HK$'000	HK$'000
Within 30 days	**25,604**	14,668
31 – 60 days	**4,582**	3,525
61 – 90 days	**2,901**	1,477
Over 90 days	**36,484**	26,032
	69,571	45,702

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24. TRADE RECEIVABLES (Continued)

(d) An ageing analysis of trade receivables (net of impairment loss) that are neither individually nor collectively considered to be impaired is as follows:

	2015	2014
	HK$'000	HK$'000
Not past due	**52,902**	21,131
Less than 31 days past due	**4,531**	9,531
31 – 60 days past due	**755**	3,615
61 – 90 days past due	**630**	363
Over 90 days but less than 1 year past due	**1,498**	2,715
More than 1 year past due	**9,255**	8,347
	16,669	24,571
	69,571	45,702

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Non-current assets		
Prepayments (Note)	**19,093**	–
Current assets		
Other receivables and deposits	**42,709**	47,989
Prepayments	**39,206**	23,785
	81,915	71,774
Less: Provision for impairment loss on other receivables and prepayments	**(11,256)**	(10,735)
	70,659	61,039

The below table reconciled the provision for impairment loss on other receivables and prepayments for the year:

	2015 HK$'000	2014 HK$'000
At 1 January	**10,735**	11,006
Impairment loss recognised	**1,002**	–
Exchange realignment	**(481)**	(271)
At 31 December	**11,256**	10,735

Note: During the year, the Group made prepayments of HK$19,093,000 to a third party for purchases of items of property, plant and equipment for the natural gas business.

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26. INVESTMENTS HELD FOR TRADING

	2015 HK$'000	2014 HK$'000
Listed equity securities held at fair value		
– listed in Hong Kong	**6**	122

27. CASH AND CASH EQUIVALENTS

At the end of reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$12,845,000 (2014: HK$6,284,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate their fair values.

28. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice dates, is as follows:

	2015 HK$'000	2014 HK$'000
Within 30 days	**8,536**	5,338
31 – 60 days	**4,092**	3,183
61 – 90 days	**3,528**	41
Over 90 days	**15,387**	13,035
	31,543	21,597

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29. CONVERTIBLE BONDS

As detailed in the Company's announcement dated 17 February 2015, the Company entered into the conditional subscription agreement (the "CB Subscription Agreement") with an independent third party, Golden Peak Minerals Limited (the "CB Subscriber" or the "Bondholder"), on 17 February 2015 pursuant to which the CB Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the five-year 4.5% coupon unlisted convertible bonds in principal amount of HK$60,000,000 (the "Convertible Bonds" or the "Bonds"). Interest is payable at the anniversary of the issue date each year. As further detailed in the Company's announcement dated 8 April 2015, the Company's proposed resolution for the issue of the Convertible Bonds was duly passed by the shareholders in the extraordinary general meeting held on 8 April 2015 and the Convertible Bonds was executed and issued by a resolution of the board of directors of the Company on 8 May 2015.

Based on the initial conversion price of HK$1.00 (the "Conversion Price") per conversion share, a maximum number of 60,000,000 conversion shares (the "Conversion Share(s)") will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full.

The Convertible Bonds shall not be converted into conversion shares for the period from the date of issue of the Convertible Bonds to the date falling three years after the issue of the Convertible Bonds.

The Conversion Price is initially HK$1.00 per Conversion Share, subject to adjustment for subdivision or consolidation of shares, rights issue, stock or cash distribution other than out of distributable profits of the Company, and other dilutive events (which are general anti-dilution adjustments).

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29. CONVERTIBLE BONDS (Continued)

Upon receiving a conversion notice from the Bondholder, the Company shall at its discretion be entitled to redeem the whole amount of outstanding Convertible Bonds or such amount of the Bonds to be converted as set out in that conversion notice (at principal plus interest (to be settled in cash), rather than at fair value of the shares that would be converted), rather than to issue the relevant number of Conversion Shares by giving written notice to the Bondholder within 3 business days from the date of the giving of the relevant conversion notice.

At any time before the maturity date, the Company, by serving at least 14 days' prior written notice, can redeem the Convertible Bonds (in whole or in part) at 100% of the outstanding principal amount of the Convertible Bonds together with interest accrued (to be settled in cash) but unpaid up to the date of redemption. Issuer's redemption option starts on 8 May 2015 and ends on 24 April 2020 (taking into account at least 14 days' prior written notice before the maturity date on 8 May 2020).

At the absolute discretion of the Company, any outstanding Convertible Bonds shall be either (i) redeemed at 100% of its principal amount; or (ii) converted into Conversion Shares at the then conversion price; or (iii) any combination of redemption and conversion, on the maturity date.

The Convertible Bonds were issued on 8 May 2015. The net proceeds of the subscription of approximately HK$59,799,000 in which issue cost of HK$201,000 was set off from the face value of the Convertible Bonds of HK$60,000,000.

Given there is a debt (i.e unavoidable obligation to pay the interest coupon) and equity (i.e. principal of the loan, settlement mechanism of which is at the issuer's option) element to this hybrid instrument, it is a compound instrument. The liability component of the Convertible Bonds are measured first, at the fair value of a similar liability that does not have an associated equity conversion feature, but including derivatives (i.e. the issuer's early redemption option). The effective interest rate of the debt component on initial recognition is 7.5569% per annum. An independent professional valuer, Greater China Appraisal Limited, determined the effective rate of the debt component as at grant date and the fair value of the derivatives as at grant date and 31 December 2015. The equity component is determined as the residual amount, essentially the issue proceeds of the Convertible Bonds less the liability component including derivatives.

Notes to the Financial Statements

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29. CONVERTIBLE BONDS (Continued)

The respective values of the financial assets at fair value through profit or loss and equity component of the Convertible Bonds are as follows:

	Financial assets at fair value through profit or loss HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
At 1 January 2015	–	–	–
Issue of Convertible Bonds during the year	**20,380**	**(80,179)**	**(59,799)**
Change in fair value	**(18,708)**	–	**(18,708)**
At 31 December 2015	**1,672**	**(80,179)**	**(78,507)**

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30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment 2015 HK$'000	**Present value 2015 HK$'000**	Minimum lease payment 2014 HK$'000	Present value 2014 HK$'000
Not later than one year	**6,030**	**4,963**	383	305
Later than one year and not later than five years	**10,180**	**9,387**	765	698
	16,210	**14,350**	1,148	1,003
Less: Future finance lease	**(1,860)**		(145)	
Present value of lease obligations	**14,350**		1,003	
Less: Due within one year, included under current liabilities		**(4,963)**		(305)
Due in the second to fifth years, included under non-current liabilities		**9,387**		698

The Group entered into finance leases for a motor vehicle and liquefied natural gas tanks with lease terms of 2 to 3 years. Interest rates under the leases ranged from 8.16% to 8.92% per annum. The leases do not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased assets at prices that are expected to be sufficiently lower than the fair value of the leased assets at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessors have the rights to obtain repossession of the leased assets in event of default. The carrying amounts of the finance lease liabilities are denominated in Renminbi and approximate their fair values.

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31. BORROWINGS

	2015 HK$'000	2014 HK$'000
Current		
Secured bank loan due for repayment within one year (i)	**1,790**	–
Unsecured loans due for repayment within one year (ii)	**–**	37,479
	1,790	37,479
Non-current		
Secured bank loan due for repayment within two to five years (i)	**39,976**	–
Interest bearing and unsecured borrowings	**41,766**	37,479

(i) The Group's bank loan of HK$41,766,000 as at 31 December 2015 is secured by the Group's equity interests of two subsidiaries of Wuhu Shengyuteng and Ningguo CP, certain properties of a director and a director's family member, the corporate guarantee of the Company and a director's personal guarantee. The bank loan bears interest at base rate of People's Bank of China plus 20% of the base rate per annum and is repayable within five years. The weighted average base rate of People's Bank of China plus 20% of the base rate per annum in respect of the bank loan is 5.7% during the year ended 31 December 2015.

(ii) The loans of HK$37,479,000 as at 31 December 2014 were unsecured, interest bearing at base rate of People's Bank of China plus 10% per annum and were fully repaid during the year. The weighted average base rate of People's Bank of China plus 10% per annum in respect of these loans was 6.2% during the year ended 31 December 2014.

(iii) The Group's borrowings are denominated in Renminbi.

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32. DEFERRED TAX

Below set out the details of the deferred tax liabilities recognised and movements during the year:

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2014	–	–	–
Through business combinations	(1,022)	(7,097)	(8,119)
Credited to profit or loss for the year (Note 11)	3	–	3
Exchange realignment	11	50	61
At 31 December 2014 and 1 January 2015	(1,008)	(7,047)	(8,055)
Through business combinations	–	221	221
Credited to profit or loss for the year (Note 11)	33	–	33
Exchange realignment	45	307	352
At 31 December 2015	(930)	(6,519)	(7,449)

As at 31 December 2015, the Group had unused tax losses arising in Hong Kong of HK$1,733,000 (2014: HK$1,733,000) and the PRC of HK$75,399,000 (2014: HK$68,846,000) which are available for offset against future taxable profits of the group companies in which the losses arose for an indefinite period and for a period of five years respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the group companies that have been loss-making for some years.

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33. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.0625 each at 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	1,920,000	120,000
Issued and fully paid:		
Ordinary shares of HK$0.0625 each at 1 January 2014	482,881	30,180
Right issue (Note (i))	241,441	15,090
Subscription of shares (Note (ii))	96,576	6,036
Ordinary shares of HK$0.0625 each at 31 December 2014	820,898	51,306
Subscription of shares (Note (iii))	110,000	6,875
Ordinary shares of HK$0.0625 each at 31 December 2015	930,898	58,181

Notes:

(i) A rights issue of one rights share for every two existing shares held by the members on the register of members on 9 May 2014 was made, at an issue price of HK$0.21 per rights share, resulting in the issue of 241,440,492 shares of HK$0.0625 each for a total cash consideration, before related issue costs and expenses of HK$778,000, of HK$50,703,000, of which HK$15,090,000 and HK$35,613,000 were credited to share capital and share premium account respectively (Note 44).

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33. SHARE CAPITAL (Continued)

Notes:

(ii) On 4 September 2014, the Company entered into the subscription agreement to allot and issue 96,576,196 new shares at HK$0.40 per new share to the subscriber who is an independent third party (the "Subscriber"). The subscription of shares was completed on 15 September 2014. Following the subscription of new shares, an amount of HK$6,036,000 and HK$32,594,000 were credited to share capital and share premium account respectively (Note 44).

Major non-cash transactions in 2014

On 15 January 2014, the Company entered into a loan agreement with the Subscriber, pursuant to which the Subscriber would advance loan of up to HK$38 million to the Company. Up to the date of the subscription agreement on 4 September 2014, the outstanding loan advanced by the Subscriber to the Company and accrued loan interest amounted to HK$7,000,000 and HK$313,000 respectively. The total proceeds from the subscription of shares is HK$38,630,000 and after the set off of the said outstanding balance of HK$7,313,000 owed by the Company to the Subscriber, the Company received the remaining cash proceeds of HK$31,317,000 from the Subscriber.

(iii) On 9 June 2015, the Company entered into the subscription agreement to allot and issue 110,000,000 new shares at HK$1.39 per new share to the subscriber who is an independent third party. The subscription of shares was completed on 24 June 2015. Following the subscription of new shares, an amount of HK$6,875,000 and HK$146,025,000 were credited to share capital and share premium account respectively (Note 44).

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34. SHARE OPTION SCHEME

The Group maintained a share options scheme for employee compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On 8 May 2012, a share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who would contribute to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional. The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on 8 May 2012.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

34. SHARE OPTION SCHEME (Continued)

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

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34. SHARE OPTION SCHEME (Continued)

On 10 April 2015, the Company granted share options to eligible participants to subscribe for a total of 81,720,000 ordinary shares of HK$0.0625 each (with exercise price of HK$0.87 per share) in the share capital of the Company under the Share Option Scheme. Details of the share options granted and movement in such holding during the year ended 31 December 2015 are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price per share HK$	Outstanding as at 1 January 2015	Granted during the year	Lapsed during the year	Outstanding as at 31 December 2015
				Number of share options			
Directors							
Ms. Ma Zheng	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	820,000	–	820,000
Mr. Wong Pui Yiu	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	3,500,000	–	3,500,000
Mr. Wan Tze Fan Terence	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Mr. Chung Chin Keung	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Mr. Wang Xiao Bing	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	700,000	–	700,000
Sub-total				**–**	**6,420,000**	**–**	**6,420,000**
Others							
Employees	10 April 2015	1 April 2018 – 7 May 2022	0.87	–	75,300,000	(3,100,000)	72,200,000
Sub-total				**–**	**75,300,000**	**(3,100,000)**	**72,200,000**
Total				**–**	**81,720,000**	**(3,100,000)**	**78,620,000**

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34. SHARE OPTION SCHEME (Continued)

3,100,000 share options were lapsed upon resignation of certain employees during the year.

No share options were granted by the Company and no share options were exercised, lapsed or cancelled under the Share Option Scheme during the year ended 31 December 2014.

The fair value of the share options granted to the directors and employees during the year was HK$3,005,000 (HK$0.4681 each) and HK$30,986,000 (HK$0.4115 each), of which the Group recognised the share-based payment of HK$8,046,000 during the year ended 31 December 2015 (Note 14).

The following information is relevant in the determination of the fair value of options granted during the year under the Share Option Scheme:

Grant date	10 April 2015
Option pricing model used	Binomial Tree Model
Share price at grant date	HK$0.87
Exercise price	HK$0.87
Sub-optimal factor	2.80 (directors)/ 1.50 (employees)
Contractual life	7.0795 years
Expected volatility	55.2530%
Expected dividend rate	–
Risk-free interest rate	1.6961%

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35. OPERATING LEASES

The Group is the lessee in respect of certain of its office premises held under operating leases. The leases run for an initial period of one to three years at fixed rental. None of the leases includes contingent rentals.

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**3,998**	1,836
After one year but within five years	**4,813**	733
	8,811	2,569

36. CAPITAL COMMITMENTS

	2015 **HK$'000**	2014 HK$'000
Contracted for but not provided:		
– acquisition of property, plant and equipment	**11,424**	307

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37. THE REDEMPTION OF OLD CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES

As disclosed in the 2010, 2011, 2012, 2013 and 2014 financial statements, on 27 October 2010, independent shareholders of the Company had approved the deed of settlement dated 17 September 2010 executed by the Company, the joint and several liquidators (the "Liquidator") of Lehman Brothers Commercial Corporation Asia Limited ("Lehman Brothers") and Lehman Brothers in relation to the redemption of the 4.5% convertible bonds ("Old Convertible Bonds") in the principal amount of HK$246,250,000 issued by the Company to Lehman Brothers in October 2007 (the "Original Deed of Settlement"). Details of the terms of the Original Deed of Settlement are set out in the Company's circular dated 11 October 2010.

The Company paid HK$85 million to Lehman Brothers under the terms of the Original Deed of Settlement as partial consideration of the redemption of Old Convertible Bonds. The remaining consideration under the Original Deed of Settlement was represented by the transfer of the 100% of the issued share capital of Zhong Ping Resources Holdings Limited ("Zhong Ping") or all of the assets held directly or indirectly by Zhong Ping (the "Sale Interest") to Lehman Brothers or a party so directed by Lehman Brothers.

Pursuant to the Original Deed of Settlement, completion of the Original Deed of Settlement is conditional upon the fulfillment of certain conditions on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (the "Long Stop Date"). In order to allow more time for the transfer of the Sale Interest to Lehman Brothers, the Company, Lehman Brothers and the Liquidator mutually agreed to extend the Long Stop Date several times. Except for the extension of the Long Stop Date, all other terms and conditions of the Original Deed of Settlement remain unchanged and shall continue in full force and effect.

Notes to the Financial Statements

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37. THE REDEMPTION OF OLD CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES (Continued)

The Sale Interest included Zhong Ping's 70% interest in ARIA LLC ("ARIA"), a company incorporated in Mongolia with limited liability. ARIA in turn is the holder of the mining license with an expiry date of 10 August 2035 in the green field mining exploration project, the Mungun-Undur Polymetallic Project (the "Project") located in Mungun-Undur, Khentii Province, Mongolia. The Project has prospects for silver, lead, zinc and tin mineralization. Other than holding the 70% equity interest of ARIA, Zhong Ping is inactive and has little assets or liabilities of its own. Following the approval of the Original Deed of Settlement on 27 October 2010, the Group had effectively discontinued and ceased its mining activities. Zhong Ping and ARIA have remained inactive, received no income and incurred no expenses since that date.

Pursuant to the Original Deed of Settlement, the Sale Interest represented 100% of the issued share capital of Zhong Ping (being the holder of the 70% equity interest in ARIA) or, at the sole and absolute discretion of Lehman Brothers, all of the assets held directly or indirectly by Zhong Ping. Subsequently, Lehman Brothers had elected to receive a transfer of the 70% equity interest in ARIA. As disclosed in the Company's circular dated 12 March 2014, the registration of the ARIA transfer could not be completed without a new joint venture agreement between a new shareholder and the non-controlling interest having been agreed, signed and registered with the Legal Entity Registration Office of Mongolia. Due to the prolonged commercial negotiation between the Bondholder and the non-controlling interest, it is unpredictable when a new joint venture agreement could be agreed and signed.

On 15 January 2014, the Company, Lehman Brothers and the Liquidators entered into a supplemental deed for the redemption of Old Convertible Bonds (the "Supplemental Deed"), pursuant to which Lehman Brothers agreed to accept the transfer of a 100% equity interest in Zhong Ping and revoke it election to receive the 70% equity interest in ARIA. Under such amendment, the transfer of the 100% equity interest in Zhong Ping can be effected without the approval and consent required for the transfer of the 70% equity interest in Mongolia as Zhong Ping is a BVI company and is wholly-owned by the Company.

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37. THE REDEMPTION OF OLD CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES (Continued)

Under the terms of the Supplemental Deed, the Company shall pay to Lehman Brothers (i) a non-refundable deposit in the sum of HK$6 million; (ii) an amount in Hong Kong dollar that is equal to RMB24 million (equivalent to approximately HK$31 million); and (iii) transfer the 100% equity interest in Zhong Ping to Lehman Brothers. The Company paid the above mentioned non-refundable deposit in the sum of HK$6 million to Lehman Brothers on 15 January 2014 according to the Supplemental Deed.

The redemption of the Old Convertible Bonds and disposal of the Zhong Ping Group (the "Redemption and Disposal") as detailed above were completed by the Group on 16 October 2014, and resulted in a loss of HK$234,000 for the year ended 31 December 2014 calculated as follows:

	HK$'000	HK$'000
Assets of the Zhong Ping Group incorporated by the Group		207,612
Less: Liabilities of the Zhong Ping Group incorporated by the Group		(29,510)
		178,102
Less: Amount due to the Company eliminated on consolidation		(484)
Net assets of the Zhong Ping Group		177,618
Total cash consideration paid		121,330
Total consideration for the Redemption and Disposal		298,948
Less: Carrying value of Old Convertible Bonds	246,250	
Interest accrued on the bonds written back	9,234	
Non-controlling interest of the Zhong Ping Group transferred to profit or loss	33,905	
Exchange reserve released on disposal of the Zhong Ping Group	9,809	
Amount due from the Zhong Ping Group written off	(484)	
		298,714
Loss on the Redemption and Disposal (Note 8)		234

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37. THE REDEMPTION OF OLD CONVERTIBLE BONDS AND DISPOSAL OF SUBSIDIARIES (Continued)

The analysis of the net cash flow of cash and cash equivalents in respect of the Redemption and Disposal for the year ended 31 December 2014 was as follows:

	HK$'000
Total consideration for the Redemption	(121,330)
Partial payment in previous years	85,000
Cash paid during the year	(36,330)
Cash and cash equivalents disposed of	(1)
Net cash outflow on the Redemption and Disposal	(36,331)

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38. ACQUISITION OF SUBSIDIARIES

(a) On 17 December 2014, the Group entered into the acquisition agreement with an independent party to acquire for 75% equity interest of Wuhu Shengyuteng Natural Gas Pipeline Company Limited ("Wuhu Shengyuteng"). Wuhu Shengyuteng is a limited liability company established in the PRC and principally engaged in the transmission and distribution of natural gas in the PRC. The acquisition was completed on 31 July 2015, which is the acquisition date for accounting purposes.

The fair value of identifiable assets and liabilities of Wuhu Shengyuteng as at the date of acquisition were:

	HK$'000
Property, plant and equipment	67,791
Inventories	192
Trade receivables	603
Other receivables, deposits and prepayments	3,392
Cash and cash equivalents	959
Deferred tax assets	221
Other payables and accruals	(21,600)
Non-controlling interests	(12,890)
	38,668
Cash consideration for acquisition of 75% equity interest of the acquiree	46,822
Goodwill on acquisition	8,154

Notes to the Financial Statements

31 DECEMBER 2015

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

An analysis of the cash flows in respect of acquisition of Wuhu Shengyuteng is as follows:

	2015 HK$'000
Cash consideration paid	(46,822)
Cash and cash equivalents acquired	959
Net cash outflow of cash and cash equivalents included in cash flows from investing activities	45,863

The fair values of property, plant and equipment of HK$67,791,000 at the date of acquisition was determined by an independent professional valuer.

The fair value and gross contractual amounts of the trade receivables and other receivables, deposits and prepayments as at the date of acquisition amounted to HK$603,000 and HK$3,392,000 respectively. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill arising from the acquisition of Wuhu Shengyuteng, which is not deductible for tax purposes, is attributed to anticipated profitability of its natural gas business, the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Notes to the Financial Statements

31 DECEMBER 2015

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Since the acquisition date, Wuhu Shengyuteng has contributed HK$5,105,000 to the Group's revenue and loss of HK$1,050,000 to the Group's loss for the year ended 31 December 2015. If the acquisition had occurred on 1 January 2015, the Group's revenue and loss would have been HK$166,680,000 and HK$69,868,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future performance.

(b) On 10 April 2014, the Group entered into the sales and purchase agreement with an independent party to acquire for 70% equity interest of Fujian CP Energy. Fujian CP Energy is a limited liability company established in the PRC and principally engaged in the transmission and distribution of natural gas in the PRC. Fujian CP Energy directly holds 71% equity interest of Nanjing Zhongchen, 70% equity interest of Ningde Zhongde and 30% equity interest of Minsheng Natural Gas Company Limited (collectively referred to as "Fujian CP Energy Group"). The acquisition was completed on 9 June 2014.

Notes to the Financial Statements

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38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) *(Continued)*

The fair value of identifiable assets and liabilities of Fujian CP Energy Group as at the date of acquisition were:

	HK$'000	HK$'000
Property, plant and equipment		25,707
Customer relationships		5,416
Interest in an associate		5,174
Inventories		1,134
Trade receivables		3,126
Other receivables, deposits and prepayments		9,942
Cash and cash equivalents		4,109
Trade payables		(11,681)
Other payables and accruals		(29,795)
Deferred tax liabilities		(1,499)
Non-controlling interests		(4,914)
		6,719
Total cash consideration pursuant to the sales and purchase agreement	29,164	
Less: shareholder's loan taken up by the Group	(4,344)	
Cash consideration for acquisition of 70% equity interest of the acquiree		24,820
Goodwill on acquisition		18,101

Notes to the Financial Statements

31 DECEMBER 2015

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) *(Continued)*

An analysis of the cash flows in respect of acquisition of Fujian CP Energy Group was as follows:

	2014 HK$'000
Cash consideration paid	(24,820)
Cash and cash equivalents acquired	4,109
Net cash outflow of cash and cash equivalents included in cash flows from investing activities	(20,711)

The fair values of property, plant and equipment of HK$25,707,000, customer relationships of HK$5,416,000 and interest in an associate of HK$5,174,000 at the date of acquisition were determined by an independent professional valuer.

The fair value of the trade receivables and other receivables, deposits and prepayments as at the date of acquisition amounted to HK$3,126,000 and HK$9,942,000 respectively. The gross contractual amounts of trade receivables and other receivables, deposits and prepayments were HK$3,126,000 and HK$11,679,000 respectively, of which other receivables of HK$1,737,000 were expected to be uncollectible.

The goodwill arising from the acquisition of Fujian CP Energy Group, which was not deductible for tax purposes, was attributed to anticipated profitability of its natural gas business, the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Fujian CP Energy Group has contributed HK$36,985,000 to the Group's revenue and profit of HK$1,224,000 to the Group's loss for the year ended 31 December 2014. If the acquisition had occurred on 1 January 2014, the Group's revenue and loss would have been HK$112,934,000 and HK$45,781,000 respectively. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor was it intended to be a projection of future performance.

Notes to the Financial Statements

31 DECEMBER 2015

38. ACQUISITION OF SUBSIDIARIES (Continued)

(c) On 13 October 2014, the Group entered into an acquisition agreement to acquire for the entire equity interest of Ningguo CP. Ningguo CP is a limited liability company established in the PRC and principally engaged in the transmission and distribution of natural gas in the PRC. The acquisition was completed on 17 November 2014.

The fair value of identifiable assets and liabilities of Ningguo CP as at the date of acquisition were:

	HK$'000
Property, plant and equipment	12,983
Land use rights	2,407
Exclusive rights of natural gas operations	20,759
Inventories	668
Trade receivables	3,717
Other receivables, deposits and prepayments	206
Cash and cash equivalents	933
Trade payables	(1,888)
Other payables and accruals	(1,837)
Deferred tax liabilities	(6,620)
Total identifiable net assets at fair value	31,328
Cash consideration	37,887
Goodwill on acquisition	6,559

Notes to the Financial Statements

31 DECEMBER 2015

38. ACQUISITION OF SUBSIDIARIES (Continued)

(c) *(Continued)*

An analysis of the cash flows in respect of acquisition of Ningguo CP was as follows:

	2014 HK$'000
Cash consideration	(37,887)
Consideration payable as at 31 December 2014	6,248
Cash consideration paid	(31,639)
Cash and cash equivalents acquired	933
Net cash outflow of cash and cash equivalents included in cash flows from investing activities	(30,706)

The fair values of property, plant and equipment of HK$12,983,000, exclusive rights of natural gas operations of HK$20,759,000 and land use rights of HK$2,407,000 at the date of acquisition were determined by an independent professional valuer.

The fair value and the gross contractual amounts of the trade receivables and other receivables, deposits and prepayments as at the date of acquisition amounted to HK$3,717,000 and HK$206,000 respectively. None of these receivables have been impaired and it was expected that the full contractual amounts can be collected.

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38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

The goodwill arising from the acquisition of Ningguo CP, which was not deductible for tax purposes, was attributed to anticipated profitability of its natural gas business, the acquired workforce and the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Ningguo CP has contributed HK$2,488,000 to the Group's revenue and HK$183,000 to the Group's loss for the year ended 31 December 2014. If the acquisition had occurred on 1 January 2014, the Group's revenue and loss would have been HK$114,571,000 and HK$45,389,000 respectively. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor was it intended to be a projection of future performance.

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39. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Except for those disclosed elsewhere in the financial statements, the Group had no other significant related party transactions during the years ended 31 December 2015 and 2014.

Members of key management during the year comprised only of the directors whose remuneration is set out in Note 15(a) to the financial statements.

40. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 31 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 5% to 15% determined as the proportion of debts to total equity as defined above.

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41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and price risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customers. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 December 2015, the Group has a certain concentration of credit risk as 22% of the total trade receivables was due from the Group's two largest customers in relation to the natural gas operations. The Group did not have a significant concentration of credit risk as at 31 December 2014.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables, deposits and prepayments are set out in Notes 24 and 25 respectively.

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41. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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41. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The following table shows the liquidity risk analysis of the Group as at 31 December 2015 and 2014.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**
2015					
Trade payables	**31,543**	**31,543**	**31,543**	**–**	**–**
Other payables and accruals	**63,081**	**63,081**	**63,081**	**–**	**–**
Customers' deposit	**3,776**	**3,776**	**3,776**	**–**	**–**
Obligations under finance leases	**14,350**	**16,210**	**6,030**	**6,030**	**4,150**
Borrowings	**41,766**	**50,846**	**4,171**	**6,455**	**40,220**
	154,516	**165,456**	**108,601**	**12,485**	**44,370**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
2014					
Trade payables	21,597	21,597	21,597	–	–
Other payables and accruals	58,570	58,570	58,570	–	–
Customers' deposit	507	507	507	–	–
Obligations under finance leases	1,003	1,148	383	765	–
Borrowings	37,479	39,581	39,581	–	–
	119,156	121,403	120,638	765	–

41. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings and obligations under finance leases. Borrowings and obligations under finance leases at floating rates expose the Group to cash flow interest rate risk.

The following table details the interest rate profile of the Group at the end of reporting period.

	2015		2014	
	Effective interest rate		Effective interest rate	
	%	**HK'000**	%	HK'000
Borrowings	**5.700%**	**41,766**	6.200%	37,479
Bank balances	**3.099%**	**(17,608)**	0.837%	(7,048)
Obligations under finance leases	**8.540%**	**14,350**	8.950%	1,003
Total borrowings		**38,508**		31,434

It is estimated that as at 31 December 2015, a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after income tax and accumulated losses by HK$385,000 (2014:HK$314,000).

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the group entities.

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41. FINANCIAL RISK MANAGEMENT (Continued)

(e) Price risk – Equity price risk

The Group is not exposed to material equity price changes arising from equity instruments classified as trading securities and available-for-sale equity securities as their carrying amounts as at 31 December 2015 and 2014 are not significant.

(f) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subject in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2015 and 2014 may be categorised as follows:

	2015	2014
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including cash and cash equivalents)	**173,366**	102,809
Financial assets at fair value through profit or loss	**1,672**	–
Investments held for trading at fair value through profit or loss	**6**	122
Available-for-sale investments, at fair value	**33**	33
Financial liabilities		
Financial liabilities measured at amortised cost	**150,740**	118,649

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42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amounts due from associates, trade and other payables, finance leases and borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, amounts due from associates and trade and other payables approximates fair value.

The fair value of borrowings and finance leases has been determined by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

(b) Financial instruments measured at fair value

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

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Financial assets at fair value through profit or loss	**–**	**–**	**1,672**	**1,672**
Investments held for trading	**6**	**–**	**–**	**6**
– Listed				
Available-for-sale investments	**33**	**–**	**–**	**33**

	2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Investments held for trading				
– Listed	122	–	–	122
Available-for-sale investments	33	–	–	33

There were no transfers between levels during the year.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	HK$'000
At 1 January 2015	–
Upon the issuance of Convertible Bonds during the year	20,380
Change in fair value recognised in profit or loss (included in other income and gains and losses)	(18,708)
At 31 December 2015	1,672

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42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Information about level 3 fair value measurements

The fair value of the financial assets at fair value through profit or loss in Level 3 is determined using Trinomial Tree Model.

Significant unobservable inputs	Relationship of unobservable inputs to fair value
Future price of the underlying equity instrument	The higher the future price, the higher the fair value
Risk-free rate that are specific to the market	The lower the risk-free rate, the higher the fair value
Volatility rates that are in line with those similar products	The higher the volatility rate, the higher the fair value

Notes to the Financial Statements

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43. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Interests in subsidiaries		**542,012**	390,479
Available-for-sale investments		**33**	33
Total non-current assets		**542,045**	390,512
Current assets			
Other receivables, deposits and prepayments		**198**	221
Financial assets at fair value through profit or loss		**1,672**	–
Cash and cash equivalents		**157**	493
Total current assets		**2,027**	714
Total assets		**544,072**	391,226
Current liabilities			
Other payables and accruals		**2,103**	2,153
Amounts due to subsidiaries		**157,636**	157,677
Total current liabilities		**159,739**	159,830
Net current liabilities		**(157,712)**	(159,116)
NET ASSETS		**384,333**	231,396
Equity			
Share capital	33	**58,181**	51,306
Reserves	44	**326,152**	180,090
TOTAL EQUITY		**384,333**	231,396

These financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

Ma Zheng
Director

Wong Pui Yiu
Director

Notes to the Financial Statements

31 DECEMBER 2015

44. RESERVES OF THE COMPANY

	Share premium account HK$'000 (Note)	Convertible bonds equity reserve HK$'000	Available for-sale financial assets reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
Balance at 1 January 2014	430,677	17,922	1,564	–	(264,515)	185,648
Loss for the year	–	–	–	–	(71,423)	(71,423)
Other comprehensive income	–	–	(1,564)	–	–	(1,564)
Total comprehensive income for the year	–	–	(1,564)	–	(71,423)	(72,987)
Redemption of Old Convertible Bonds	–	(17,922)	–	–	17,922	–
Rights issue (Note 33(i))	35,613	–	–	–	–	35,613
Share issue expenses in relation to rights issue (Note 33(i))	(778)	–	–	–	–	(778)
Subscription of shares (Note 33(ii))	32,594	–	–	–	–	32,594
Balance at 31 December 2014 and 1 January 2015	498,106	–	–	–	(318,016)	180,090
Loss and total comprehensive income for the year	–	–	–	–	(88,188)	(88,188)
Subscription of shares (Note 33(iii))	146,025	–	–	–	–	146,025
Equity-settled share-based transactions (Note 34)	–	–	–	8,046	–	8,046
Lapse of share options (Note 34)	–	–	–	(70)	70	–
Issue of Convertible Bonds (Note 29)	–	80,179	–	–	–	80,179
Balance at 31 December 2015	**644,131**	**80,179**	**-**	**7,976**	**(406,134)**	**(326,152)**

Note:

The share premium account of the Company includes: (i) the premium arising from issues of shares of the Company at a premium less share issue expenses; and (ii) the excess of the then combined net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Financial Summary

(Expressed in Hong Kong dollars)

The following is a summary of the consolidated results and assets and liabilities of the Group, prepared for the last five years, as extracted from the audited consolidated financial statements of the Group. This summary does not form part of the audited financial statements.

Results

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**162,432**	88,428	29,939	39,192	89,699
Other income and gains and losses	**(18,736)**	(1,885)	979	6,494	198
Cost of sales and operating expenses	**(230,500)**	(132,223)	(75,446)	(121,877)	(139,991)
Operating loss	**(86,804)**	(45,680)	(44,528)	(76,191)	(50,094)
Finance costs	**(3,176)**	(521)	(17)	(45)	(900)
Loss before income tax	**(89,980)**	(46,201)	(44,545)	(76,236)	(50,994)
Income tax (charge)/credit	**(1,099)**	(60)	(33)	(314)	–
Loss for the year	**(91,079)**	(46,261)	(44,578)	(76,550)	(50,994)
(Loss)/Profit attributable to:					
Owners of the Company	**(91,321)**	(46,605)	(44,578)	(76,550)	(50,994)
Non-controlling interests	**242**	344	–	–	–
	(91,079)	(46,261)	(44,578)	(76,550)	(50,994)

Assets and Liabilities

	31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**550,241**	373,556	550,965	582,189	656,670
Total liabilities	**(162,192)**	(127,211)	(302,982)	(298,485)	(300,493)
	388,049	246,345	247,983	283,704	356,177