東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock code : 0632

Contents

Corporate Information

DIRECTORS

Executive Directors:

Wong Yuk Kwan (alias: Wong Kwan) *(Chairman)*
Law Wing Tak, Jack
Wong Hiu Tung
Zhou Li Yang

Non-Executive Director:

Baiseitov Bakhytbek

Independent Non-Executive Directors:

Lam Kwan
Chan Kwan Pak
Yuen Sau Ying, Christine

SOLICITORS

Hastings & Co.
Reed Smith Richards Butler

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank

COMPANY SECRETARY

Yeung Man Chit

AUDITOR

Cheng & Cheng Limited

AUTHORISED REPRESENTATIVES

Wong Kwan
Law Wing Tak, Jack

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE:

Suite 1908, 19th Floor
9 Queen's Road Central
Hong Kong

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE AND OTHER INFORMATION

For more information on the Company, please find us on the World-Wide-Web at www.pearloriental.com

To access the Company on Bloomberg, please type "632 HK".

Financial Highlights

	Notes	2013 HK$'000	2012 HK$'000
For the year ended 31 December			
Revenue		**408,413**	444,176
Operating loss		**(84,421)**	(35,901)
Loss for the year		**(162,614)**	(303,871)
Net loss attributable to shareholders		**(161,427)**	(303,321)
Loss per share			
Basic (cents)			
— For loss for the year		**(4.91)**	(8.90)
Diluted (cents)			
— For loss for the year		**(4.91)**	(8.90)
Average shareholders' equity		**2,134,153**	2,395,880
Average capital employed		**2,699,314**	3,006,949
At 31 December			
Total indebtedness	1	**—**	—
Shareholders' equity		**2,020,148**	2,241,468
Capital employed	2	**2,589,203**	2,809,425
Ratio			
Return on average capital employed (%)	3	**(6.0%)**	(10.1%)
Return on average equity (%)	4	**(7.6%)**	(12.7%)
Total debt to total capital (%)	5	**N/A**	N/A

Notes:

1. Total indebtedness = total non-current bank borrowings
2. Capital employed = shareholders' funds + non-controlling interests + non-current liabilities
3. Return on average capital employed = loss for the year/average capital employed
4. Return on average equity = net loss attributable to shareholders/average shareholders' equity
5. Total debt to total capital = debt/(shareholders' funds + non-controlling interests + debt)

Chairman's Statement

Dear Shareholders,

The consolidated revenue of Pearl Oriental Oil Limited ("Pearl Oriental" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2013 was HK$409.48 million, or loss of HK$162.61 million after tax. The main reason for the loss last year was the recognition of unrealised loss of HK$75.32 million for secured financial assets at fair value through profit or loss held by the Company and also the book value cost of HK$26.57 million arising from issue of share options for retaining talent staff during the restructuring of the Board last year.

Utah Gas and Oil Field, wholly-owned by the Group, continues to operate and produce natural gas and oil normally. After several consecutive years of depression, the natural gas market in the United States gradually picked up with significant rebound at the end of last year. In 2013, the average selling price of natural gas was US$3.32 per Mcf. The total valuation of the gas and oil field valued by an international independent valuer was at a stable level of US$296 million, which is still much higher than the Group's acquisition cost of US$225 million in 2010. The Group's net asset value was over HK$2 billion.

Looking forward to 2014, the trend of natural gas market remains positive. The Broad will consider the situation and plan to cooperate with strategic partners to raise funds for properly expediting the progress of development of the oil and gas field. In order to enhance the operation efficiency, the Group entered into an agreement on 27 March this year to take over the management and operation of Utah Gas and Oil Field. The oil and gas field will be directly developed and operated by the well-established management team of oil and gas experts from Pearl Oriental, which will be favourable to lower the operation costs and increase return.

Under the good management of the Board, the management team has been with presence of mind in the face of challenges and the Group's various businesses are stable and under normal operation. The financial position of Pearl Oriental remains healthy despite of facing the challenges. We do not have any bank borrowings at present with bank balance of HK$15 million as at the date of the annual results announcement. The management prudently expects that, after the deposits for acquiring oil fields in Russia shall be received in a short period of time, the debtors shall repay the loans and the secured financial assets shall be sold under favourable market conditions, it is expected that the cash reserves may increase to over HK$100 million in total. Our financial strength will be further enhanced and favourable to the Group's development.

In view of the trading business of recycling plastic remains stagnant over past years, the Board considers to dispose this business at the appropriate time to obtain funding for diversification of investments in new projects. At the same time, we intend to expand our shareholder's base by cooperating with successful entrepreneurs with international visions. Pearl Oriental will be able to take a big step forward for reaching the new milestone.

Facing the challenges, I have no fear to pressure and no regrets. I will as always dedicate all my efforts to Pearl Oriental and strive to bring the best returns for all shareholders.

I would like to take this opportunity to express my sincere gratitude to all shareholders, cooperation partners and diligent colleagues for their long term full support and encouragement. Under our joint efforts and cooperation, we strongly believe that our shareholders will obtain reasonable investment returns.

Wong Kwan
Chairman

Hong Kong, 28 March 2014

Profiles of Directors and Senior Management

PROFILES OF DIRECTORS

Executive Directors

MR. WONG KWAN (CHAIRMAN)

Aged 66, is currently the Chairman and chief executive of the Company, Mr. Wong is a well known entrepreneur in Hong Kong. He is a veteran in the capital market, investment and property development fields and has over 30 years of experience in diversified investment, operation and management in Hong Kong, China and overseas. Mr. Wong is also well known in the Asian business world with extensive business connections in the Asia Pacific region. Mr. Wong is responsible for the overall strategic planning and business development of the Company.

MR. LAW WING TAK, JACK (CHIEF EXECUTIVE OFFICER)

Aged 59, graduated with a BA degree in Accounting and Economics with Newcastle University in 1982 and recently earned a MA degree in Philosophy with Chinese University of Hong Kong in 2012. He is a member of the Institute of Chartered Accountants in England and Wales, and also a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Law has over 30 years of experience in accounting, finance, banking and commerce, starting his career as an accountant and management consultant with Big 4 CPA firms in Hong Kong, he then worked as Account Manager with HSBC. Mr. Law has held senior executive positions (including directorship) in both private and public companies in Hong Kong, United Kingdom, Singapore, USA and China in a diverse range of activities. He took the position of independent non-executive director of Genvon Group Limited (stock code: 2389), a listed company on the Stock Exchange of Hong Kong Limited until May 2012. He was executive director of Ford Eagle Group Limited and LZYE Group plc both are listed companies in United Kingdom.

MR. WONG HIU TUNG

Aged 45, has over 10 years of extensive experience in various sectors of the financial industry, including venture capital, direct investment, mergers & acquisitions, share financing and capital markets with focus on the mainland China and Hong Kong. Mr. Wong was an executive director, chief financial officer and an authorized representative of China Billion Resources Limited (stock code: 0274) during the period from 25 September 2009 to 31 December 2010, and held various management positions in WI Harper Group and JP Morgan Chase Bank before. Mr. Wong holds a Bachelor Degree in Laws and a Master Degree of Business Administration (Financial Management) from University of Exeter, U.K.

MR. ZHOU LI YANG

Aged 54, served as an executive director of the Company from 2004 to 2011. Prior to this, he also held managerial positions over ten years in several banks, investment fund and listed companies on stock exchanges of Hong Kong and U.S. involving in the businesses of energy, logistics, banking, infrastructure, e-commerce, and pharmaceutics, including CITIC Ka Wah Bank and Tianjin Development Holdings Ltd.

Mr. Zhou has extensive experience in business management, mergers and acquisitions, project investment and fund management. Mr. Zhou also had over ten years of management experience in commercial and government sectors in China. He has got a Master degree in Business/Finance from the University of Baltimore, USA and a Bachelor degree in Physics from Central-South University, PRC. Mr. Zhou was the Assistant to Chairman of the Company from June 2011 to April 2013.

Non-executive Director ("NED")

MR. BAISEITOV BAKHYTBEK (DEPUTY CHAIRMAN)

Aged 55, Mr. Baiseitov is the present President of the Association of Kazakhstan Banks, founder, major shareholder and Chairman of Bank CenterCredit ("BCC"). Mr. Baiseitov is currently the Vice-chairman of the International Banking Council of Commonwealth of Independent States and Eastern Europe and used to be Co-chairman of Kazakhstan-US Business Council. Mr. Baiseitov is a very well known and highly respected member of the business community of Middle Asia. Mr. Baiseitov has over 20 years of significant and comprehensive experience in management, and development of major investment projects in financial, energy and natural resources sectors. Mr. Baiseitov represented BCC to sign the "Strategic Cooperation Agreement" with Pearl Oriental. Mr. Baiseitov will have great contribution for the future development of the Company's core business in oil and gas and energy resources.

Independent Non-executive Directors ("INEDs")

MR. LAM KWAN

Aged 45, obtained a bachelor degree in Accountancy from the Hong Kong Polytechnic University in 1991. He is a Certified Public Accountant (Practising) in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong.

Mr. Lam has had more than 18 years' practical accounting and auditing experience. He has worked for KPMG and Ernst and Young, two of the 'Big Four' international CPA firms, for more than 8 years where his principal responsibilities were auditing, taxation and assisting the listing of Hong Kong and China enterprises in Hong Kong and overseas stock exchanges.

Mr. Lam is currently a director of Charles H. C. Cheung & CPA Limited, and also an independent non-executive director of Capital VC Limited, a main board listed company in Hong Kong (stock code: 2324).

MR. CHAN KWAN PAK

Aged 57, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators as well as the Hong Kong Institute of Chartered Secretaries. He holds a Master's degree in business administration. Mr. Chan is currently a consultant to a number of companies listed on The Stock Exchange of Hong Kong Limited advising them on corporate governance issues. Mr. Chan was appointed by the Hong Kong SAR Government as an Adjudicator of the Registration of Persons Tribunal during the period from 2005 to 2011. He is the Honorary Secretary and a Council Member of the Energy Saving & Environment Concern Alliance. Mr. Chan is a non-executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on GEM of The Stock Exchange of Hong Kong Limited (Stock Code: 8096).

MS. YUEN SAU YING, CHRISTINE

Aged 48, is a practising solicitor in Hong Kong. Ms. Yuen has over 20 years of extensive legal practice experience and is now the partner of Tse Yuen Ting Wong, Solicitors. Ms. Yuen graduated from the University of Hong Kong in 1989 with a Bachelor Degree in Laws, and was a part-time law lecturer for the City University of Hong Kong and the Open University of Hong Kong.

Ms. Yuen was also involved in a number of public services. She was the Presiding Member of the Guardianship Board and was the legal advisor to the Credit Union of Correctional Services Department. Ms. Yuen was the non-executive director of Wing Hing International Holdings Limited (Stock Code: 0621) till June 2010.

PROFILES OF SENIOR MANAGEMENT

MR. ZHANG JIAYOU, SENIOR GEOLOGIST

Mr. Zhang Jiayou is responsible for oil and gas field exploration, evaluation and development of Pearl Oriental. Mr. Zhang graduated from China University of Petroleum (Eastern China) majoring in geological exploration of petroleum and natural gas, and has been awarded as qualified petroleum engineer. Mr. Zhang worked as reservoir engineer in China Petrochemical Corporation (Sinopec) and Helix RDS for 6 years. He also worked as geologist and project manager for several international petroleum engineering and technical firms for 8 years among which he took the position of chief geologist and project manager of ESSCA for 6 years. Mr. Zhang is very experienced in and capable of employing the modern and advanced technologies for exploration, modeling, seismic data analysis, field development plan and enhancing oil recovery etc.

MR. ZHANG KAI, PROJECT MANAGER

Mr. Zhang Kai is responsible for oil and gas field development and production management of Pearl Oriental. Mr. Zhang graduated from Jianghan Petroleum University (currently named as Yangtze University) in 1992, majoring in petroleum development engineering, and has been awarded as qualified petroleum engineer. Mr. Zhang worked for China National Offshore Oil Corporation (CNOOC) and its cooperating group with AGIP, Chevron and Texaco named CACT Operator Group, and Devon Energy for 19 years consecutively with rich technical and managerial experience in drilling, oil and gas field.

MR. CHEUNG MO KIT, MANAGING DIRECTOR OF CHINA ENVIRONMENTAL RESOURCES LIMITED

Mr. Cheung has over 30 years solid experience in environmental plastic industry. Mr. Cheung founded IB Group in 1978, engaging in the processing of plastic waste materials and trading of recycled plastics. IB Group has also established recycled plastic factories in PRC and Malaysia. After years of development, IB Group has extensive sales network in PRC and supply network in Japan. The annual turnover of IB Group exceeds HK$439 million. The strategic restructuring of IB Group and Euro Resources will bring rapid business development potential to China Environmental.

DR. JOHNNY HON, SENIOR CONSULTANT

Dr. Hon is the founder and Chairman of The Global Group. He undertakes diversified international investment activities in different areas. Dr. Hon was a private banker with ABN AMRO Bank, and has gained expertise in financial planning, lending, portfolio management, tax structuring and trust formation. Dr. Hon is a qualified financial adviser and Associate (ACSI) of the Chartered Institute for Securities & Investment of the United Kingdom.

Dr. Hon is a member of the Heilongjiang Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC) and is currently the Ambassador-at-Large and Honorary Consul of Grenada in Hong Kong. He also serves on committees of numerous Hong Kong charities.

Dr. Hon graduated from King's College London with a degree in Biomedical Science. He also completed a Ph.D. in Psychiatry at Hughes Hall at Cambridge University and holds postgraduate qualifications from the School of Oriental and African Studies at London University and from Harvard University.

Profiles of Directors and Senior Management

MR. JOHNNY YUEN, SENIOR CONSULTANT

Professor Johnny Yuen with more than 30 years of property investment and management experiences is one of the management experts in the first group returning from the United States to China at the end of 1985. He is currently both the President and Chairman of United International Hotel Investment Group and United Hotel Consultancy Co. Ltd, also the Chairman of Les Amis D' Escoffier Society, Asia-Pacific region. Professor Yuen also serves as the life member of U.S. Republican Presidential Task Force and was appointed as Professor, Doctoral Adviser by the prestigious Sichuan University. He has been the management consultants for more than 100 hotels and large commercial real estate projects in China. He has been honoured successively with the "Foreign Expert Friendship Award of People's Republic of China", the "Outstanding Contribution Award of Guangzhou City" and "30 Years of China's Reform and Opening-up 100 Most Influential People of China Hotel Industry" etc government awards. Professor Yuen has served as Executive Director of Pearl Oriental for many years.

MR. YEUNG MAN CHIT, COMPANY SECRETARY

Mr. Yeung has over 17 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Yeung holds a Bachelor Degree in Accountancy from Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group, he has served financial positions in other Hong Kong listed companies for over 10 years.

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2013 (the "Year"), the Company and its subsidiaries (the "Group") recorded a consolidated revenue of HK$409,477,000 (2012: HK$453,520,000) mainly contributed from the processing and sales of plastic recycling materials and the sales of oil and gas. Basic loss per share for the Year was HK$4.91 cents (2012: HK$8.90 cents). Loss per share was based on the weighted average of 3,289 million shares in issue in the Year.

The gross profit was HK$10,623,000 (2012: HK$13,506,000) for the Year, which represented a decrease of approximately 21% over last year and the gross profit margin has decreased from 3.0% to 2.6%.

The loss attributable to the owners of the Company for the Year was HK$161,427,000 (2012: HK$303,321,000), mainly attributable to the equity-settled share option expenses of HK$26,567,000 and unrealised loss on financial assets at fair value through profit or loss amount to HK$75,323,000.

In March 2013, settlement agreements have been entered between the Company and certain debtors (the "Settlement Agreement"). Pursuant to the Settlement Agreements, the debtors have agreed to irrevocably surrender and deliver the pledged listed securities to the Company. As such, the pledged listed securities were classified as "Financial assets at fair value through profit or loss". During the Year, HK$47,669,000 unrealised loss on Financial assets at fair value through profit or loss was provided under the "mark-to-market" accounting principle.

BUSINESS REVIEW

Oil and Gas Business

The Group owns 100% Ownership Interest of the Utah Gas and Oil Field which is located in the Uinta Basin, Uintah Country, USA. It covers an area of approximately 3,692 acres.

There are four (4) shale gas producing wells in the Utah Gas and Oil Field with gas production of around 31,500 thousand cubic feet during the Year which is being sold to Anadarko's midstream operations.

On the other hand, there are three (3) oil producing wells with oil production of around 5,900 barrels during the Year. Plains All American Pipeline, L.P., USA is the purchaser to collect Group's crude oil produced in the Utah Gas and Oil Field.

Plastic Recycling Industry

During the Year, the Group continued to face challenges arising from highly volatile plastic recycling materials market, stricter requirements for environmental protection and the anticipated slowing economic growth in the People's Republic of China. However, the Group improved the structures of plastic recycling materials and controlled and reduced operating costs so as to make every endeavor to eliminate the negative market impact on the Group.

Plastic recycling material operations contribute over 99% of the Group's consolidated turnover and cash flows from operating activities during the Year. The consolidated turnover of sales of recycling materials decrease from HK$439,487,000 in 2012 to HK$403,753,000 during the Year, representing a decrease of 8%.

OPERATION REVIEW AND UPDATE ON RESERVES

During the Year, no exploration activity had taken place. One (1) well was under plugging jobs required by Bureau of Land Management of Utah.

The Utah Gas and Oil Field has obtained constant and durable oil and gas productions during the Year.

The expenditure incurred on the development and mining production activities during the Year were approximately US$769,000 (equivalent to approximately HK$5,998,000) in aggregate.

According to the independent technical expert report prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers, the total net probable and possible reserves of the Utah Gas and Oil Field as at 24 May 2010 ("the ITR") were estimated to be:

	Net Reserve	
Reserve Class/Cat	**Oil & Condensate** *(bbl)*	**Natural Gas** *(Mcf)*
Probable (W-MV)	1,137,600	268,862,400
Possible (W-MV)	367,200	97,592,400
Possible (Mancos)	352,800	88,063,200
Grand Total	1,857,600	454,518,000

To the best of the Company's knowledge, as at 31 December 2013, there was no material difference on the reserves of the Utah Gas and Oil Field from those reported in the ITR.

PROSPECTS

In light of the relatively low natural gas prices in U.S. last year which rendered the Group's sales of natural gas at a lower level, management has taken appropriate measurers to temporarily slowdown the oil & gas exploitation activities in Utah, and may consider to utilize part of the remaining funds in the Utah Gas and Oil Field and the Company's internal resources to invest in certain possible crude oil exploitation projects in other states, U.S. in order to maximize return to the shareholders of the Company. The recent increase in natural gas price in U.S., provides an optimistic outlook for the medium and long term development of natural gas, and the Management will make adjustments accordingly to the development strategies in the future in response to favourable changes in natural gas price in U.S.

The Group will further expand its portfolio of oil assets and scale of oil reserves substantially through mergers and acquisitions, including without limitation, a number of oil field development projects in Russia, Kazakhstan and Canada etc which are under negotiation, so as to enhance the development potential of the Company. The Group has a sound financial position and built an excellent professional petroleum management team. The Board and management are confident and capable to develop the Company as an oil investment and operating company with satisfactory results.

SETTLEMENT OF LITIGATION

Grand Ascend Investments Limited ("Grand Ascend"), a wholly owned subsidiary of the Company issued an indorsement of claim on 27 October 2009 at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend. In addition, Grand Ascend claimed against them and Christine Tran Kim, wife of Laurent Kim for an order of declarations that:

(i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the "Shares") in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group's acquisition of 50% shares in Euro Resources China Limited in 2007;

(ii) Grand Ascend is entitled to levy execution of judgment to be obtained on the Shares. On 11 August 2011, the Group successfully obtained a judgment together with legal costs from the High Court of Hong Kong for a declaration that Laurent Kim is the sole beneficial owner of 6,000,000 ordinary shares (of which included 1,000,000 bonus shares issued by the Company on 9 June 2011) in the Company registered in the name of Kim Tran Christine.

In July 2013, the Group has already obtained a court order to sell the 6,000,000 ordinary shares and will proceed to levy execution thereon as soon as practicable in respect of the judgment that the Group has obtained for a sum of Euro 9,833,000 (equivalent to approximately HK$104,230,000) together with interest payable by Laurent Kim.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances it operations with issue of news shares and internally generated resources. At the Year end date, the Group did not have any borrowings (2012: Nil). The Group's cash and bank balances as at 31 December 2013 have decreased to approximately HK$1 million from HK$208 million as at 31 December 2012 as a result of the repurchases of shares in the Company during the Year and the prepayment paid for the possible acquisition of Timan Oil & Gas plc's shares. The current ratio (calculated on the basis of the Group's current assets over current liabilities) had decreased to 9.84 as at 31 December 2013 (31 December 2012: 27.81).

During the Year, the Group conducted its business transactions principally in US dollars, Renminbi, and Hong Kong dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, Management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the number of employees of the Group was about 60 (2012: 60). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 26.

The board of directors (the "Board" or the "Directors") do not recommend the payment of final dividend for the Year (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2013, HK$1,922,770,000 distributable reserves were available for distribution to the equity shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reason therefor are set out in note 26 to the financial statements.

DIRECTORS

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

Executive Directors:

Wong Kwan	
Mohamad Ajami	(appointed on 26 January 2013 and resigned on 8 November 2013)
Lew Mon Hung	(resigned on 13 March 2013)
Hilal Al-Busaidi	(appointed on 26 January 2013 and resigned on 20 March 2013)
Cheung Kwok Yu	(resigned on 13 March 2013)
Law Wing Tak, Jack	(appointed on 13 March 2013)
Wong Hiu Tung	(appointed on 13 March 2013)
Zhou Li Yang	(appointed on 10 April 2013)

Non-Executive Directors:

Baiseitov Bakhytbek	
Chen Ping	(resigned on 10 April 2013)

Independent Non-Executive Directors:

Yu Jianmeng	(resigned on 20 March 2013)
Lam Ka Wai, Graham	(resigned on 19 March 2013)
Wang Tong Sai	(resigned on 21 March 2013)
Lam Kwan	(appointed on 1 February 2013)
Chan Kwan Pak	(appointed on 22 March 2013)
Yuen Sau Ying, Christine	(appointed on 22 March 2013)

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Mr. Baiseitov Bakhytbek, Mr. Law Wing Tak, Jack and Ms. Yuen Sau Ying, Christine will retire as director by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election as Director. All other remaining Directors continue in office. Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 5 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Positions

(A) Ordinary Shares of HK$0.10 each of the Company

Name of Directors	Number of Shares held in the Capacity of: Beneficial owner	Held by controlled corporation	Total number the of Shares held	Approximate percentage to the issued share capital of the Company
Wong Kwan *(Note)*	—	849,530,000	849,530,000	26.21%
Baiseitov Bakhytbek	6,090,000	—	6,090,000	0.19%
Zhou Li Yang	3,600,000	—	3,600,000	0.11%

Note: These Shares were held by Charcon Assets Limited and Orient Day Developments Limited, which are wholly-owned by Mr. Wong Kwan.

(B) Share Options

Name of Directors	Capacity	Number of options held	Exercise period	Exercise price *(HK$)*
Wong Kwan	Beneficial owner	3,600,000	05/08/2009–14/07/2019	0.4666
	Beneficial owner	6,000,000	09/06/2010–14/07/2019	0.9416
	Beneficial owner	9,500,000	01/09/2013–14/07/2019	0.52
Baiseitov Bakhytbek	Beneficial owner	18,000,000	05/10/2010–14/07/2019	1.3366
Law Wing Tak, Jack	Beneficial owner	10,000,000	01/09/2013–14/07/2019	0.52
Wong Hiu Tung	Beneficial owner	10,000,000	01/09/2013–14/07/2019	0.52
Zhou Li Yang	Beneficial owner	6,000,000	09/06/2010–14/07/2019	0.9416
	Beneficial owner	10,000,000	01/09/2013–14/07/2019	0.52
Lam Kwan	Beneficial owner	7,000,000	01/09/2013–14/07/2019	0.52
Chan Kwan Pak	Beneficial owner	5,000,000	01/09/2013–14/07/2019	0.52
Yuen Sau Ying, Christine	Beneficial owner	5,000,000	01/09/2013–14/07/2019	0.52

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2013.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2013, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Name of substantial shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage to the issued share capital of the Company
Charcon Assets Limited *(Note)*	Beneficial owner	839,530,000	25.90%
Ma Yueng Lin	Beneficial owner	672,000,000	20.73%
Orient Day Developments Limited *(Note)*	Beneficial owner	394,000,000	12.15%

Note: Charcon Assets Limited and Orient Day Developments Limited are wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2013.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 27 to the financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the significant related party transactions during the year are detailed in note 31 to the financial statements. Save as disclosed above, the Group did not have any connected transactions during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company made the following repurchase of the Company's listed shares (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in accordance with the repurchase mandate granted to the Directors in the annual general meeting of the Company held on 22 May 2012:

Trade Date	No. of Share repurchased	Highest price paid *(HK$)*	Lowest price paid *(HK$)*	Total paid *(HK$)*
2 April 2013	49,953,000	0.51	0.40	24,726,735
3 April 2013	57,244,000	0.53	0.49	29,280,320
5 April 2013	58,046,000	0.52	0.495	29,384,480
8 April 2013	1,500,000	0.50	0.495	747,500

On 15 April 2013, all the repurchased shares were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customers and five largest customers taken together accounted for 34% and 68% respectively of the Group's total sales for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 97% and 100% respectively of the Group's total purchases for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year.

AUDITORS

Grant Thornton Hong Kong Limited was appointed as auditor of the Group with effect form 3 January 2012 to fill the casual vacancy following the resignation of Ascenda Cachet CPA Limited.

Cheng & Cheng Limited was appointed as auditor of the Group with effect from 1 February 2013 to fill the casual vacancy following the resignation of Grant Thornton Hong Kong Limited.

The financial statements for the year ended 31 December 2013 have been audited by Cheng & Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board

Law Wing Tak, Jack
Executive Director & Chief Executive Officer

28 March 2014

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The way in which Shareholders can convene a Special General Meeting ("SGM")

The Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a SGM of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited with the Company Secretary at the Company's principal place of business at Suite 1908, 19/F., 9 Queen's Road Central, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the SGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

The procedures for sending enquiries to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited with the Company Secretary at the Company's principal place of business at Suite 1908, 19/F., 9 Queen's Road Central, Hong Kong.

The procedures for making proposals at Shareholders' Meetings

To put forward proposals at an Annual General Meeting ("AGM"), or SGM, the Shareholders should submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's principal place of business at Suite 1908, 19/F., 9 Queen's Road Central, Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or SGM varies according to the nature of the proposal, as follows:

— At least 21 days' notice (the notice period must include not less than 20 clear business days) in writing if the proposal constitutes a resolution of the Company in AGM

— At least 21 days' notice (the notice period must include not less than 10 clear business days) in writing if the proposal constitutes a special resolution of the Company in SGM

— At least 14 days' notice (the notice period must include not less than 10 clear business days) in writing for all other SGM of the Company

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue, including the election of individual Directors.

All resolutions put forward at a shareholder meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholder meeting.

The Group will continue to maintain a close relationship with investors and develop greater understanding about the Group for international investors, to enhance investors' confidence in the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "Board") is committed to achieving high standard of corporate governance.

In the opinion of the Board, the Company has complied throughout the Year with the Corporate Governance Code as contained in Appendix 14 to the Listing Rules, save for the following:

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Before 13 March 2013, the Company did not have a separate Chairman and Chief Executive Officer and Mr. Wong Kwan held both positions. With effect from 13 March 2013, Mr. Wong Kwan has resigned as Chief Executive Officer while remain as Chairman. On the same day, Mr. Law Wing Tak, Jack was appointed as Chief Executive Officer. The Board believes that the above mentioned segregation of the roles of the Chairman and the Chief Executive Officer would comply with the Corporate Governance Code and further enhance the best practice of the corporate governance of the Company.

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 set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the Year ended 31 December 2013.

BOARD OF DIRECTORS

The Board has constituted an executive committee for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the oversight of the realization of the objectives set by the Board and the day-to-day operations of the Group.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent under the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

On appointment to the Board, each newly appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors to enrol in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

All Directors are required to provide the Company with his training records on an annually basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

To promote effective communication, the Company maintains a website at www.pearloriental.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board through the Chairman of the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable law, rules and regulations are followed.

During the Year, the Company Secretary has attended relevant professional seminars to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

BOARD MEETINGS

During the Year, thirteen (13) board meetings have been held, the attendance of each director, on named basis and by category at Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings is set out below:

	Meetings attended/held			
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Executive Directors:				
Wong Kwan *(Chairman of the Board and Nomination Committee)*	11/13	—	—	5/5
Lew Mong Hung (Resigned on 13 March 2013)	5/13	—	—	—
Cheung Kwok Yu (Resigned on 13 March 2013)	5/13	—	—	—
Law Wing Tak, Jack (Appointed on 13 March 2013)	8/13	—	—	—
Wong Hiu Tung (Appointed on 13 March 2013)	8/13	—	—	—
Zhou Li Yang (Appointed 10 April 2013)	5/13	—	—	—
Mohamad Ajami (Appointed on 26 January 2013 and resigned on 8 November 2013)	2/13	—	—	—
Hilal Al-Busaidi (Appointed on 26 January 2013 and resigned on 20 March 2013)	0/13	—	—	—
Non-executive Directors:				
Baiseitov Bakhytbek	0/13	—	—	—
Chen Ping (Resigned on 10 April 2013)	5/13	—	—	—
Independent Non-executive Directors:				
Lam Ka Wai, Graham (Resigned on 19 March 2013)	4/13	1/3	2/3	3/5
Wang Tong Sai (Resigned on 21 March 2013)	5/13	1/3	2/3	3/5
Yu Jianmeng (Resigned on 20 March 2013)	3/13	0/3	1/3	1/5
Lam Kwan (Appointed on 1 February 2013, Chairman of Audit Committee and Remuneration Committee; member of Nomination Committee)	10/13	2/3	2/3	3/5
Chan Kwan Pak (Appointed on 22 March 2013, member of Audit Committee, Remuneration Committee and Nomination Committee)	6/13	2/3	1/3	1/5
Yuen Sau Ying, Christine (Appointed on 22 March 2013, member of Audit Committee, Remuneration Committee and Nomination Committee)	6/13	1/3	1/3	1/5

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 December 2013. All of them are free to exercise their individual judgments.

REMUNERATION OF DIRECTORS

The Remuneration Committee has three members, comprising Messrs. Lam Kwan, Chan Kwan Pak and Ms. Yuen Sau Ying, Christine, all Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lam Kwan.

The Remuneration Committee has clear terms of reference and is responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION OF DIRECTORS

The Nomination Committee has clear terms of reference. The Nomination Committee has four members, comprising Messrs. Lam Kwan, Chan Kwan Pak and Ms. Yuen Sau Ying, Christine, all Independent Non-executive Directors and Mr. Wong Kwan, executive Director and chairman of the Committee.

The principal role of the committee is responsible for the procedure of agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors.

INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that a sound and effective internal control system, which serves as an integral part of the Company's management system, is maintained. The Board is responsible for approving and reviewing internal control policy, while the responsibility of day-to-day management of operational risks and implementation of mitigation measures lies with the management. An internal control system is designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operational systems. Key control procedures include:

- establishing a structure with defined authority and proper segregation of duties
- monitoring the strategic plan and performance
- designing an effective accounting and information system
- encouraging internal reporting on serious concern about malpractice
- conducting internal independent review by internal audit function

The Company places great value upon creating an environment where employees maintain the highest standard of integrity. To this end, the Board encourages the raising of concerns by employees about internal malpractice directly to the Board which will review complaints and decide how the investigation should be conducted.

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, Cheng & Cheng Limited, the existing external auditors provided the following services to the Group:

	HK$'000
Annual audit services	1,050
Other assurance services	650
	1,700

AUDIT COMMITTEE

The Audit Committee currently comprises all three Independent Non-executive Directors, namely Mr. Lam Kwan (chairman of the Audit Committee), Mr. Chan Kwan Pak and Ms. Yuen Sau Ying, Christine.

The Audit Committee held three (3) meetings during the Year. The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee has clear terms of reference and its principal duties include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts review and monitoring of the appointment of the auditors and their independence.

The Audit Committee has reviewed and is satisfied with the audited financial statements for the year ended 31 December 2013.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Cheng & Cheng Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 24 and 25.

Independent Auditor's Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PEARL ORIENTAL OIL LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pearl Oriental Oil Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit and 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.

AUDITOR'S 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 Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor consider internal control relevant to the entity's preparation of 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 state of affairs of the Company and the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Cheng & Cheng Limited
Certified Public Accountants
Chan Shek Chi
Practising Certificate Number P05540

28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue			
Sales of oil and natural gas	5	**4,660**	4,689
Sales of plastic recycling materials	5	**403,753**	439,487
Other income	6	**1,064**	9,344
		409,477	453,520
Expenses			
Cost of sales of plastic recycling materials		**394,048**	428,935
Exploration, repair and maintenance expenses of oil and natural gas		**2,770**	350
Depreciation, depletion and amortisation of oil and natural gas		**972**	1,385
Selling and distribution costs		**1,085**	1,966
Other operating expenses		**8,310**	3,828
Administrative expenses		**60,146**	52,957
Equity-settled share option expenses	27	**26,567**	—
		493,898	489,421
Loss from operations		**(84,421)**	(35,901)
Gain on disposal of available-for-sale investments		**—**	51,107
Impairment loss on goodwill		**(5,101)**	(5,587)
Impairment loss on intangible assets		**—**	(396,415)
Impairment loss on loan receivables		**(1,752)**	(14,651)
Unrealised loss on financial assets at fair value through profit or loss		**(75,323)**	—
Loss before tax	7	**(166,597)**	(401,447)
Income tax credit	8	**3,983**	97,576
Total comprehensive loss for the year		**(162,614)**	(303,871)
Attributable to:			
Owners of the Company	9	**(161,427)**	(303,321)
Non-controlling interests		**(1,187)**	(550)
		(162,614)	(303,871)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	11		
Basic		**(4.91)**	(8.90)
Diluted		**(4.91)**	(8.90)

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14	**89,955**	86,767
Intangible assets	15	**2,308,064**	2,308,800
Goodwill	16	**—**	5,101
Loan receivables	20	**5,756**	—
Deferred tax assets	24	**11,345**	7,543
		2,415,120	2,408,211
Current assets			
Financial assets at fair value through profit or loss	17	**47,669**	—
Trade receivables	19	**—**	6,589
Prepayments, deposits and other receivables	20	**144,931**	201,727
Tax recoverable		**—**	47
Bank balances and cash	21	**1,180**	207,816
		193,780	416,179
Current liabilities			
Trade payables	22	**5**	162
Other payables and accruals	23	**19,692**	14,803
		19,697	14,965
Net current assets		**174,083**	401,214
Total assets less current liabilities		**2,589,203**	2,809,425
Non-current liabilities			
Deferred tax liabilities	24	**565,476**	565,656
Asset retirement obligations	25	**3,579**	2,301
		569,055	567,957
Net assets		**2,020,148**	2,241,468

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Equity			
Share capital	26	**324,152**	340,826
Reserves		**1,699,934**	1,903,393
Equity attributable to owners of the Company		**2,024,086**	2,244,219
Non-controlling interests		**(3,938)**	(2,751)
Total equity		**2,020,148**	2,241,468

The consolidated financial statements on page 32 to 79 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Wong Kwan	**Law Wing Tak, Jack**
Chairman	*Chief Executive Officer*

Statement of Financial Position

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	18	**2,227,498**	2,211,397
Loan receivables	20	**5,756**	—
		2,233,254	2,211,397
Current assets			
Financial assets at fair value through profit or loss	17	**47,669**	—
Prepayment, deposits and other receivables	20	**89,306**	142,788
Bank balances and cash	21	**80**	202,482
		137,055	345,270
Current liabilities			
Other payables and accruals	23	**9,386**	3,711
Net current assets		**127,669**	341,559
Total assets less current liabilities		**2,360,923**	2,552,956
Non-current liabilities			
Amounts due to subsidiaries		**55,668**	55,668
Net assets		**2,305,255**	2,497,288
Equity			
Share capital	26	**324,152**	340,826
Reserves	28	**1,981,103**	2,156,462
Total equity		**2,305,255**	2,497,288

Wong Kwan
Chairman

Law Wing Tak, Jack
Chief Executive Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Loss before tax		**(166,597)**	(401,447)
Adjustments for:			
Gain on disposal of available-for-sale investments		**—**	(51,107)
Interest income		**(75)**	(6,024)
Depreciation, depletion and amortisation		**1,578**	2,119
Impairment loss on goodwill		**5,101**	5,587
Impairment loss on intangible assets		**—**	396,415
Impairment loss on loan receivables		**1,752**	14,651
Unrealised loss on financial assets at fair value through profit or loss		**75,323**	—
Equity-settled share option expenses		**26,567**	—
Operating loss before working capital changes		**(56,351)**	(39,806)
Decrease in inventories and supplies		**—**	1,369
Decrease in trade receivables		**6,589**	34
Decrease in prepayments, deposits and other receivables		**4,003**	23,427
(Decrease)/increase in trade payables		**(157)**	159
Increase in other payables and accruals		**4,889**	1,170
Cash used in operations		**(41,027)**	(13,647)
Income tax refund		**47**	282
Net cash used in operating activities		**(40,980)**	(13,365)
Cash flows from investing activities			
Interest received		**75**	6,024
Purchase of property, plant and equipment		**(239)**	(1,502)
Purchase of exploration and evaluation assets		**(2,513)**	(3,309)
Deposit paid for acquiring Russia oil fields		**(77,706)**	—
Proceeds from disposal of available-for-sale investments		**—**	51,107
Net cash (used in)/generated from investing activities		**(80,383)**	52,320
Cash flows from financing activities			
Repurchase of shares		**(85,273)**	—
Net cash used in financing activities		**(85,273)**	—
Net (decrease)/increase in cash and cash equivalents		**(206,636)**	38,955
Cash and cash equivalents at beginning of year		**207,816**	168,861
Cash and cash equivalents at end of year, represented by bank balances and cash	21	**1,180**	207,816

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital	Share premium	Treasury shares reserve	Capital reserve	Exchange reserve	Share option reserve	Warrants reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note 28)	*(note 28)*	*(note 28)*						
At 1 January 2012	340,826	2,288,522	(10,556)	403,851	357	42,216	3,263	(520,939)	2,547,540	(8,485)	2,539,055
Total comprehensive loss for the year	—	—	—	—	—	—	—	(303,321)	(303,321)	(550)	(303,871)
Capital contribution	—	—	—	—	—	—	—	—	—	6,284	6,284
	340,826	2,288,522	(10,556)	403,851	357	42,216	3,263	(824,260)	2,244,219	(2,751)	2,241,468
At 31 December 2012 and 1 January 2013	**340,826**	**2,288,522**	**(10,556)**	**403,851**	**357**	**42,216**	**3,263**	**(824,260)**	**2,244,219**	**(2,751)**	**2,241,468**
Total comprehensive loss for the year	—	—	—	—	—	—	—	**(161,427)**	**(161,427)**	**(1,187)**	**(162,614)**
Reclassify warrants reserve	—	—	—	—	—	—	**(3,263)**	**3,263**	—	—	—
Repurchase of shares	**(16,674)**	**(68,599)**	—	—	—	—	—	—	**(85,273)**	—	**(85,273)**
Share options lapsed	—	—	—	—	—	**(10,450)**	—	**10,450**	—	—	—
Equity-settled share options arrangements	—	—	—	—	—	**26,567**	—	—	**26,567**	—	**26,567**
At 31 December 2013	**324,152**	**2,219,923**	**(10,556)**	**403,851**	**357**	**58,333**	—	**(971,974)**	**2,024,086**	**(3,938)**	**2,020,148**

1. GENERAL INFORMATION

Pearl Oriental Oil Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Suite 1908, 19/F., 9 Queen's Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company's parent and ultimate holding company is Charcon Assets Limited, a company incorporated in the British Virgin Islands.

The principal activities of the Company and its subsidiaries (the "Group") are processing and sales of recycling materials, oil and natural gas and petroleum exploration, exploitation and production in certain natural gas and oilfield located in Uinta Basin, Uintah County, Utah, the United States of America ("Utah Gas and Oil Field").

The consolidated financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 28 March 2014.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised in note 2.3 below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.2.

The consolidated financial statements have been prepared on the historical cost basis except certain financial instruments that are measured at fair values. The measurement bases are fully described in the accounting policies below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2013:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

Impact of the adoption of the new HKFRSs are discussed below:

Amendments to HKFRSs, Annual improvements to HKFRSs 2009–2011 cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these consolidated financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

2.2 ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the statement of profit or loss and other comprehensive income in these consolidated financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these consolidated financial statements.

HKAS 19 (as revised in 2011), Employee benefits

HKAS 19 (as revised in 2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
Amendments to HKAS 19	Defined benefit plans: employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) — INT 21	Levies[1]

2.2 ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[3] Available for application — the mandatory effective date will be determined when the outstanding phase HKFRS 9 are finalized.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combination

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

Property, plant and equipment

Oil and gas properties

Oil and gas properties are initially recorded at cost and are subsequently carried at cost less accumulated depreciation and impairment losses.

The successful efforts method of accounting is used for oil and gas exploration and production activities. The Group capitalises the initial acquisition costs of oil and gas properties. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Oil and gas properties *(Continued)*

Oil and gas properties are depreciated on a unit-of-production basis over the proved reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated based on the proved and probable developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Other property, plant and equipment

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any surplus arising on revaluation of buildings is recognised in other comprehensive income and is accumulated in the asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the shorter of the lease terms or 5 years
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	16% to 33%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of buildings.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The intangible assets of oil and gas possessing right of the natural gas and oil properties have been amortised upon the commercial production of oil and gas on a unit-of-production basis over the total proved reserves.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

The Group's accounting policies for financial assets other than investment in subsidiaries are set out below. Financial assets are classified into the following categories:

— loans and receivables

— financial assets at fair value through profit or loss ("FVTPL")

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Financial assets at FVTPL

Financial assets at fair value through profit or loss 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 selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivates are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(ii) Financial assets at FVTPL *(Continued)*

A financial asset designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or recognised in profit or loss excludes any dividend or interest earned on the financial assets

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

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

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

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

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial 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 losses are not reversed in subsequent periods.

(iii) Financial assets carried at fair value

For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss. Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquids investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities *(Continued)*

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties.

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, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Where the Company's equity share capital is repurchased (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sales of goods and the use by others of the Group's assets yielding interest. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Oil and gas sales are recognised when the significant risks and rewards of ownership have been transferred to the customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Sales of goods and products of plastic recycling business are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods and products are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Other income is recognized whenever it is received or receivable.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

The following assets are subject to impairment testing:

— Goodwill arising on acquisition of subsidiaries;

— Intangible assets;

— Property, plant and equipment; and

— The Company's interests in subsidiaries

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounting for income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

Each of the operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that:

- equity-settled share option expense
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting *(Continued)*

Segment assets exclude deferred tax assets and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment.

Related parties

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

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

   (b) has significant influence over the Group; or

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

(ii) An entity is related to the Group if any of the following conditions applies:

   (a) 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).

   (b) 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).

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

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

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

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

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

   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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

Estimation of impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows the management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units are disclosed in note 16.

Estimation of oil and natural gas reserves

Changes in proved oil and natural gas reserves will affect the depreciation, depletion and amortisation under the unit-of-production method recorded in the Group's consolidated financial statements for property, plant and equipment and intangible assets related to oil and gas production activities. The proved oil and natural gas reserves are also key determinants in assessing whether the carrying value of the Group's oil and gas properties and intangible assets have been impaired. Proved reserves are determined using estimates such as oil in place, future product prices and drilling and development plans.

Estimation of impairment of oil and gas assets and intangible assets

Oil and gas assets and intangible assets are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves the management estimates and judgements such as future price of oil and gas, the production profile and any significant changes in factors or assumptions used in estimating reserves.

Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of oil and gas properties. Changes in any of these estimates will impact the operating results and the financial position of the Group.

4. SEGMENT INFORMATION

The Group has identified the following reportable segments:

(a) Plastic recycling materials — procuring, processing and sales of recycling materials; and

(b) Oil and gas sales — exploring, exploiting and sales of oil and natural gas.

2013

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000*
Segment revenue	403,753	4,660	408,413
Segment loss	(6,168)	(9,914)	(16,082)
Unrealised loss on financial assets at fair value through profit or loss			(75,323)
Equity-settled share option expenses			(26,567)
Unallocated income			75
Unallocated expenses			(48,700)
Loss before tax			(166,597)
Income tax credit			3,983
Loss for the year			(162,614)
Segment assets	49,516	2,402,290	2,451,806
Deferred tax assets			11,345
Unallocated assets			145,749
Total assets			2,608,900
Segment liabilities	6,731	3,584	10,315
Deferred tax liabilities			565,476
Unallocated liabilities			12,961
Total liabilities			588,752
Capital expenditure	85	3,791	
Depreciation, depletion and amortisation	63	972	
Impairment loss on goodwill	5,101	—	
Impairment loss on intangible assets	—	—	

4. SEGMENT INFORMATION *(Continued)*

2012

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000*
Segment revenue	439,487	4,689	444,176
Segment loss	(6,827)	(400,496)	(407,323)
Gain on disposal of available-for-sale investments			51,107
Unallocated income			7,805
Unallocated expenses			(53,036)
Loss before tax			(401,447)
Income tax credit			97,576
Loss for the year			(303,871)
Segment assets	56,184	2,411,080	2,467,264
Deferred tax assets			7,543
Unallocated assets			349,583
Total assets			2,824,390
Segment liabilities	7,234	2,463	9,697
Deferred tax liabilities			565,656
Unallocated liabilities			7,569
Total liabilities			582,922
Capital expenditure	68	3,309	
Depreciation, depletion and amortisation	323	1,461	
Impairment loss on goodwill	5,587	—	
Impairment loss on intangible assets	—	396,415	

4. SEGMENT INFORMATION *(Continued)*

The Group's revenue from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**403,753**	439,487	**6,944**	6,657
United States of America ("USA")	**4,660**	4,689	**2,396,831**	2,394,011
	408,413	444,176	**2,403,775**	2,400,668

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on physical location of the asset.

The Group's customer base includes two (2012: One) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK$139,202,000 and HK$58,611,000 (2012: HK$146,153,000) which related to plastic recycling materials segment.

5. REVENUE

Revenue, which is also the Group's turnover, represents sales of plastic recycling materials and sales of oil and natural gas during the year.

	2013	2012
	HK$'000	*HK$'000*
Sales of oil and natural gas	**4,660**	4,689
Sales of plastic recycling materials	**403,753**	439,487
Total revenue	**408,413**	444,176

6. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**75**	539
Other loan interest income	—	5,485
Compensation from settlement of litigations	—	1,781
Others	**989**	1,539
Total other income	**1,064**	9,344

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Depreciation, depletion and amortisation	**1,578**	2,119
Operating lease charges in respect of land and buildings	**5,625**	5,834
Auditor's remuneration:		
— Annual audit	**1,050**	1,000
— Other assurance services	**650**	14
Exchange losses, net	**1,350**	1,271
Impairment loss on intangible assets	**—**	396,415
Impairment loss on goodwill	**5,101**	5,587
Impairment loss on loan receivables	**1,752**	14,651
Unrealised loss on financial assets at fair value through profit or loss	**75,323**	—
Gain on disposal of available-for-sale investments	**—**	(51,107)
Employee benefit expense, including director emoluments	**52,813**	28,878

8. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits (2012: 16.5% on the estimated assessable profits). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2013 HK$'000	2012 HK$'000
Profit tax — under-provision in respect of prior year	**—**	47
Deferred tax — current year	**(3,983)**	(97,623)
Income tax credit	**(3,983)**	(97,576)

8. INCOME TAX CREDIT *(Continued)*

Reconciliation between tax credit and accounting loss at applicable tax rates:

	2013 HK$'000	2012 HK$'000
Loss before tax	**(166,597)**	(401,447)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(29,322)**	(140,330)
Tax effect of non-taxable revenue	**(513)**	(160)
Tax effect of origination and reversal of temporary differences	**(10)**	—
Tax effect of non-deductible expenses	**25,690**	42,867
Tax effect of tax losses not recognised	**172**	—
Under-provision in prior year	**—**	47
Income tax credit	**(3,983)**	(97,576)

9. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to the owners of the Company of HK$161,427,000 (2012: loss of HK$303,321,000), a loss of HK$133,327,000 (2012: loss of HK$27,275,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

11. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the followings:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(161,427)**	(303,321)

	2013	2012
Number of shares		
Weighted average number of ordinary shares in issue used in basic loss per share calculation (in thousands)	**3,289,487**	3,408,263
Basic loss per share (HK cents)	**(4.91)**	(8.90)

During the year ended 31 December 2013, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2013	2012
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**25,821**	28,320
Equity-settled share option expense	**26,567**	—
Pension costs — defined contribution plans	**425**	558
	52,813	28,878

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

2013

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Wong Kwan	2,592	—	2,334	—	4,926
Law Wing Tak, Jack (Appointed on 13 March 2013)	—	1,442	2,458	13	3,913
Wong Hui Tung (Appointed on 13 March 2013)	—	1,961	2,458	13	4,432
Zhou Li Yang (Appointed on 10 April 2013)	—	1,170	2,458	11	3,639
Hilal Al-Busaidi (Appointed on 26 January 2013 and resigned on 20 March 2013)	142	—	—	—	142
Mohamad Ajami (Appointed on 26 January 2013 and resigned on 8 November 2013)	610	—	2,458	—	3,068
Lew Mon Hung (Resigned on 13 March 2013)	1,000	—	—	—	1,000
Cheung Kwok Yu (Resigned on 13 March 2013)	—	2,389	—	3	2,392
Non-executive directors:					
Baiseitov Bakhytbek	—	—	—	—	—
Chen Ping (Resigned on 10 April 2013)	208	—	—	—	208
Independent non-executive directors					
Lam Kwan (Appointed on 1 February 2013)	275	—	1,720	—	1,995
Chan Kwan Pak (Appointed on 22 March 2013)	233	—	1,229	—	1,462
Yuen Sau Ying, Christine (Appointed on 22 March 2013)	233	—	1,228	—	1,461
Lam Ka Wai, Graham (Resigned on 19 March 2013)	681	—	—	—	681
Yu Jianmeng (Resigned on 20 March 2013)	181	—	—	—	181
Wang Tong Sai (Resigned on 21 March 2013)	231	—	—	—	231
	6,386	6,962	16,343	40	29,731

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

2012

	Directors' fees	Salaries, allowances and benefits in kind	Equity-settled share option expenses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Wong Kwan	—	4,380	—	14	4,394
Lew Mon Hung (Resigned on 13 March 2013)	—	4,700	—	—	4,700
Cheung Kwok Yu (Resigned on 13 March 2013)	—	2,330	—	14	2,344
Non-executive directors:					
Baiseitov Bakhytbek	325	—	—	—	325
Chen Ping	345	—	—	—	345
Independent non-executive directors					
Lam Ka Wai, Graham (Resigned on 19 March 2013)	373	—	—	—	373
Yu Jianmeng (Resigned on 20 March 2013)	345	—	—	—	345
Wang Tong Sai (Resigned on 21 March 2013)	350	—	—	—	350
	1,738	11,410	—	28	13,176

Note:

No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012.

(b) Five highest paid individuals

All the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2013 and 2012 are directors of the Company. Details of their remuneration are set out in the analysis in note 13(a) above.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Oil and gas properties	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 January 2012	82,419	908	12,092	707	96,126
Additions	3,309	5	118	1,379	4,811
At 31 December 2012 and 1 January 2013	85,728	913	12,210	2,086	100,937
Additions	3,791	—	239	—	4,030
At 31 December 2013	89,519	913	12,449	2,086	104,967
Accumulated depreciation					
At 1 January 2012	441	612	11,826	557	13,436
Charge for the year	76	297	111	250	734
At 31 December 2012 and 1 January 2013	517	909	11,937	807	14,170
Charge for the year	235	2	132	473	842
At 31 December 2013	752	911	12,069	1,280	15,012
Net book values					
At 31 December 2013	**88,767**	**2**	**380**	**806**	**89,955**
At 31 December 2012	85,211	4	273	1,279	86,767

15. INTANGIBLE ASSETS

Group

	Oil and gas processing rights HK$'000
Cost	
At 1 January 2012, at 31 December 2012, at 1 January 2013 and at 31 December 2013	2,818,920
Accumulated amortisation and impairment	
At 1 January 2012	112,320
Amortisation for the year	1,385
Impairment	396,415
At 31 December 2012 and at 1 January 2013	510,120
Amortisation for the year	736
At 31 December 2013	510,856
Net carrying amounts	
At 31 December 2013	2,308,064
At 31 December 2012	2,308,800

The intangible asset represents oil and gas processing rights in Utah, the United States of America. The intangible assets are amortised upon the commercial production of oil and natural gas on a unit-of-production basis over the total proved reserves.

The carrying amount of intangible assets, net of any impairment loss, is allocated to the cash generating unit of oil and gas sales business.

The recoverable amount for the oil and gas processing rights was determined based on value-in-use calculations with reference to a valuation performed by an independent valuer, BMI Appraisals Limited. The value-in-use calculations use cash flow projections of 20 years and a discount rate of 10% (2012: 10%). The management determined the key assumptions based on past performance and expectation on market development by reference to market information such as forecast of future oil and natural gas prices, historical growth rate of oil and gas prices and expectation on oil and gas consumption.

After assessing the information, in view of no significant changes in forecast future prices of natural gas as compared with forecast in previous years, the management of the Company is of the opinion that the recoverable amount is similar to its carrying amount as at 31 December 2013. No impairment loss was recognised as at 31 December 2013 (2012: HK$396,415,000).

16. GOODWILL

Group

	HK$'000
Cost	
At 1 January 2012, at 31 December 2012, 1 January 2013 and at 31 December 2013	62,039
Accumulated impairment	
At 1 January 2012	51,351
Impairment	5,587
At 31 December 2012 and at 1 January 2013	56,938
Impairment	5,101
At 31 December 2013	62,039
Net carrying amounts	
At 31 December 2013	—
At 31 December 2012	5,101

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of plastic recycling business.

The recoverable amount for the cash generating unit was determined based on value-in-use calculations. The calculation use cash flow projections based on a five-year period financial budget. The management determined the key assumptions based on past performance and expectation on market development. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates used are based on the industry research and the discount rates used reflect specific risks relating to the relevant segment.

Key assumptions used for value-in-use calculations:

	2013	2012
Growth rate	**3%**	3%
Discount rate	**13%**	13%

During the year, the Group has recognised an impairment loss on goodwill of HK$5,101,000 (2012: HK$5,587,000) primarily due to an expected decrease in the gross margin resulting in lower recoverable amounts.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2013	2012
	HK$'000	*HK$'000*
At fair value:		
Listed securities held for trading		
— Listed in Hong Kong	**47,669**	—

The fair values of the Group's financial assets at fair value through profit or loss were determined based on the quoted market bid prices available on the relevant exchanges at the end of the reporting period.

18. INTERESTS IN SUBSIDIARIES

Company

	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**11,126**	11,126
Amounts due from subsidiaries	**2,216,372**	2,200,271
	2,227,498	2,211,397

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2013 are as follows:

Name of company	Place of incorporation	Nominal value of issued ordinary share capital	Percentage of issued capital held indirectly by the Company	Principal activities
Champion Merry Investment Limited	The British Virgin Islands (the "BVI")	US$1	100%	Investment holding
China Environmental Resources Limited	Hong Kong	HK$50,000,000	60%	Investment holding
Euro Resources China Limited	Hong Kong	HK$10,000	60%	Investment holding
Get Wealthy Investments Limited	BVI	US$1	100%	Investment holding
Grand Huge International Limited	Hong Kong	HK$10,000	100%	Provision of corporate services
IB Environmental Plastic Limited	Hong Kong	HK$1	60%	Sales of plastic recycling materials
Pearl Oriental International Assets Limited	Hong Kong	HK$1	100%	Provision of corporate services
Pearl Oriental Logistics Sino Limited	Hong Kong	HK$22,000,000	60%	Investment holding
Festive Oasis Limited	BVI	US$1,000	100%	Investment holding
Shiny One Limited	BVI	US$100	100%	Investment holding
Shiny One, USA, LLC	USA	N/A	100%	Exploration, development, production and sales of natural gas and oil

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results 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.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interest	
		2013	2012	**2013**	2012	**2013**	2012
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
China Environmental Resources Limited	Hong Kong	**40%**	40%	**(426)**	(515)	**(7,299)**	(6,873)
Individually immaterial subsidiaries with non-controlling interests						**3,361**	4,122
						(3,938)	(2,751)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

China Environmental Resources Limited	2013 HK$'000	2012 HK$'000
Non-current assets	**161**	139
Current assets	**49,358**	50,947
Current liabilities	**(6,742)**	(7,244)
Revenue	**403,753**	439,487
Cost of income	**(394,048)**	(428,935)
Other income	**989**	1,539
Expenses	**(11,759)**	(13,378)
Loss for the year	**(1,065)**	(1,287)
Loss attributable to owners of the Company	**(639)**	(772)
Loss attributable to non-controlling interests	**(426)**	(515)
	(1,065)	(1,287)
Total comprehensive loss for the year	**(1,065)**	(1,287)
Total comprehensive loss attributable to owners of the Company	**(639)**	(772)
Total comprehensive loss attributable to non-controlling interests	**(426)**	(515)
	(1,065)	(1,287)
Dividends paid to non-controlling interests	**—**	—
Net cash outflow from operating activities	**(2,780)**	(1,015)
Net cash outflow from investing activities	**(85)**	(68)
Net cash inflow from financing activities	**—**	—
Net cash outflow	**(2,865)**	(1,083)

19. TRADE RECEIVABLES

Group

	2013 *HK$'000*	2012 *HK$'000*
Trade receivables	—	6,589

The directors of the Group considered that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The credit terms are generally one month. In regard to plastics recycling materials business, sales deposits are required from certain customers. All of the trade receivables are denominated in Hong Kong dollars.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2013 *HK$'000*	2012 *HK$'000*
Less than 90 days	—	6,589

The movement in the provision for impairment of trade receivables is as follows:

	2013 *HK$'000*	2012 *HK$'000*
At 1 January and at 31 December	**2,940**	2,940

At each reporting date the Group reviews receivables for evidence of impairment on both individual and collective basis. At 31 December 2013, the Group has determined trade receivables of HK$2,940,000 (2012: HK$2,940,000) as individually impaired. The impaired trade receivables are due from customers that were in default or delinquency of payments.

Apart from above, as at 31 December 2013 and 2012, all the trade receivables are neither past due nor impaired.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**5,208**	17,035	**—**	599
Rental and other deposits paid	**1,608**	1,519	**—**	—
Deposit paid for acquiring Russia oil fields *(note (a))*	**77,706**	—	**77,706**	—
Trade deposits paid	**48,020**	40,115	**—**	—
Other receivables	**789**	958	**—**	89
Loan receivables *(note (b))*	**19,108**	156,751	**19,108**	156,751
	152,439	216,378	**96,814**	157,439
Less: impairment loss on loan receivables *(note (b))*	**(1,752)**	(14,651)	**(1,752)**	(14,651)
	150,687	201,727	**95,062**	142,788
Less: shown under current assets	**(144,931)**	(201,727)	**(89,306)**	(142,788)
Shown under non-current assets	**5,756**	—	**5,756**	—

Notes:

(a) On 7 June 2013, the Group, through a wholly-owned subsidiary, entered into a sales and purchases agreement (the "S & P Agreement") with Levant Energy Limited ("Levant"), an independent third party, to acquire 23.10% of the total share capital of Timan Oil & Gas plc ("Timan") which held two onshore oilfields in Russia and two offshore exploration blocks in the Caspian Sea of Russia. US$10,000,000 (equivalent to approximately HK$77,706,000) was paid in cash as deposit. Details please refer to the Company's announcement dated 28 June 2013.

As the conditions precedent to closing under the S & P Agreement were not satisfied (nor waived by the Group) on or before 30 September 2013, the S & P Agreement has terminated without reaching any agreement as to extension. Levant agreed to enter into discussions with the Group concerning the repayment of the initial consideration paid under the S & P Agreement, in the amount of US$10,000,000, less an amount equal to the costs and expenses incurred by Levant referred to in the S & P Agreement. Details please refer to the Company's announcements dated 15 October 2013 and 21 December 2013.

(b) According to the settlement agreement signed in March 2013, the pledged listed securities of these debtors were taken over to set-off their loan receivables. As at 31 December 2013, the loan receivables mainly represented short term loans of HK$17,356,000 (2012: HK$155,000,000) receivable from one (2012: three) independent third party. These loan receivables are unsecured, interest free and repayable in by 3 installments. (2012: interest bearing at 5% to 6% per annum).

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair values. Apart from loan receivables approximately HK$5,756,000 and those impaired other receivables, all of the prepayments, deposits and other receivables are expected to be recovered, or recognized as expenses within one year.

Included in prepayments, deposits and other receivables are the following amounts denominated in currency other than the presentation currency.

2013		2012	
US$'000	***HK$'000***	*US$'000*	*HK$'000*
10,616	**82,804**	2,106	16,427

21. BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**1,180**	207,816	**80**	202,482
Cash and cash equivalents	**1,180**	207,816	**80**	202,482

Cash and cash equivalents in the consolidated cash flow statements as at 31 December 2013 and 2012 were HK$1,180,000 and HK$207,816,000 respectively.

Cash and cash equivalents include short-term bank deposit, carrying interest at prevailing market rates.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the presentation currency which is Hong Kong dollar:

	Group	
	2013	2012
	'000	*'000*
	US$63	US$247
	EUR10	EUR1

22. TRADE PAYABLES

Group

The normal credit period granted by its suppliers is 60 days. Based on the invoice dates, the ageing analysis of the trade payables was as follows:

	2013	2012
	HK$'000	*HK$'000*
Less than 90 days	**5**	162

All amounts are short term and hence the carrying values of the trade payables are considered to be a reasonable approximation of fair value.

Included in trade payables are the following amounts denominated in currency other than the presentation currency.

	2013		2012	
	US$'000	***HK$'000***	*US$'000*	*HK$'000*
	1	**5**	21	162

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**1,257**	1,135	**—**	—
Accruals *(note (a))*	**12,350**	6,452	**9,386**	3,711
Amount due to a former shareholder of subsidiaries *(note (b))*	**6,012**	6,012	**—**	—
Trade deposit received	**73**	1,204	**—**	—
	19,692	14,803	**9,386**	3,711

Notes:

(a) US$500,000 (equivalent to approximately HK$3,900,000) expenses were accrued as described in note 20(a).

(b) The balance represented the amount due to Kong Rise Limited which is unsecured, interest-free and had no fixed repayment terms.

The carrying amounts of other payables and accruals at the end of the reporting period approximated their fair values. All of the other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

Included in other payables and accruals are the following amounts denominated in currency other than the presentation currency.

	2013		2012	
	US$'000	***HK$'000***	*US$'000*	*HK$'000*
	500	**3,900**	—	—

24. DEFERRED TAX

Group

The movement during the year in deferred tax liabilities/(assets) is as follows:

	Fair value adjustment on intangible assets	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012	663,117	(7,380)	655,737
Recognised in profit or loss	(97,461)	(162)	(97,623)
At 31 December 2012	565,656	(7,542)	558,114
Recognised in profit or loss	(180)	(3,803)	(3,983)
At 31 December 2013	**565,476**	**(11,345)**	**554,131**

24. DEFERRED TAX *(Continued)*

The amounts recognised in the consolidated statement of financial position are as follows:

	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets	**(11,345)**	(7,542)
Deferred tax liabilities	**565,476**	565,656
Net deferred tax liabilities	**554,131**	558,114

At the end of the reporting period, the Group has unused tax losses of approximately HK$1,958,000 (2012: Nil) available for offset against future profits. However, no deferred tax asset in respect of them had been recognized due to the unpredictability of future profit streams even through those tax losses may be carried forward indefinitely.

25. ASSET RETIREMENT OBLIGATIONS

Group

	2013	2012
	HK$'000	*HK$'000*
At 1 January	**2,301**	2,301
Capitalised in oil and gas properties	**1,278**	—
At 31 December	**3,579**	2,301

26. SHARE CAPITAL

Group and Company

	2013		2012	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**200,000,000**	**20,000,000**	200,000,000	20,000,000
Issued and fully paid:				
At 1 January	**3,408,263**	**340,826**	3,408,263	340,826
Repurchase of shares *(note)*	**(166,743)**	**(16,674)**	—	—
At 31 December	**3,241,520**	**324,152**	3,408,263	340,826

Note:

Pursuant to an ordinary resolution passed in the annual general meeting on 22 May 2012, the Company was authorised to repurchase its shares.

27. SHARE OPTION SCHEME

On 15 July 2009, the Company adopted a share option scheme (the "Share Option Scheme") whereby the directors of the Company may grant options to eligible employees, including directors of any companies in the Group to subscribe for shares in Company upon and subject to a maximum number of shares available for issue thereunder, which is 10% of the issued shares of the Company. Also, the number of shares in respect of which options may be granted to an individual in any one year is not permitted to exceed 1% of the Company's issued shares or otherwise it must be approved by the shareholders of the Company.

The Share Option Scheme was set up for the primary purpose of providing incentives to directors, eligible employees and consultants and will expire on 14 July 2019.

The options vest from the date of grant and are exercisable at any time from the date of acceptance of the offer and the earlier of up to 10 years from the date of grant and 14 July 2019. The exercise price determined by the directors of the Company will be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares. Each option gives the holder the right to subscribe for one ordinary share of the Company.

Share options and weighted average price are as follows:

	2013		2012	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 January	**122,070**	**0.9640**	122,070	0.9640
Granted	**108,100**	**0.5200**	—	—
Lapsed	**(30,200)**	**0.9258**	—	—
Outstanding at 31 December	**199,970**	**0.7417**	122,070	0.9640
Exercisable at 31 December	**199,970**	**0.7417**	122,070	0.9640

No share options were exercised during the year (2012: Nil).

27. SHARE OPTION SCHEME *(Continued)*

The following discloses the particulars of the Company's share options granted during the year:

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2013	Exercise price per share option HK$
Directors								
Wong Kwan	5 August 2009	5 August 2009–14 July 2019	3,600,000	—	—	—	3,600,000	0.4666
	9 June 2010	9 June 2010–14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013–14 July 2019	—	9,500,000	—	—	9,500,000	0.52
Zhou Li Yang	10 April 2013	1 September 2013–14 July 2019	—	10,000,000	—	—	10,000,000	0.52
Lam Ka Wai Graham	9 June 2010	9 June 2010–14 July 2019	6,000,000	—	—	(6,000,000)	—	0.9416
Yu Jianmeng	9 June 2010	9 June 2010–14 July 2019	4,800,000	—	—	(4,800,000)	—	0.9416
Lew Mon Hung	3 December 2009	3 December 2009–14 July 2019	3,600,000	—	—	(3,600,000)	—	0.6916
	9 June 2010	9 June 2010–14 July 2019	6,000,000	—	—	(6,000,000)	—	0.9416
Baiseitov Bakhytbek	5 October 2010	5 October 2010–14 July 2019	18,000,000	—	—	—	18,000,000	1.3366
Chen Ping	21 June 2011	21 June 2011–14 July 2019	5,000,000	—	—	(5,000,000)	—	0.9416
Wang Tong Sai	1 September 2011	1 September 2011–14 July 2019	4,800,000	—	—	(4,800,000)	—	1.03
Mohamad Ajami	10 April 2013	1 September 2013–14 July 2019	—	10,000,000	—	—	10,000,000	0.52
Law Wing Tak Jack	10 April 2013	1 September 2013–14 July 2019	—	10,000,000	—	—	10,000,000	0.52
Wong Hiu Tong	10 April 2013	1 September 2013–14 July 2019	—	10,000,000	—	—	10,000,000	0.52
Lam Kwan	10 April 2013	1 September 2013–14 July 2019	—	7,000,000	—	—	7,000,000	0.52
Chan Kwan Pak	10 April 2013	1 September 2013–14 July 2019	—	5,000,000	—	—	5,000,000	0.52
Yuen Sau Ying Christine	10 April 2013	1 September 2013–14 July 2019	—	5,000,000	—	—	5,000,000	0.52
			57,800,000	66,500,000	—	(30,200,000)	94,100,000	
Consultants	9 June 2010	9 June 2010–14 July 2019	22,200,000	—	—	—	22,200,000	0.9416
	10 April 2013	1 September 2013–14 July 2019	—	6,000,000	—	—	6,000,000	0.52
Employees	9 June 2010	9 June 2010–14 July 2019	33,870,000	—	—	—	33,870,000	0.9416
	27 June 2011	27 June 2011–14 July 2019	6,000,000	—	—	—	6,000,000	0.9
	1 September 2011	1 September 2011–14 July 2019	2,200,000	—	—	—	2,200,000	1.03
	10 April 2013	1 September 2013–14 July 2019	—	35,600,000	—	—	35,600,000	0.52
			64,270,000	41,600,000	—	—	105,870,000	
			122,070,000	108,100,000	—	(30,200,000)	199,970,000	

The share options outstanding at 31 December 2013 had a weighted average remaining contractual life of 5.56 years (2012: 6.56 years).

The share option held by the directors who resigned after year end date would be lapsed after 3 months since the date of resignation.

During the year ended 31 December 2013, the Company granted share options to certain of its directors, employees and consultants for nil consideration. The fair values of options granted were determined using the Binomial Option Pricing Model which was performed by an independent valuer, BMI Appraisals Limited. The following principal assumptions were used in the valuation:

Date of grant	**10 April 2013**
Number of share options granted	108,100,000
Spot price	HK$0.50
Exercise price	HK$0.52
Risk-free interest rate	0.5643%
Expected life	6.26 years
Expected volatility	70.69%
Expected dividend yield	0.35%
Early exercise behaviour	220%
Fair value at date of grant	HK$0.24576

In total, HK$26,566,656 (2012: Nil) of share option expense has been recognized in profit and loss for the year ended 31 December 2013 and the corresponding amount of which has been credited to share option reserve.

28. RESERVES

Group

Capital reserve

The capital reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 2.3.

Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2013 the Group held 4,060,000 ordinary shares of the Company (31 December 2012: 4,060,000 ordinary shares).

Company

	Share premium	Contributed surplus	Share option reserve	Warrants reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012	2,289,422	45,348	42,216	3,263	(196,512)	2,183,737
Total comprehensive loss for the year	—	—	—	—	(27,275)	(27,275)
At 31 December 2012	2,289,422	45,348	42,216	3,263	(223,787)	2,156,462
Total comprehensive loss for the year	—	—	—	—	(133,327)	(133,327)
Reclassify warrants reserve	—	—	—	(3,263)	3,263	—
Repurchase of shares	(68,599)	—	—	—	—	(68,599)
Share options lapsed	—	—	(10,450)	—	10,450	—
Equity-settled share options arrangements	—	—	26,567	—	—	26,567
At 31 December 2013	**2,220,823**	**45,348**	**58,333**	**—**	**(343,401)**	**1,981,103**

28. RESERVES *(Continued)*

Company *(Continued)*

Notes:

Contributed surplus

The contributed surplus of the Company represents the excess of the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

Under the Companies Act 1981 Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

Share premium

The share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2013 are HK$1,922,770,000 (2012: HK$2,110,983,000).

29. OPERATING LEASE COMMITMENT

Group

The Group leases certain office properties under operating leases. The leases are negotiated for terms of one to three years. At 31 December 2013, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of land and buildings are as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**5,039**	5,272
In the second to fifth years	**119**	4,753
	5,158	10,025

30. CAPITAL COMMITMENT

Group

	2013 HK$'000	2012 HK$'000
Authorised but not contracted for:		
— Proposed acquisition of a subsidiary *(note)*	**9,512**	9,345
Contracted but not provided for:		
— Development costs for the Utah Gas and Oil Field	**—**	5,302
	9,512	14,647

Note:

On 14 July 2007, Euro Resources China Limited ("ERC"), a non-wholly owned subsidiary of the Group, entered into a conditional sale and purchase agreement with an independent party, Mr. He Zhaorong ("Mr. He") to acquire 60% equity interest in Foshan Shunde Euro Resources Wanhai Manufacturing Limited ("Foshan") at a total consideration of RMB9,000,000 (equivalent to HK$10,153,800). On the same day and on 25 March 2009, ERC entered into two supplementary agreements with Mr. He, pursuant to which, ERC paid a deposit of RMB1,500,000 (equivalent to HK$1,692,000) and an amount of RMB150,000 (equivalent to HK$170,000) and the proposed acquisition has been extended to 31 March 2011.

The directors of the Company resolved not to proceed with the negotiation for a conclusive agreement and were of the opinion that the amounts paid may not be recoverable. Accordingly, the total amount of RMB1,650,000 (equivalent to HK$1,725,000) had been written off in full during the year ended 31 December 2010. As at 31 December 2011 and 2010, the Group had capital commitment of RMB7,500,000 (2013: equivalent to HK$9,512,000, 2012: equivalent to HK$9,345,000) pursuant to the agreements.

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group had the following significant transactions with its related parties:

	2013 HK$'000	2012 HK$'000
Key management personnel		
— Short term employee benefits	**11,554**	12,107
— Equity-settled share option expense	**12,166**	—
	23,720	12,107

32. LITIGATION

Grand Ascend Investments Limited ("Grand Ascend"), a wholly owned subsidiary of the Company issued an indorsement of claim on 27 October 2009 at the High Court of Hong Kong against Laurent Kim and Ung Phong as guarantors for damages in the sum of approximately Euro 9.83 million as a result of their breaches of profit guarantee under the agreement dated 29 July 2006 between them and Grand Ascend. In addition, Grand Ascend claimed against them and Christine Tran Kim, wife of Laurent Kim for an order of declarations that:

(i) Laurent Kim is the sole beneficial owner of 5,000,000 shares (the "Shares") in the Company registered in the name of Christine Tran Kim which have been issued by the Company as part of the consideration for the Group's acquisition of 50% shares in Euro Resources China Limited in 2007;

(ii) Grand Ascend is entitled to levy execution of judgment to be obtained on the Shares. On 11 August 2011, the Group successfully obtained a judgment together with legal costs from the High Court of Hong Kong for a declaration that Laurent Kim is the sole beneficial owner of 6,000,000 ordinary shares (of which included 1,000,000 bonus shares issued by the Company on 9 June 2011) in the Company registered in the name of Kim Tran Christine.

In July 2013, the Group has already obtained a court order to sell the 6,000,000 ordinary shares and will proceed to levy execution thereon as soon as practicable in respect of the judgment that the Group has obtained for a sum of Euro 9,833,000 (equivalent to approximately HK$104,230,000) together with interest payable by Laurent Kim.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. The board of directors reviews and agrees policies for managing each of these risks.

33.1 Categories of financial assets and liabilities

(i) Financial assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Financial assets at FVTPL	**47,669**	—
Loans and receivables:		
— Trade receivables	**—**	6,589
— Deposits and other receivables	**145,479**	184,692
Bank balances and cash	**1,180**	207,816
	194,328	399,097

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

33.1 Categories of financial assets and liabilities *(Continued)*

(i) Financial assets (Continued)

	Company 2013 HK$'000	Company 2012 HK$'000
Financial assets at FVTPL	**47,669**	—
Loans and receivables:		
— Deposits and other receivables	**95,062**	142,788
Bank balances and cash	**80**	202,482
	142,811	345,270

(ii) Financial liabilities

	Group 2013 HK$'000	Group 2012 HK$'000
At amortised cost:		
— Trade payables	**5**	162
— Other payables and accruals	**19,692**	14,803
	19,697	14,965

	Company 2013 HK$'000	Company 2012 HK$'000
At amortised cost:		
— Accruals	**9,386**	3,711
— Amounts due to subsidiaries	**55,668**	55,668
	65,054	59,379

33.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its sales and purchases, which are primarily denominated in United States dollars.

The Group did not have significant impact and does not hedge its foreign currency risk, as the rate of exchange between HK$ and the United States dollars is controlled within a tight range. Long-term changes in foreign exchange rates would have an impact on consolidated earnings.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

33.3 Interest rate risk

The Group has no significant interest-bearing assets and liabilities in current year. Cash at bank earns interest at rates based on bank's deposit rates.

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. In prior year, the Group's interest rate risk arises primarily from loan receivables. Borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's loan receivables were committed on floating rate basis.

As at 31 December 2012, it is estimated that a decrease/increase of 1% in interest rate, with all other variables remaining constant, the Group's consolidated equity would decrease/increase by HK$1,152,000 and loss after tax would increase/decrease by approximately HK$1,152,000. The 1% increase or decrease represents management's assessment of a reasonable possible change in interest rates over the period until the next annual reporting date.

33.4 Price risk

The Group is exposed to price risk of oil and gas products. Prices of oil and gas products are affected by a wide range of global and economic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable and unfavourable impacts on the Group. The Group did not enter into any material hedging arrangements of its price risk during the year ended 31 December 2013 and 2012.

33.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in ordinary course of its operations and from its investing activities.

The maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as summarised in note 33.1(i).

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

The credit risk for bank balances and deposits is considered negligible as the counterparties are reputable banks.

The management considers the credit risk on loans and other receivables is minimal after considering the financial conditions of counterparties. Management has performed assessment over the recoverability of these balances and does not expect any losses from these balances.

Significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the reporting date there was no trade receivable. In prior year, 85% and 100% of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

33.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing loans.

As at 31 December 2013 and 2012, the Group and the Company's remaining contractual maturities for their financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flow.

33.7 Fair value measurements

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into			
	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Recurring fair value measurements				
Year ended 2013				
Financial assets at FVTPL				
— listed securities	**47,669**	**—**	**—**	**47,669**
	47,669	**—**	**—**	**47,669**

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

33.7 Fair value measurements *(Continued)*

	Fair value measurements categorised into			
	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Recurring fair value measurements				
Year ended 2012				
Financial assets at FVTPL				
— listed securities	—	—	—	—
	—	—	—	—

34. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of net debt to equity ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. To maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or raise new debt financing. The net debt to equity ratio is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Bank borrowings	—	—
Less: Cash and cash equivalents	**(1,180)**	(207,816)
Net debt	**(1,180)**	(207,816)
Total equity	**2,020,148**	2,241,468
Net debt to equity ratio	**N/A**	N/A

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below.

RESULTS

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
Turnover	**408,413**	444,176	495,401	555,242	163,438
(Loss)/Profit before tax from continuing operations	**(166,597)**	(401,447)	(91,272)	386,771	(958,821)
Income tax credit/(expense)	**3,983**	97,576	25,109	4,703	(319)
(Loss)/Profit for the year from continuing operations	**(162,614)**	(303,871)	(66,163)	391,474	(959,140)
DISCONTINUED OPERATION					
Profit/(Loss) for the year from discontinued operation	**—**	—	—	36	(8,822)
(Loss)/Profit for the year	**(162,614)**	(303,871)	(66,163)	391,510	(967,962)
(Loss)/Profit for the year attributable to:					
Equity holders of the Company	**(161,427)**	(303,321)	(59,204)	423,195	(566,840)
Non-controlling interests	**(1,187)**	(550)	(6,959)	(31,685)	(401,122)
	(162,614)	(303,871)	(66,163)	391,510	(967,962)
Total assets	**2,608,900**	2,824,390	3,218,109	3,357,888	473,912
Total liabilities	**(588,752)**	(582,922)	(679,054)	(707,435)	(128,925)
Net assets	**2,020,148**	2,241,468	2,539,055	2,650,453	344,987