新時代能源有限公司*

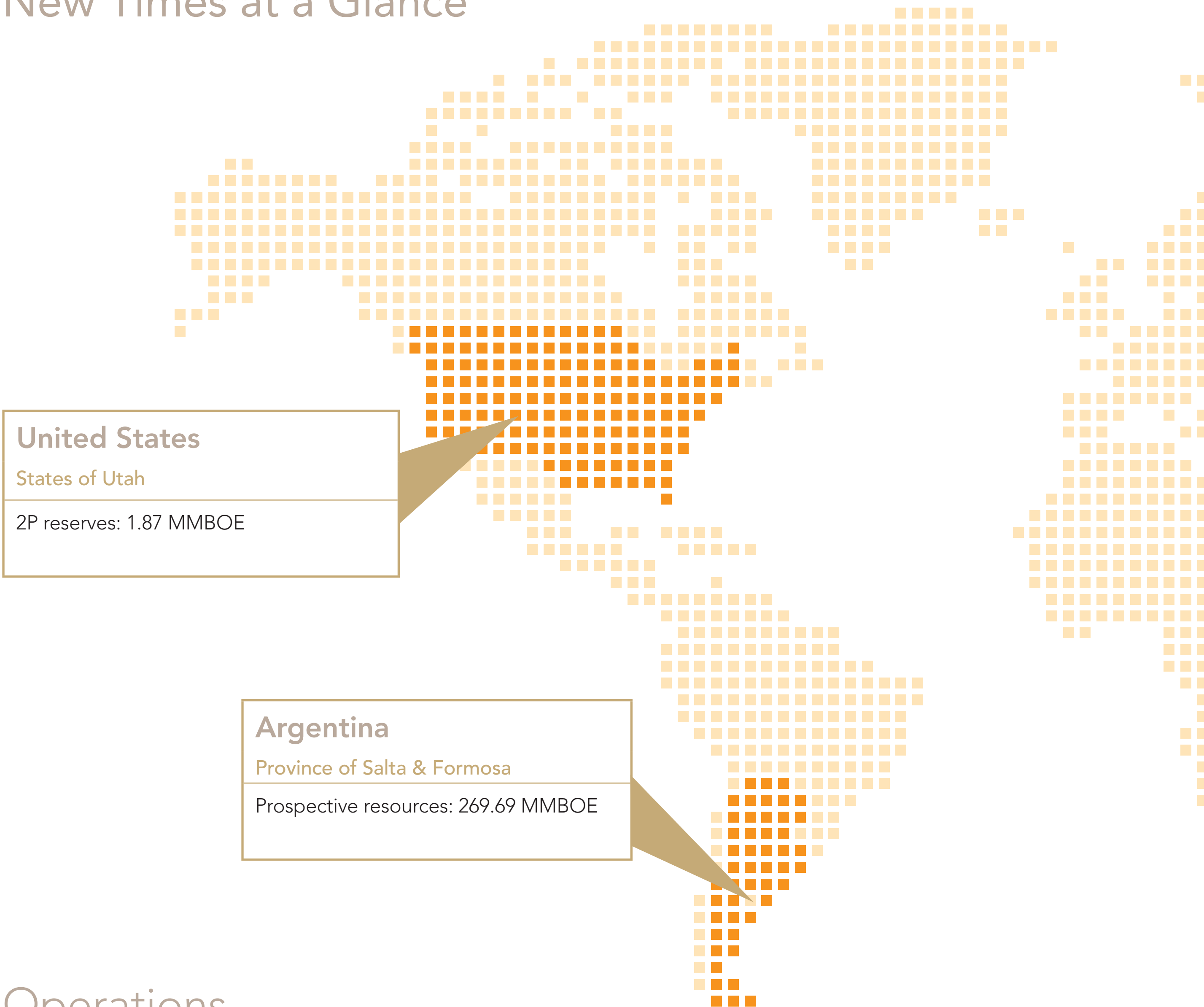
NEW TIMES ENERGY corporation limited

(incorporated in Bermuda with limited liability)
(Stock code: 00166)

Annual Report 2013

*For identification purposes only

New Times at a Glance



Operations

ARGENTINA

2013 HIGHLIGHTS

- Increased stake to 69.25% interest in Tartagal & Morillo Concessions
- Completed 3D seismic interpretation for Morillo block

MOVING FORWARD

- Immediate net production of approximately 360 BOPD from Palmar Largo acquisition
- 2 workovers in Palmar Largo to increase production to over 400 BOPD
- 2 drillings scheduled in 2H2014 for Morillo block

UNITED STATES

2013 HIGHLIGHTS

- Completed Altamont-bluebell acquisition with an increase in 2,300 acres and 1.6 MMBBL in 2P reserves in the Uinta basin, state of Utah

MOVING FORWARD

- Reserves-based lending for its Utah project to fund growth
- Ramp up production through workovers and new drillings

CHINA

2013 HIGHLIGHTS

- Completed acquisition of Guizhou Kunyu Trading Co. Ltd and Guizhou Shunyao Energy Investment Co Ltd, with natural gas distribution projects in Guizhou province
- Established a Joint Venture with a subsidiary of China National Petroleum Corporation

MOVING FORWARD

- Divestment of downstream natural gas business to streamline focus and enhance value

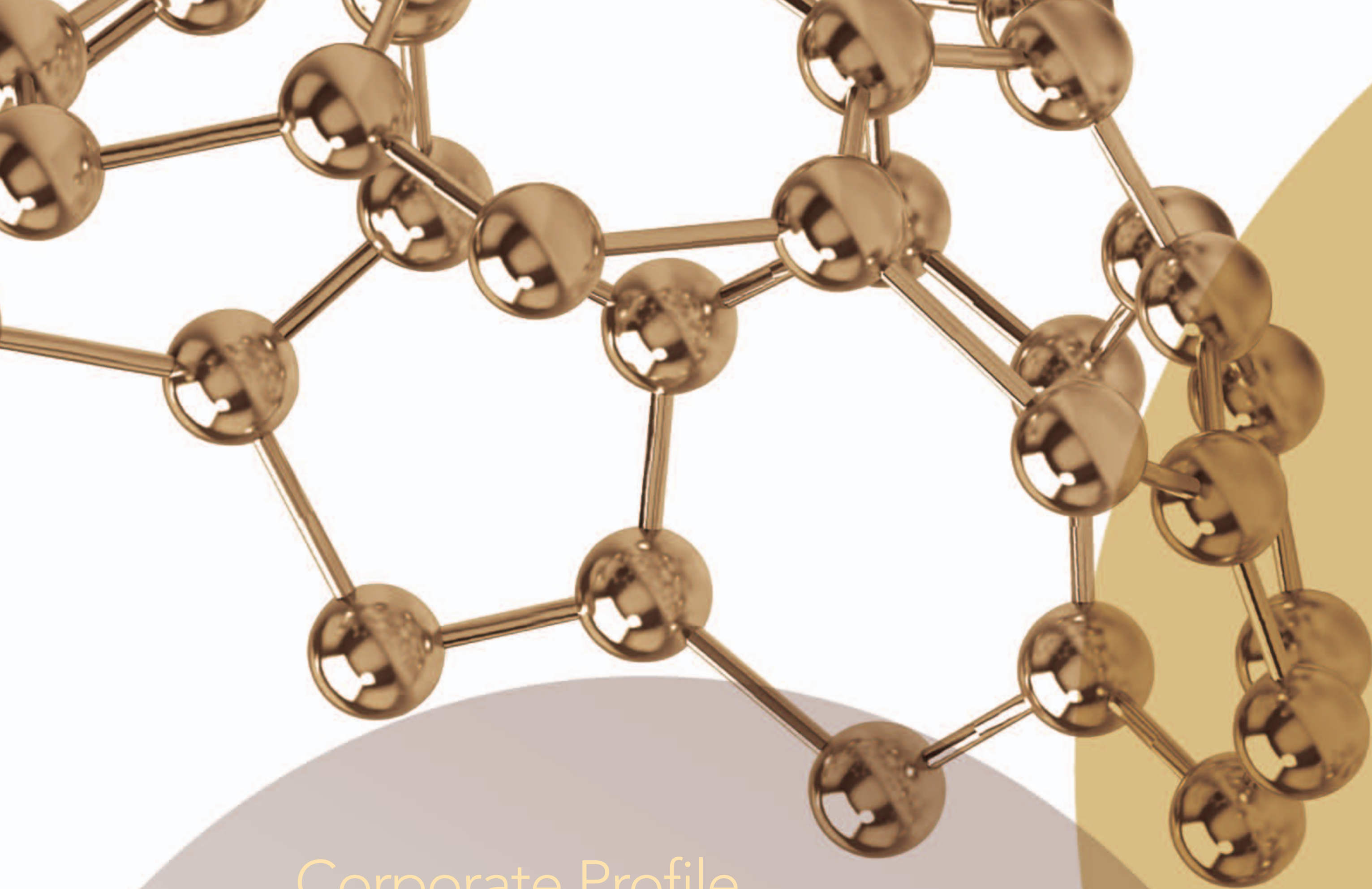
STRATEGIC INVESTMENTS

2013 HIGHLIGHTS

- BCM Energy completed acquisitions in the states of Texas & Louisiana with an increase in 960 acres and 1 MMBBL in 2P reserves
- Increased stake to 12.33% in NordAq Energy, Inc

MOVING FORWARD

- Successful application for reserves-based lending of US$31M for BCM Energy



Corporate Profile

New Times Energy Corporation Limited (HKSE stock code: 166) is an integrated natural resources company engaged in the acquisition, development and operation of oil & gas projects in Argentina, the U.S. and China. The Group's upstream oil & gas projects are located in geologically favorable regions in the Noroeste basin in the province of Salta and Formosa, Argentina and in the states of Texas, Louisiana, Utah and Alaska, the U.S. The Group is also engaged in downstream natural gas projects in China including LNG/CNG stations and gas provision to industrial parks and residential communities.

New Times Energy will continue to enrich its oil & gas portfolio through strategic mergers and acquisitions and actively look for opportunities to broaden the Group's income streams, aiming to deliver significant growth in cash flow and reserves to its shareholders.

Vision & Mission

New Times Energy strives to establish sustainable value and a track record of success by capitalizing on the expertise, experience and strategic relationships of its management team.

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*
Mr. Wong Tai Cheung, Andrew *(Chief Financial Officer)*

Non-executive Director

Mr. Heffner, Paul Lincoln

Independent Non-executive Directors

Mr. Wong Man Kong, Peter
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

Audit Committee

Mr. Chiu Wai On *(Chairman)*
Mr. Wong Man Kong, Peter
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie

Remuneration Committee

Mr. Chan Chi Yuen *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Heffner, Paul Lincoln
Mr. Wong Man Kong, Peter
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

Nomination Committee

Mr. Chan Chi Yuen *(Chairman)*
Mr. Cheng Kam Chiu, Stewart
Mr. Heffner, Paul Lincoln
Mr. Wong Man Kong, Peter
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

Company Secretary

Ms. Tsang Tsz Ying, Fion

Auditors

Crowe Horwath (HK) CPA Limited

Legal Advisers

On Hong Kong law

Phillips Solicitors

On Bermuda law

Conyers Dill & Pearman

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

Head Office and Principal Place of Business

Room 1007–08, 10/F, New World Tower I
16–18 Queen's Road Central
Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Information for Stakeholders

Share Information

Place of Listing

Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code

00166

Board Lot

2,000 shares

Financial Year End

31 December

Share Registrar and Transfer Office

Principal

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

Key Dates

29 August 2013

2013 Interim Results Announcement

31 March 2014

2013 Final Results Announcement

27 June 2014

Book Closure for Annual General Meeting

27 June 2014

Annual General Meeting

Investor Relations

Email: info@nt-energy.com

Website

http://www.nt-energy.com

Financial Highlights

	Financial Year 2013 HK$'000	Financial Year 2012 HK$'000	Change in %
Revenue	**322,855**	129,007	+150.3
Gross profit/(loss)	**2,597**	(3,539)	N/A
Loss before taxation	**(31,423)**	(60,142)	-47.8
Profit/(loss) attributable to owners of the Company	**3,771**	(39,917)	N/A
Basic earnings/(loss) per share (HK cents)	**0.43**	(7.12)	N/A

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000	Change in %
Total assets	**4,411,958**	3,899,270	+13.1
Debt ratio(1)	**10.45%**	2.64%	+7.8
Gearing ratio(2)	**4.15%**	1.87%	+2.3
Net asset value per share(3) (HK$)	**3.38**	5.61	-39.8

Remarks:

(1) Debt ratio: Total liabilities divided by total assets

(2) Gearing ratio: Interest bearing borrowings divided by total equity

(3) Net asset value per share: Net Assets divided by number of issued shares

Chairman's Statement

"2013 has been a defining year of progress for New Times Energy in optimizing our oil and gas portfolio and delivering sustainable profitability. Our strategies to capture undervalued oil and gas opportunities on a global scale, particularly in the Americas, and to generate long lasting return for our shareholders, have shown solid results."

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of New Times Energy Corporation Limited (the "Company" or "New Times Energy") and its subsidiaries (collectively, the "Group"), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December 2013.

Significant strategic, financial and operational highlights in 2013

New Times Energy saw important progress in 2013 and achieved a series of milestones:

- Enhanced our asset base by growing our 2P reserves, prospective resources and acreages in the United States ("US") and Argentina through acquisition of new projects (e.g. Altamont-Bluebell project) and increase stakes in our existing investments (e.g. acquired additional 9.25% interest in Tartagal and Morillo concessions)

- Completed two acquisitions of natural gas distribution business in Guizhou province, China and formed a joint venture company with a subsidiary of China National Petroleum Corporation ("CNPC") to develop this portfolio. To further streamline the Group's corporate structure, we have identified a potential buyer to purchase our entire downstream portfolio

2013 Prospective Resources

269.69 MMBOE

2013 2P Reserves

1.87 MMBOE

Chairman's Statement

- Recorded gains by disposing our assets in Texas and Louisiana in the US as part of the on-going process of fine-tuning our operational efforts to focus in the Uinta basin in the state of Utah, US and Argentina

- Completed 260 km^2 3D seismic interpretation of the Morillo block and identified drilling targets with promising prospects

- Strengthened our operating team by bringing in local geological and engineering expertise in the US and Argentina as well as opening our technical support office in Beijing, China — staffed with professionals who previously worked in major Chinese oil companies and have extensive experience and industry network

Continuous effort to build upon our foundation allows our Company to reap near term growth in revenues through increasing oil production as well as to bring exceptional returns in the years to come through our dedicated effort in building a lucrative and balanced oil & gas portfolio. We have broadened our financing capability by reaching out to a broader base of equity and debt investors and financial institutions in Hong Kong, China, the US and Argentina to allow us to deploy capital to generate returns from our current portfolio and to capture attractive opportunities. The diversity of our asset portfolio and management team allows us to mitigate volatility and to excel if and when possible.

Looking Forward: the Challenge and the Reward

The Group enters 2014 with the completion of the acquisition of 38.15% participating interest in Palmar Largo block. The deal brings an immediate net production of approximately 360 barrels of oil per day, which constitutes a solid base for further growth in the Noroeste basin in Argentina. In addition, we are advancing our preparation for the drilling of the Morillo block, located in the province of Salta in northern Argentina. The Morillo block is a sizeable and prospective concession next to Petrobras's Chirete block, where significant oil discovery has been reported.

We have a far-reaching development program for our Uinta basin projects in the state of Utah, US, with aims to rapidly ramp up production through working over old wells and drilling new wells in the land positions in which we have accumulated. The thick and oily nature of the geology in the basin provides multi-pay zone possibilities which make the economics of drilling very promising.

Our investment in NordAq Energy, Inc ("NordAq"), with operations in the state of Alaska, US has delivered new gas discoveries in the Shadura and Tiger Eye leases in the Cook Inlet basin. We expect NordAq to continue to thrive as projects enter into development stage and new milestones are achieved.

Focused Path

The Group seeks to deliver growth in asset value by turning prospective resources into proved and probable reserves, and to grow its core earnings by moving such reserves into production through workovers and development drillings. It will continue to leverage reserves-based lending and project-based capital expenditures to fund its growth and core earning drivers will be generated from producing assets in both Palmar Largo and Utah projects. In addition, we expect a gain from the divestment of our downstream business and, together with the potential return from our equity investments, we believe further return potential will be provided as business catalysts materialize.

The Group has a clear commitment to its upstream oil and gas business for its future development which we believe serves the best interest of our shareholders. The consolidation of our business will enhance the transparency and net asset value of the Group and free up working capital for more ambitious development of its upstream business and to broaden its revenue streams. The Board is confident that the Group's business will grow soundly, steadily and sustainably.

Chairman's Statement

Appreciation

Finally, I would like to take this opportunity to express my sincere gratitude to the Board, the management team and all staff members for their talents, efforts and commitment to deliver our growth plans. Also, I am much obliged to the shareholders, business partners, bankers, customers and suppliers for their continuous encouragement and support.

Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 31 March 2014

Management Discussion and Analysis

General Review

The Group has made a remarkable turnaround with its business in 2013. This has been achieved by consolidating our operations in the Uinta basin in the state of Utah, US and in the Noroeste basin, northern Argentina and realigning our investment portfolios. The Group's strategy to capture undervalued yet high-potential oil and gas assets has begun to pay off. As at 31 December 2013, the Group has net 269.69 MMBOE of prospective resources and net 1.87 MMBOE of 2P reserves. The Group's asset base poses promising commercial development potential with production level poise to increase starting 2014.

Consolidated turnover of the Group for the year ended 31 December 2013 was HK$322.86 million (31 December 2012: HK$129.01 million), representing an increase of 150.3%. The Group had a positive change on financial performance and recorded a profit attributable to owners of HK$3.77 million (31 December 2012: loss attributable to owners of HK$39.92 million). Gain on bargain purchase from the acquisition of Golden Giants Limited was resulted as the major cause of the profit for the year.

Administrative expenses of the Group for the year amounted to approximately HK$109.33 million (31 December 2012: HK$72.25 million), representing an increase of approximately HK$37.08 million from the previous year. Staff costs, legal and professional expenses and consultancy fees continue acting as the key components of administrative expenses of the Group as the Group prepares to expand its production and operation level.

Earnings per share for the year was HK0.43 cents (31 December 2012: loss per share of HK7.12 cents). Despite a profit attributable to owners was recorded for the year, after considering the cash flow and conservative financial management, the Board recommends no final dividend for this financial year (31 December 2012: Nil).

Review of Business Operations

Oilfield Exploration and Exploitation Business in Argentina

Argentina, Noroeste Basin

Management Discussion and Analysis

Tartagal Oriental and Morillo

In 2009, the Group acquired certain interests in two concessions, the Tartagal Oriental concession and the Morillo concession (collectively the "Concessions"), in Argentina. The Concessions relate to the exploration permits and potential exploitation permits for oil and development of hydrocarbons in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 km^2 and 3,518 km^2 respectively. It is one of the largest oil exploration land parcels open for tender in Argentina.

During the year, the Group completed the acquisition of an additional 9.25% interest in the Concessions in April 2013, increasing its overall interest from 60% to 69.25%. Prospective resources grew by 35.18 MMBOE as a result of the increase in stake of the Concessions. The Group is responsible for carrying out the duties in regard to all legal acts, contracts, and operations of the exploration works in the Concessions.

The CAx-1002 and CA x-1 wells were determined uneconomic for production, thus resulting in shutting in of these two wells. As a result, the trial production was discontinued during the year.

In 2013, the Group completed interpretation of 260 km^2 3D seismic survey shot in the southern part of the Morillo block. The Morillo block is adjacent to the Chirete block, which is owned by Brazil's largest oil company, Petrobras. In 2011, Petrobras drilled a well near the Morillo block boundary. Although the well had mechanical problems and was not fully tested, the results from this well are very encouraging as oil flows were reported. With interpretation of the new 3D seismic enabling further understanding of the geological potential of the reservoirs in this area, the Group has identified several prospective drilling locations in the Morillo block. The Group plans to drill two exploration wells in this area in 2014 to determine if oil is present in the same and similar structures on the Morillo side of the block boundary.

The Group also carried out an extensive geochemical survey over areas of interest in both the Tartagal Oriental and Morillo blocks. Results from the survey are being used to enhance the seismic interpretation and fine tune the prospect generation process.

Upon completion of the seismic interpretation program, the Group engaged Netherland, Sewell & Associates, Inc. ("NSAI"), an international independent qualified technical advisor, to update the technical report, completed on 25 March 2014, for these areas. According to the updated technical report, the estimated total undiscovered original hydrocarbons-in-place and unrisked gross (100 percent) prospective resources in the Tartagal Oriental and Morillo block has been increased from 380.28 MMBOE to 389.45 MMBOE.

Management Discussion and Analysis

Details of the unrisked gross (100 percent) prospective oil and gas resources for the Concessions are as follows:

Prospect[1]	Oil						Gas					
	Low Estimate		Best Estimate		High Estimate		Low Estimate		Best Estimate		High Estimate	
	(New)[4]	(Last)[3]	(New)[4]	(Last)[3]	(New)[4]	(Last)[3]	(New)[4]	(Last)[3]	(New)[4]	(Last)[3]	(New)[4]	(Last)[3]
	(MMBBL)						(BCF)					
EM Deep 1	**1.5**	1.5	**4.3**	4.3	**12.7**	12.7	**75.1**	75.1	**213.7**	213.7	**632.1**	632.1
EM Deep 2	**4.1**	4.1	**15.2**	15.2	**59.4**	59.4	**204.3**	204.3	**770.1**	770.1	**2,990.7**	2,990.7
EM Deep 3	**1.1**	1.1	**3.3**	3.3	**10.3**	10.3	**55.8**	55.8	**167.2**	167.2	**520.5**	520.5
EM Deep 4	**2.3**	2.3	**5.7**	5.7	**14.0**	14.0	**115.0**	115.0	**285.8**	285.8	**696.6**	696.6
PET North	**0.1**	0.1	**0.3**	0.3	**0.8**	0.8	**5.2**	5.2	**14.8**	14.8	**41.8**	41.8
Morillo Deep	**0.3**	0.3	**0.9**	0.9	**2.4**	2.4	**16.7**	16.7	**44.5**	44.5	**119.3**	119.3
ZH South	**27.5**	27.5	**56.6**	56.6	**110.6**	110.6	**23.5**	23.5	**47.8**	47.8	**96.7**	96.7
Tordillo Updip	**5.4**	5.4	**10.8**	10.8	**21.9**	21.9	**4.5**	4.5	**9.3**	9.3	**19.3**	19.3
Los Blancos Southwest	**–**	1.1	**–**	3.2	**–**	9.2	**–**	0.9	**–**	2.7	**–**	8.1
Tordillo Northwest	**–**	4.1	**–**	10.1	**–**	24.2	**–**	3.5	**–**	8.6	**–**	21.5
Los Blancos Northwest	**1.3**	1.3	**3.3**	3.3	**8.2**	8.2	**1.1**	1.1	**2.8**	2.8	**7.1**	7.1
Los Blancos North	**2.3**	2.3	**4.7**	4.7	**9.7**	9.7	**1.9**	1.9	**4.0**	4.0	**8.6**	8.6
Buried Hill 1	**0.6**	–	**1.6**	–	**3.2**	–	**0.5**	–	**1.4**	–	**2.8**	–
Buried Hill 2	**1.0**	–	**2.1**	–	**3.9**	–	**0.8**	–	**1.8**	–	**3.4**	–
Buried Hill 3	**1.3**	–	**3.0**	–	**5.6**	–	**1.1**	–	**2.6**	–	**4.9**	–
Yacoraite Onlap 1A	**1.7**	–	**5.6**	–	**18.6**	–	**1.4**	–	**4.8**	–	**16.2**	–
Yacoraite Onlap 1B	**1.6**	–	**4.9**	–	**15.0**	–	**1.3**	–	**4.2**	–	**13.4**	–
Yacoraite Onlap 1C	**0.8**	–	**4.1**	–	**20.8**	–	**0.7**	–	**3.5**	–	**17.9**	–
Total [2]	**52.9**	51.1	**126.5**	118.4	**316.9**	283.4	**508.9**	507.5	**1,578.1**	1,571.3	**5,191.3**	5,162.2

Notes:

(1) The estimates in the technical report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers. PRMS defines a prospect as a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. The chance of geologic success for the sixteen (2012: twelve) identified prospects ranges from 1 to 21 percent (Last Report: 1 to 16 percent), which equals a 79 to 99 percent (Last Report: 84 to 99 percent) chance of failure and therefore represents moderate risk to very high risk exploration.

(2) Total are the arithmetic sum of multiple probability distributions and may not add because of rounding.

(3) The technical report was prepared by NSAI as of 31 October 2012.

(4) The technical report was updated by NSAI as of 28 February 2014.

(5) The prospective resources shown above have been estimated using probabilistic methods and are dependent on a petroleum discovery being made. Unrisked prospective resources are estimated ranges of recoverable oil and gas volumes assuming their discovery and development and are based on estimated ranges of undiscovered in-place volumes. Geologic risking of prospective resources addresses the probability of success for the discovery of a significant quantity of potentially moveable petroleum; this risk analysis is conducted independent of estimations of petroleum volumes and without regard to the chance of development. Principal geologic risk elements of the petroleum system including (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revision with further data acquisition or interpretation. There was no material change on the assumptions adopted in the updated report in compare with the previous report.

(6) Seismic data available for use in the latest study of the Tartagal and Morillo license areas includes 749 km^2 of 3D seismic data and a total of 253 2D seismic lines totaling approximately 8,187 line kilometers.

Management Discussion and Analysis

The following table sets out the best estimates of the Group's net interest in prospective resources in the Tartagal Oriental and Morillo areas:

	Oil (in MMBBL)	**Gas** (in BCF)
Prospective resources		
As at 1 January 2013	71.04	942.78
Acquisition	10.95	145.35
As at 31 December 2013	81.99	1,088.13
Technical adjustments	5.61	4.70
As at 28 February 2014 (per updated report)	87.60	1,092.83

Development and production activities will commence if and when exploration data from the Concessions areas suggest there are commercially viable reserves. The following table summarizes the major exploration activities throughout the year:

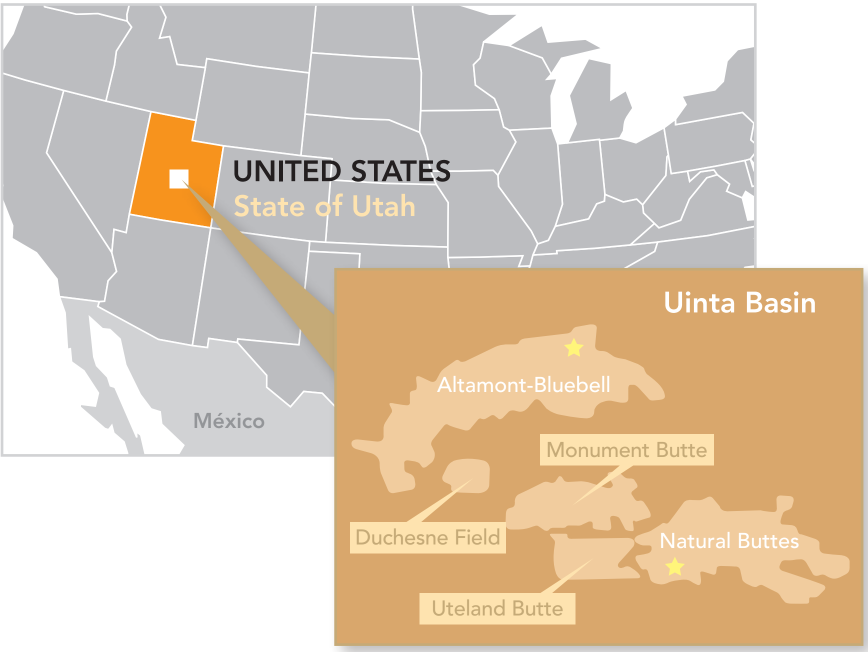
	Tartagal Oriental area	**Morillo area**
Exploration activities:	— Geochemical survey	— 260 km^2 3D seismic interpretation — Geochemical survey

During the year, the Group made the following expenditures in relation to its exploration works performed in the Tartagal Oriental and Morillo areas:

Nature of expenditure	**Amount** HK$'000
Exploration rights	1,281
Geological and geochemical studies	847
Seismic interpretation	4,506
Remediation	762
Others	360
Total	7,756

Management Discussion and Analysis

United States
State of Utah, Uinta Basin



Investment in Oil and Gas Properties in Utah, the United States

The Uinta basin is a structural basin located in eastern Utah, east of the Wasatch Mountains and south of the Uinta Mountains, where commercial oil and gas production is available. Currently, the Group has the following investments in the Uinta basin, state of Utah, the US:

Natural Buttes project

During the year, Natural Buttes project commenced production with an average daily output of 10 barrels for the year. The Group generated a revenue of HK$2.34 million (31 December 2012: HK$nil) from the sale of crude oil of around 3.6 MBBL at an average price of US$84.97 per barrel. The Group believes, by devoting further capital expenditure to workover these wells, the aggregate production volume from these wells could increase, which may reach approximately 40 to 50 BOPD.

Management Discussion and Analysis

Altamont-Bluebell project

In March 2013, the Group completed the acquisition of Golden Giants Limited, and in turn holds (i) 75% working interest in the 80% net revenue interest of 30 well bores and the surrounding 2,300 acres of tribal and fee land in the Uinta basin and (ii) the right to lease, explore, exploit and develop the option acreage of prospective oil and gas leases adjacent to the 30 well bores and the 2,300 acres of tribal and fee land. From this acquisition, the Group recognized a gain on bargain purchase of HK$25.19 million.

During the year, the Group reworked several wells acquired with aims to ramp up production in 2014.

The following table sets out the estimates of the Group's net interest reserves (2P) in the Utah projects:

	Natural Buttes project[(1)] (in MBBL)	**Altamont-Bluebell project**[(2)] (in MBBL)
2P reserves		
As at 1 January 2013	275	–
Acquisition	–	1,599
Production	(2)	–
As at 31 December 2013	273	1,599

Notes:

(1) The technical report was updated by Chapman Petroleum Engineering Limited ("Chapman"), an independent qualified technical adviser, as of 31 December 2013. The report had indicated that a net present value ("NPV") analysis had been conducted by them for the purpose of determining the fair value of the Natural Buttes field as of 31 December 2013. The interest of NPV value (PV10) of Natural Buttes field (after income tax) entitled to the Group is amounted US$4.87 million (equivalent to HK$37.76 million). As at 31 December 2013, the carrying amount of the oil and gas properties of the Group in Natural Buttes field is approximately HK$10.15 million.

(2) The technical report was prepared by Chapman as of 30 September 2012. The report had indicated that NPV analysis had been conducted by them for the purpose of determining the fair value of the Altamont-Bluebell field as of 30 September 2012. The interest of NPV value (PV10) of Altamont-Bluebell field (after income tax) entitled to the Group is amounted US$42.45 million (equivalent to HK$329.15 million). As at 31 December 2013, no material change have occurred in our oil and gas reserves since the effective date of the Chapman report mentioned above. As at 31 December 2013, the carrying amount of the oil and gas properties of the Group in Altamont-Bludbell field is approximately HK$156.96 million.

Management Discussion and Analysis

The following table summarized the major development and production activities during the year:

	Natural Buttes project	Altamont-Bluebell project
Development activities:	— Nil	— Installed pressure gauge on all the wells and enacted a regular monitoring schedule — Rework several wells
Production activities:	— Rework several oil wells and achieved an average daily net production of 10 barrels	— Nil

During the year, the Group made the following expenditures in relation to its acquisition, development and production activities performed in Utah, US:

Nature of expenditure	**Natural Buttes project** HK$'000	**Altamont-Bluebell project** HK$'000	**Total** HK$'000
Acquisition costs	–	52,342	52,342
Development costs	–	620	620
Production costs	2,856	184	3,040
	2,856	53,146	56,002

Grey Hawk Investment

Grey Hawk Exploration Inc. ("Grey Hawk") is a company incorporated under the laws of the province of British Columbia and is engaged in the acquisition, exploration and development of oil and gas properties located in the US.

During the year, the Group converted convertible notes of Grey Hawk with a principal amount of US$700,000 at US$0.15 per Grey Hawk share. As such, the Group's interest in Grey Hawk increased from 44.74% to 55.63%. The Group plays a role as a pure investor of Grey Hawk and does not involve in any of Grey Hawk's operations. The sole purpose for the Group in this investment is to seek capital appreciation from the successful development of Grey Hawk. As such, the Group classified its Grey Hawk investment as "Available-for-sale investments" and accounted for at cost less impairment losses. As at 31 December 2013, the carrying value of Grey Hawk investment was HK$5.11 million (31 December 2012: HK$2.36 million). The Group believes that further investment in Grey Hawk could maximize returns to its shareholders.

Investment in Oil and Gas Properties in Texas and Louisiana, the United States

In 2013, the Group restructured its investment in the US through a number of acquisitions and disposals of oil and gas assets in east Texas and Louisiana. In June 2013, the Group disposed all its oil and gas properties located in Louisiana, US to BCM Energy Partners, Inc. ("BCM") in exchange for US$5.20 million (equivalent to HK$40.32 million) convertible notes. Through the disposal of assets in Texas and Louisiana, the Group recorded a gain of HK$19.51 million for the year.

Management Discussion and Analysis

Downstream Natural Gas Business

The Group acquired 100% interest in Guizhou Kunyu Trading Company Limited and Guizhou Shunyao Energy Investment Company Limited in 2013, therefore further strengthening the role of the Company as an integrated natural gas provider and distributor with focus in liquefied natural gas ("LNG")/compressed natural gas ("CNG") stations and gas provision to industrial park and residential community projects. The Group currently owns two operating gas stations in Liupanshui city and Liuzhi special district in Guizhou province and has established a joint venture entity ("JV") with a subsidiary of China National Petroleum Corporation ("CNPC") to further develop its integrated natural gas utilization projects. CNPC will bring in advanced technology as well as management expertise to the JV by tapping into its resourceful network in the natural gas market.

In order to streamline the Group's corporate structure and cement its upstream asset base, the Group will continue talks with the China Print Power Group Limited (stock code: 06828) regarding the disposal of the entire downstream natural gas business of the Group. As the long stop date expired on 31 December 2013, on 30 December 2013, the Group and China Print Power Group Limited agreed to extend the long stop date to 30 September 2014 to give both parties sufficient time to negotiate a final agreement.

Trading Business

In 2013, the Group continued to operate its resources-related trading business. During the year, the Group recorded sales of approximately HK$318.41 million (31 December 2012: HK$124.09 million), with a gross profit of approximately HK$5.86 million (31 December 2012: HK$2.13 million), representing an 156.6% increase in sales. The significant increase in sales was due to the growth in its existing trading business. The Group will direct more efforts to foster relations with both existing and potential partners and customers to diversify its revenue sources as well as to unlock growth potential of the business.

Capital Structure, Liquidity And Financial Resources

The Group funded its operations mainly by its internal resources together with borrowings for the year ended 31 December 2013.

As at 31 December 2013, the Group's total cash and bank balances were approximately HK$106.14 million (including pledged bank deposits of HK$19.03 million and cash and cash equivalents of HK$87.11 million) (31 December 2012: HK$36.05 million), representing an increase of HK$70.09 million compared with 2012. The year increase was primarily due to the share subscription completed in December 2013 and increased in borrowings for the year.

As at 31 December 2013, the total equity of the Group was HK$3,950.90 million (31 December 2012: HK$3,796.21 million) and the net asset value per share was HK$3.38 (31 December 2012: HK$5.61). The debt ratio, calculated by total liabilities divided by total assets, was 10.45% as at 31 December 2013 (31 December 2012: 2.64%).

As at 31 December 2013, the total asset value and net current liabilities of the Group were approximately HK$4,411.96 million (31 December 2012: HK$3,899.27 million) and HK$96.07 million (31 December 2012: net current assets of HK$51.43 million) respectively.

Management Discussion and Analysis

Fund raising activities during the year

On 14 January 2013, the Company completed a placement and issued 35,000,000 new ordinary shares of HK$0.50 each (aggregate nominal value of HK$17.50 million) to independent third parties at the price of HK$0.91 per share pursuant to the placing agreement dated 20 December 2012. The closing market price on the date of issue was at HK$0.94 per share. Net proceeds of approximately HK$30.48 million (equivalent to approximately HK$0.87 per share) were received and used for as general working capital and investment opportunities identified by the Group.

On 29 January 2013, the Company completed the second placement of the year and issued 22,000,000 new ordinary shares of HK$0.50 (aggregate nominal value of HK$11.00 million) each to independent third parties at the price of HK$0.91 per share pursuant to the placing agreement dated 18 January 2013. The closing market price on the date of issue was at HK$0.98 per share. Net proceeds of approximately HK$19.14 million (equivalent to approximately HK$0.87 per share) were received and used for as general working capital and investment opportunities identified by the Group.

On 6 February 2013, the Company completed the third placement of the year and issued 14,000,000 new ordinary shares of HK$0.50 each (aggregate nominal value of HK$0.70 million) to independent third parties at the price of HK$0.91 per share pursuant to the placing agreement dated 25 January 2013. The closing market price on the date of issue was at HK$0.97 per share. Net proceeds of approximately HK$13.11 million (equivalent to HK$0.94 per share) were received and used for as general working capital and investment opportunities identified by the Group.

On 3 July 2013, the Company issued convertible bonds for an aggregate principal amount of HK$50.00 million at a conversion price of HK$0.79 in accordance with the placing agreement dated 7 June 2013. No convertible bonds are converted upon their issuance. Net proceeds of approximately HK$47.80 million are intended to be used for the purposes of enhancing the production of the wells situated in the United States.

On 5 July 2013, the Company issued (i) 34,370,000 new ordinary shares of HK$0.50 each (aggregate nominal value of HK$17.19 million) and (ii) 34,370,000 warrants at exercise price of HK$0.66 per warrant share to Asia Private Credit Fund Limited in accordance with the subscription agreement dated 19 June 2013 and the supplemental agreement dated 27 June 2013. The closing market price on the date of issue was HK$0.65 per share. Net proceeds of approximately HK$19.90 million (equivalent to HK$0.58 per share) were received and used for as general working capital and for any possible acquisitions when opportunities arise. As at 31 December 2013, no warrant was exercised by the holder.

On 11 December 2013, the Company issued 90,163,934 new ordinary shares of HK$0.50 each (aggregate nominal value of HK$45.08 million) to Max Sun Enterprises Limited in accordance with the subscription agreement dated 2 October 2013. The closing market price on the date of issue was HK$0.63 per share. Net proceeds of approximately HK$54.50 million (equivalent to HK$0.60 per share) were received and used for as (i) approximately HK$16.00 million for the repayment of the borrowing from an independent third party to the Company which is unsecured and bears interest at the Hong Kong and Shanghai Banking Corporation Limited's prime rate per annum; and (ii) the remaining balance of approximately HK$38.50 million for future investment opportunities and general working capital of the Group.

Management Discussion and Analysis

Borrowings

As at 31 December 2013, the Group's borrowings amounted HK$191.02 million with the following maturities:

	31 December 2013 HK$ (in million)	**As a percentage of total borrowings**	31 December 2012 HK$ (in million)	As a percentage of total borrowings
Within one year	**175.73**	**92.0%**	40.96	57.6%
In the second year	**5.06**	**2.6%**	30.13	42.4%
In the third to fifth year	**–**	**0%**	–	0%
After fifth year	**10.23**	**5.4%**	–	0%
	191.02	**100%**	71.09	100%

As at 31 December 2013, loans of HK$87.49 million bore interests at floating rate, loans of HK$94.65 million bore interests at fixed rate, and the remaining loans were interest free.

The Group's borrowings as at 31 December 2013 comprised:

(i) other borrowings totaling HK$129.80 million (31 December 2012: HK$30.14 million), of which:

a. HK$31.34 million (31 December 2012: HK$30.14 million), bearing interest at 4% per annum. On 21 February 2014, the Group re-negotiated with the lender for an extension of current loan facilities. The term was renewed and will mature at 31 December 2015 with the same interest rate;

b. HK$69.89 million (31 December 2012: HK$nil), bearing interest at Hong Kong dollars prime rate quoted by the Hongkong and Shanghai Banking Corporation per annum;

c. HK$19.69 million (31 December 2012: HK$nil), denominated in Renminbi, bearing interest at 20% per annum;

d. HK$7.61 million (31 December 2012: HK$nil), denominated in Renminbi, bearing interest free;

e. HK$1.27 million (31 December 2012: HK$nil), denominated in Renminbi, bearing interest free;

Management Discussion and Analysis

(ii) borrowing from a related company totaling HK$15.32 million (31 December 2012: HK$10.28 million), of which:

(a) HK$10.26 million (31 December 2012: HK$10.28 million), bearing interest at 5% per annum. On 28 June 2013, the Group re-negotiated with the related company for an extension of current loan facilities. The term was renewed for one year to 12 July 2014 which interest will bear at 5.5% per annum;

(b) HK$5.06 million (31 December 2012: HK$nil), bearing interest at 6% per annum;

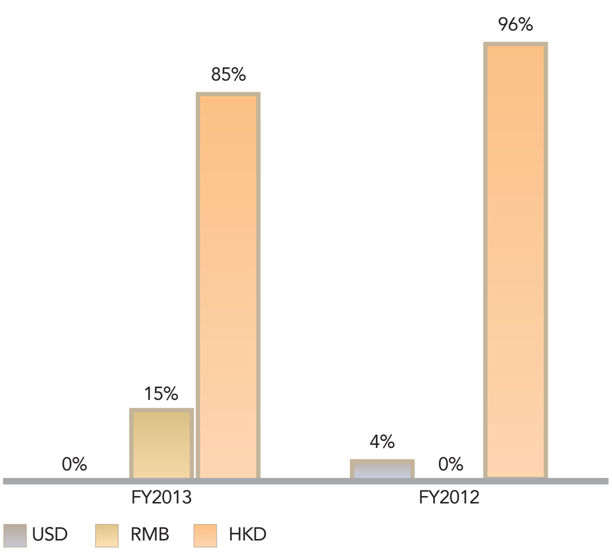
(iii) a loan from a non-controlling shareholder of HK$18.07 million (31 December 2012: HK$28.13 million) bearing interest at 4% per annum;

(iv) bank borrowing of HK$nil (31 December 2012: HK$2.55 million), denominated in United States dollar, bearing interest at 6% per annum;

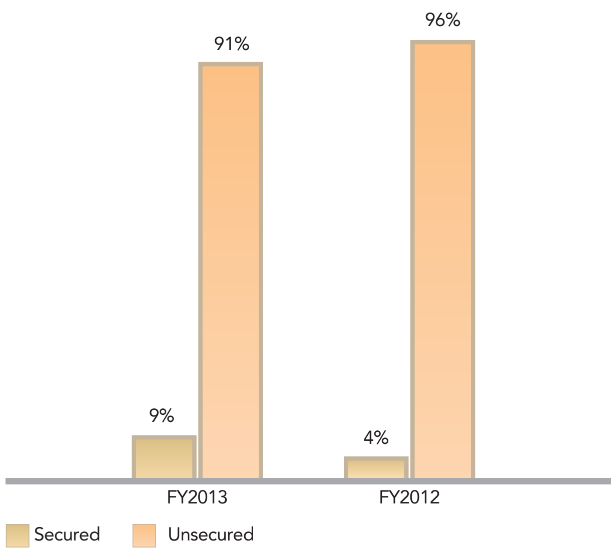
(v) bank borrowing of HK$17.60 million (31 December 2012: HK$nil), bearing interest at Hong Kong Interbank Offered Rate (HIBOR) plus 1.9% and secured by a bank deposit; and

(vi) fixed rate bonds of HK$10.23 million (31 December 2012: HK$nil) bearing interest at 5% per annum.

Currency Profile of Borrowings



Nature of debts



Management Discussion and Analysis

Gearing Ratio

As at 31 December 2013, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 4.15% (31 December 2012: 1.87%).

Charge on Assets

As at 31 December 2013, the following assets were charged:

(i) bank borrowing of HK$nil (31 December 2012: HK$2.55 million) was secured by the assets of a subsidiary and guaranteed by the manager of the subsidiary, bearing interest fixed at 6% per annum; and

(ii) bank deposit of HK$19.03 million (31 December 2012: HK$nil) was pledged to a bank to secure for revolving bank borrowing facilities.

Contingent Liability

As at 31 December 2013, the Group did not have any material contingent liabilities (31 December 2012: nil).

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2013 are set out in note 47(a) to the financial statements.

Foreign Exchange and Interest Rate Exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, United States dollar and Argentine peso. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the Group's foreign exchange exposure on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise. Details of the Group's exposure to interest rate and currency risks are set out in notes 42(c) and 42(d) to the financial statements.

Employees

As at 31 December 2013, the Group employed a total of 120 employees (31 December 2012: 62 employees) in Hong Kong, PRC, United States and Argentina. Total employee remuneration (including directors' emoluments and benefits) amounted to HK$27.91 million (for the year ended 31 December 2012: HK$17.39 million). The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

Material Acquisitions and Disposals

Save as disclosed in notes 43 and 44 to the financial statements, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year ended 31 December 2013.

Subsequent to the year ended 31 December 2013, the Group completed the acquisition of 38.15% participating interest of Palmar Largo block on 26 February 2014. Details of the acquisition are set out in note 22(e) to the financial statements.

Management Discussion and Analysis

Significant Investments

(i) NordAq Energy, Inc. ("NordAq")

NordAq is an independent oil and gas company based in Anchorage, Alaska and is engaged in the exploration and development of hydrocarbon reserves. Its portfolio includes prospects and resources in the Kenai Peninsula on the Cook Inlet and Smith Bay on the North Slope, covering approximately 560,000 net acres. As at 31 December 2012, the Group held approximately 7% interest in NordAq.

In December 2013, the Group increased its stake in NordAq by acquiring Big Trade Investments Limited from Max Sun Enterprises Limited, which in turn holds an additional 474,983 shares of NordAq (or 6.75% interest in NordAq). The acquisition was completed on 23 December 2013. As at 31 December 2013, the Group in aggregate holds 12.33% interest in NordAq. The investment was classified as "Available-for-sale investments" and was accounted for at its fair value. As at 31 December 2013, the carrying value of this investment was HK$100.88 million (2012: HK$37.75 million).

Looking forward, NordAq has implemented drilling plans for several locations in the state of Alaska. Appraisal campaigns shall commence during the winter of 2014 to 2015 and will be designed based on the data collected while drilling, logging and testing the initial exploration well.

(ii) BCM Energy Partners, Inc ("BCM")

BCM is a US-based oil and gas company and has been actively developing a network of field owners and managers throughout the Gulf Coast with a focus on identifying under-capitalized, "off-the-radar" opportunities. BCM has an effective management team that is well-connected within the Gulf Coast oil and gas industry with over 100 years of collective experience acquiring and exploiting oil and gas assets and is supported by an impressive roster of equity-incentivized advisors from the corporate finance and energy industries.

In 2013, BCM made 3 acquisitions in Welch, Caddo Parish and Corsicana, which contributed to an increase of approximately 1,000 MBBL in 2P reserves. In addition to BCM's three other oil properties in the states of Texas and Louisiana in the US, total 2P reserves for all six properties increased to approximately 1,601 MBBL, with an average production of 50 BOPD.

To further tap into BCM's regional expertise, the Group disposed its oil and gas properties in Louisiana to BCM for a consideration of US$5.20 million (equivalent to HK$40.32 million) satisfied by BCM's convertible bonds with conversion price at US$2.00 per conversion share. In addition, the Group subscribed approximately US$0.92 million (equivalent to HK$7.13 million) convertible bonds with conversion price at US$1.00 per conversion share, during the year.

As at 31 December 2013, the Group in aggregate holds US$6.98 million (equivalent to HK$54.14 million) BCM's convertible bonds, which represent a potential equity interest of approximately 35% of BCM's equity interest upon full conversion. On 19 February 2014, BCM received an approval letter for a reserves-based lending loan of US$31 million (equivalent to HK$240.37 million) from an investment fund, which further secures funding for its future developments. The proceeds from the loan will be used for future acquisitions and the development of its oil and gas assets.

The Group believes that, upon successful development of these companies, our investments can bring lucrative returns to our shareholders.

Information on Directors

Executive Directors

Mr. CHENG Kam Chiu, Stewart, aged 59, was appointed an Executive Director in February 2008 and the Chairman of the Company in May 2009. Mr. Cheng holds a Bachelor's degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's degree in Civil Engineering from the University of California, Berkeley, USA; and a Master's degree in Business Administration from the Chinese University of Hong Kong. Being a member of The Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

Mr. Cheng joined Hip Hing Construction Company Limited in 1984 as a project manager and was subsequently appointed a director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as a director and an assistant general manager, overseeing property development in the People's Republic of China (the "PRC"). He was a director of NWS Service Management Limited (formerly known as "New World Services Limited") from 1997 to 2006, and was mainly responsible for the construction and the electrical and mechanical engineering businesses and pursuing business opportunities in the PRC. Mr. Cheng is the managing director of Cheung Hung Development (Holdings) Limited, principally engaging in property development in both Hong Kong and the PRC. He is currently an executive director of International Entertainment Corporation and was an executive director of Grand T G Gold Holdings Limited from November 2008 to May 2009, which shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Cheng is the nephew of Dato' Dr. Cheng Yu-Tung, *GBM*, the ultimate beneficial owner of Max Sun Enterprises Limited, the Company's substantial shareholder, and the uncle of Mr. Cheng Ming Kit, an Executive Director and the Chief Executive Officer of the Company.

Mr. CHENG Ming Kit, aged 39, was appointed an Executive Director in October 2009 and the Chief Executive Officer of the Company in March 2012. Mr. Cheng holds a Bachelor's degree in Commerce from the University of Alberta, Canada and a Master's degree in Business Administration from the University of North Carolina, Charlotte.

Mr. Cheng has over 10 years of experience in merger and acquisition, capital markets and corporate finance. He also has extensive investment and management experience in the energy business in Hong Kong, the PRC and overseas. He served various positions with New World Development Company Limited, a company listed on the Stock Exchange, and was responsible for corporate finance, fund raising and real estate activities in the PRC. From 2003 to 2008, Mr. Cheng was involved in the investment and operations in the gold mining industry in the PRC and held various senior positions in a mining company listed on the Toronto Stock Exchange Venture Board with mining and exploration operations in the PRC. From November 2008 to June 2009, Mr. Cheng was an executive director of Grand T G Gold Holdings Limited, which shares are listed on the Stock Exchange.

Mr. Cheng is the nephew of Mr. Cheng Kam Chiu, Stewart, an Executive Director and the Chairman of the Company.

Information on Directors

Mr. WONG Tai Cheung, Andrew, aged 40, joined the Group in May 2013 as the Chief Financial Officer and was appointed an Executive Director of the Company in July 2013. Mr. Wong holds a Bachelor's degree in Business Administration (Accounting and Finance) from the University of Hong Kong and a Master's degree in Business Administration from Harvard Business School.

Mr. Wong has over 15 years of experience in investment banking and corporate finance. He joined General Electric in 1996 and was responsible for cost accounting, internal control, financial analysis, financing and hedging. He also worked in the Boston Consulting Group and provided merger, restructuring, strategy planning and other advisory services to large-scale Asian financial institutions and insurance companies, as well as steel producers. He also worked in the investment banking and equity research divisions of Lehman Brothers. Mr. Wong subsequently worked in Bank of America Merrill Lynch, JP Morgan Chase & Co. and Citibank N.A. Mr. Wong was the managing director of The Royal Bank of Scotland and the head of North Asian Institutional and Corporate Client Solutions Group, providing investment, financing and assets/liabilities management-related products and solutions to large-scale listed companies, family funds and large institutional funds in Hong Kong, China, Taiwan and Japan. From 2011 to 2013, Mr. Wong held senior management positions of various companies in the mining industry, including the role as a chief financial officer of Century King Resources Group Limited, a titanium mining and processing company in Yunnan.

Non-executive Director

Mr. HEFFNER, Paul Lincoln, aged 48, was appointed a Non-executive Director of the Company in October 2013. He has extensive experience in asset management, investments, and entrepreneurial ventures. He was a partner and the chief information officer of Ajia Partners, and started the fund business which managed assets over US$400 million. Mr. Heffner's flagship fund, the Adamas Asian Opportunity Fund, ranked among the best performing Asian funds on a risk adjusted basis from 2006 to 2009. Prior to Ajia Partners, Mr. Heffner was a managing director for a major family office in Hong Kong responsible for all technology, media and telecommunication investments, including hedge funds, private equity funds and direct investments. He was previously an associate director with Morgan Stanley Private Wealth Management in New York and Hong Kong and has over 15 years of investment experience in Hong Kong. Mr. Heffner is currently the co-founder, chief executive officer and managing partner of Adamas Asset Management (HK) Limited, a licensed corporation to carry out Type 9 (asset management) regulated activity under The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and currently managing assets over US$350 million with offices in Hong Kong, Shanghai and Tokyo.

Information on Directors

Independent Non-executive Directors

Mr. WONG Man Kong, Peter, *BBS, JP*, aged 65, was re-designated as an Independent Non-executive Director of the Company in May 2013. He acted as a Non-executive Director of the Company from February 2008 to May 2013. Mr. Wong holds a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture) from the University of California, Berkeley, USA. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region, and was an awardee of the "Young Industrialist Award of Hong Kong". Mr. Wong is a deputy to the National People's Congress of the People's Republic of China. He is also the executive vice chairman of Hong Kong Pei Hua Education Association, the executive chairman of China Chamber of Tourism, a director of Ji Nan University, and a senior member of The University of Hong Kong Foundation for Educational Development and Research.

Mr. Wong currently holds directorship in several companies listed on the Stock Exchange including a non-executive director of Hong Kong Ferry (Holdings) Company Limited, and an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Sun Hung Kai & Company Limited, Sino Hotels (Holdings) Limited, Chinney Investments Limited, Far East Consortium International Limited and MGM China Holdings Limited. He is also the chairman of M.K. Corporation Limited and North West Development Limited, Culture Resources Development Company Limited, Silk Road Hotel Management Company Limited and Silk Road Travel Management Limited.

Mr. CHAN Chi Yuen, aged 47, was re-designated as an Independent Non-executive Director of the Company in May 2012. He acted as an Executive Director and the Chairman from May to October 2006 and a Non-executive Director of the Company from October 2006 to May 2012. Mr. Chan holds a Bachelor's degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, and an associate of the Institute of Chartered Accountants in England and Wales. He is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited and South East Group Limited, and an independent non-executive director of Asia Energy Logistics Group Limited, China Gamma Group Limited, China Sandi Holdings Limited, Jun Yang Solar Power Investments Limited (formerly China Gogreen Assets Investment Limited), Media Asia Group Holdings Limited and U-RIGHT International Holdings Limited, which shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan was an executive director of Kong Sun Holdings Limited from December 2011 to September 2013 and an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011, Richly Field China Development Limited from February 2009 to August 2010 and Superb Submit International Timber Company Limited (now known as Superb Submit International Group Limited) from April 2007 to June 2010.

Mr. YUNG Chun Fai, Dickie, aged 61, was appointed as an Independent Non-executive Director of the Company in March 2013. Mr. Yung holds a Master's degree in Business Administration from the University of East Asia, Macau. He is a member of the Institute of Management and a fellow of the Chartered Management Institute. Mr. Yung has been engaged in finance and banking businesses for over 25 years. He was the chief deputy executive of Industrial & Commercial Bank of China (Macau) Limited and a director, deputy general manager and alternate chief executive of Industrial & Commercial International Holdings Limited, a wholly owned subsidiary of Industrial & Commercial Bank of China Limited.

Mr. CHIU Wai On, aged 45, was appointed as an Independent Non-executive Director of the Company in November 2006. Mr. Chiu is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants in the United Kingdom. He possesses extensive professional experience in accounting and auditing services. Mr. Chiu is currently an independent non-executive director of Guocang Group Limited (formerly known as "Hua Yi Copper Holdings Limited"), which shares are listed on the Stock Exchange.

Information on Senior Management and Professional Team

Senior Management

Chief Operating Officer

Mr. Qin Ru-Guo, aged 52, joined the Group as the Chief Operating Officer in April 2013. He graduated from Mechanical Engineering Department of Northeast Petroleum University and holds a Master's degree in Engineering Management from Xi'an University of Technology. He has over 30 years of experience in the oil and gas industry. Mr. Qin previously served in various senior positions at several group companies of China National Petroleum Corporation ("CNPC") respectively. He oversaw the management of engineering and oil field technology and his core duties included the management of engineering department, oil depot and development of petroleum refilling station network. In 2009, Mr. Qin was appointed the general manager of the Guizhou branch of CNPC Kunlun Natural Gas Utilization Company Limited and led the natural gas pipeline network development project in the province.

Vice President — Business Development

Mr. Bian Shao-Qin, aged 48, was appointed the Vice President of Business Development of the Group in December 2012. He holds a Bachelor's degree in petroleum reservoir exploration engineering from China Petroleum National University. Mr. Bian has over 25 years of experience in the oil and gas industry. He is familiar with the operations and management of oil and gas projects, equipment, technology, development and application. He previously served at China National Petroleum Corporation, China Petroleum and Chemical Group Limited and SPT Energy.

Director — Corporate Development

Mr. Ren Xiao-Feng, aged 50, was appointed the Director of Corporate Development of the Group in May 2013. Mr. Ren graduated from Chinese Academy of Science Guangzhou Electronic Technology Institution majoring in computer application. He has over 20 years of experience in business management in several overseas group companies. Prior to joining the Group, Mr. Ren served as senior vice president in PTI Group Holding Company.

Vice President — Operations

Mr. Manley Poon, aged 40, was appointed the Vice President of Operations of the Group in October 2012. He is responsible for the business development of the North America and Argentina projects of the Group. He holds a Bachelor of Arts degree in Economics from the University of Tennessee, USA. Mr. Poon has over 10 years of business experience. He previously worked at well-known accounting and consulting firms, during which he provided business and operational consulting services to multinational corporations, state-owned enterprises and private equity funds in the United States and the PRC, focusing in the natural resources industries.

Vice President — Operations

Mr. Wang Yuan, aged 49, was appointed the Vice President of Operations of the Group in September 2013. He is responsible for the business development of the Group in the United States. He holds a Bachelor of Science degree in Mechanical Engineering from Daqing Petroleum Institute a Master of Science degree in Mechanical Engineering from China University of Petroleum a Master of Science degree in Petroleum Engineering from the University of Alaska Fairbanks and a Master of Science degree in Computer Science from Southwest Texas State University. Mr. Wang has over 15 years of experience in the oil and gas industry. Before joining the Group, he worked as a leading engineer or project manager in pipeline projects. He has also worked in MCS Kenny, Shell and Dell Computer.

Information on Senior Management and Professional Team

Vice President — Corporate Finance

Mr. Wan Tat Bong, aged 34, joined the Group in April 2013 and is currently the Vice President of Corporate Finance of the Group. He holds a Bachelor of Arts degree from the University of British Columbia and a Master of Business Administration degree from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 7 years of experiences in audit and financial due diligence before joining the Group.

Assistant Financial Controller

Mr. Lai Chi Fung, aged 33, joined the Group in April 2012 and is currently the Assistant Financial Controller of the Group. He holds a Bachelor's of Business Administration degree with honours in accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 8 years of professional experience in accounting and auditing.

Company Secretary

Ms. Tsang Tsz Ying, Fion, aged 29, was appointed the Company Secretary in November 2013. She holds a Bachelor of Arts degree with honours in Translation and Chinese and a Master of Science degree in Professional Accounting and Corporate Governance. She is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Tsang has over 7 years of experience in company secretarial field.

Information on Senior Management and Professional Team

Professional Team

Chief Geology Consultant

Mr. James D. Eger is currently the Chief Geology Consultant of the Group. Mr. Eger is a qualified and experienced petroleum geologist with over 20 years of experience in the oil business. He holds a Bachelor of Arts degree in Earth Science, a Master's degree in Business Administration, a Master of Science degree in Geology and a Master's degree in Marine Affairs. Mr. Eger previously served in Phillips Petroleum Company (now known as Conoco-Philips, Inc), Jackson Exploration Inc, Continental Energy Corporation, Continental Natural Resources Pte Ltd. Mr. Eger is also a trained and experienced investment professional with extensive experience with Dean Witter and Southwest Securities in Dallas and New York City, USA.

Oil and Gas Advisory Council

Dr. Dong Xiu-Cheng is a member of the Group's Oil and Gas Advisory Council. Dr. Dong is a renowned energy economist in China and has been named "one of the most active scholars in China today". He has been providing strategic and policy consultation for state bureaus and sizeable petroleum enterprises. Dr. Dong is currently a director of China Oil & Gas Centre at the China University of Petroleum. He is a professor at the School of Business and Administration of China University of Petroleum and the chairman and a vice dean of the Degree Scoring Committee. Dr. Dong is also a council member of China Market Economics Society and China Petroleum Enterprise Association, a member of the System Engineering Committee at China Energy Research Society and Committee of Economic Affair at Chinese Petroleum Society and a deputy director of the Committee of Economic Affair at the Beijing Petroleum Society.

Mr. Luo Ying-Jun is a member of the Group's Oil and Gas Advisory Council. Mr. Luo is a renowned expert in exploration and development in the oil and gas industry in China and has over 40 years of experience in the oil and gas industry in China. He is a professor degree level senior engineer whom obtains grants from the State Council. Mr. Luo served as a deputy secretary at the Exploration and Development Department of CNPC and had participated in the strategic planning of the oil fields in Daqing, Jianghan and Tuha. He also served as an assistant to general manager at CNPC. Mr. Luo was then appointed as the vice president of PetroChina Company Limited and was mainly responsible for the exploration and production operations. During his tenure, he participated in the overseas oil exploration projects in South America and Kazakhstan in Central Asia.

Dr. R. Gerald Bailey is a member of the Group's Oil and Gas Advisory Council. Dr. Bailey is an expert with extensive engineering and management experience in the petroleum industry, in particular the United States, Gulf Coast, the Middle East, North Africa and the Caribbean. He holds Bachelor of Science degree in Chemical Engineering, a Master's degree in Chemical Engineering and a Ph.D. degree in Chemical Engineering. Dr. Bailey was the former president of Exxon, Arabian Gulf and was responsible for coordination of all Exxon business interests. He is currently the chief executive officer of MCW Energy Group, the chairman of Vanguard Energy Corporation and BCM Energy Inc., and the vice chairman of Trinity Energy Group Inc.

Corporate Governance Report

Corporate Governance Code

The Group strives to attain and maintain high standards of corporate governance best suited to the needs of its businesses and the best interests of its stakeholders as the board (the "Board") of directors (the "Directors") of the Company believes that effective governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted and applied the principles of the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the year ended 31 December 2013 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.4.1

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. During the year, all Non-executive Directors and Independent Non-executive Directors are not appointed for a specific term. They are, however, subject to the requirement of retirement and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's bye-laws (the "Bye-laws"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the code provisions of the CG Code.

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings. During the year, certain Non-executive Director and Independent Non-executive Directors were unable to attend the general meetings of the Company as they were out of town or had other engagements. Details of the attendance are disclosed under the section headed "Number of Board Meetings and Directors' Attendance" below.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

Corporate Governance Report

Board of Directors

Composition

The Board currently comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors, who have brought a balance of valuable and diversified business and professional expertise, experiences and independent judgement to the Board for its efficient and effective management of the Company's business.

As at the date of this report, the Board comprises the following Directors:

Executive Directors:
Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*
Mr. Wong Tai Cheung, Andrew *(Chief Financial Officer)*

Non-executive Director:
Mr. Heffner, Paul Lincoln

Independent Non-executive Directors:
Mr. Wong Man Kong, Peter
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie
Mr. Chiu Wai On

During the year, there had been several changes to the composition of the Board:

- On 28 March 2013, Mr. Yung Chun Fai, Dickie was appointed an Independent Non-executive Director following the resignation of Mr. Fung Siu To, Clement as an Independent Non-executive Director.

- On 10 May 2013, Mr. Wong Man Kong, Peter was re-designated from the position of Non-executive Director to Independent Non-executive Director.

- On 28 June 2013, Mr. Sun Jiang-Tian retired as Executive Director after the conclusion of the annual general meeting of the Company.

- On 2 July 2013, Mr. Wong Tai Cheung, Andrew was appointed an Executive Director and Chief Financial Officer.

- On 18 October 2013, Mr. Heffner, Paul Lincoln was appointed a Non-executive Director.

The biographical details of the Directors are set out in the section headed "Information on Directors" in this annual report which demonstrate a diversity of skills, expertise, experience and qualifications.

Corporate Governance Report

Relationship amongst Directors

Mr. Cheng Kam Chiu, Stewart is the uncle of Mr. Cheng Ming Kit.

Save as aforesaid, the Board members do not have any financial, business, family or other material and/or relevant relationships with each other.

Board diversity

During the year, the Company adopted a Board Diversity Policy (the "Policy") which sets out the approach to diversify the Board. The Board has reviewed its practices on Board diversity, taking into account gender, age, cultural and educational background, professional and industry experience, and any other factors that the Board might consider relevant and applicable. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

Responsibilities of the Board

The Board is responsible for the leadership and control of the Company and collectively responsible for promoting success of the Company by directing and supervising the Company's affairs. The Board also formulates objectives, overall corporate strategies and business plans, and oversees the financial and management performance of the Group. Day-to-day functions and authorities are delegated to the management, which include the implementation of objectives, strategies and plans adopted by the Board and the day-to-day management of the Group's business. There are established procedures for the Directors upon reasonable request, to seek independent advice in appropriate circumstances, at the Company's expenses.

Corporate governance functions

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board performing corporate governance functions under the CG Code include:

1. developing and reviewing the Company's policies and practices on corporate governance;

2. reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company; and

5. reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance.

During the year, the Board considered the following corporate governance issues:

— the Terms of Reference and Proceedings of the Board;

— the revised Terms of References of the Nomination Committee;

— the Shareholders' Communication Policy; and

— the Inside Information Policy.

Corporate Governance Report

Number of Board Meetings and Directors' Attendance

The Board meets regularly and at least four times a year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Apart from the regular board meetings, the Board met on other occasions where necessary. Throughout the year, Directors also participate in the consideration and approval of routine and operational matters of the Company by way of circulating resolutions.

During the year, the Board held four meetings. To facilitate maximum attendance of the Directors and to provide opportunity to include matters in the agenda for the Board meetings, notices of regular Board meetings are served to all Directors at least 14 days before the regular meetings while reasonable notice is generally given for other meetings. Meeting agenda together with all appropriate, complete and reliable information are normally given to all Directors no less than 3 days prior to each Board meeting to enable them to make informed decisions.

Details of the Directors' attendance at the Company's general meetings and the Board meetings held during the year of 2013 are set out below:

	Meetings attended/held		
Name of Director	**Board Meeting** *(Note)*	**Annual General Meeting** *(Note)*	**Special General Meetings** *(Note)*
Executive Directors			
Mr. Cheng Kam Chiu, Stewart	4/4	1/1	6/6
Mr. Cheng Ming Kit	4/4	1/1	5/6
Mr. Wong Tai Cheung, Andrew	3/3	0/0	1/1
Mr. Suan Jiang-Tian *(retired on 28 June 2013)*	0/1	0/1	0/5
Non-executive Director			
Mr. Heffner, Paul Lincoln	2/2	0/0	1/1
Independent Non-executive Directors			
Mr. Wong Man Kong, Peter	4/4	0/1	0/6
Mr. Chan Chi Yuen	4/4	1/1	1/6
Mr. Yung Chun Fai, Dickie	3/3	1/1	1/1
Mr. Chiu Wai On	4/4	1/1	6/6
Mr. Fung Siu To, Clement *(resigned on 28 March 2013)*	0/1	1/1	5/5

Note: The attendance figure represents actual attendance/the number of meetings a Director was entitled to attend during his tenure as a Director during the year of 2013.

To further maximize the contribution from non-management Directors, a separate meeting between the Chairman and Non-Executive Directors (including Independent Non-executive Directors) was held in November 2013 to address business and related issues.

Corporate Governance Report

Chairman and Chief Executive Officer

During the year of 2013, Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit performed the role of the Chairman and Chief Executive Officer ("CEO") respectively. Their roles and responsibilities are clearly defined and segregated to reinforce their independence and accountability.

The Chairman provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group. The CEO has the overall responsibility for the execution of the Group's strategies and the day-to-day management in general with the support from the Chief Financial Officer, the senior management and the professional team of the Group.

Independent Non-executive Directors

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The number of Independent Non-executive Directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each of the four Independent Non-executive Directors, namely Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On, of their independence pursuant to the requirements of Rules 3.13 of the Listing Rules. The Company considers all of them to be independent in accordance with the independence guidelines set out in the Listing Rules.

Appointment and re-election of Directors

The Board retains the functions for the selection and approval of candidates to become Board members.

Under the Bye-laws, all Directors who are appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. In addition, one-third of the Directors, who have been longest on the Board since their last election, must retire from office by rotation but then be eligible for re-election at each annual general meeting of the Company. As such, no Director has a term of appointment longer than three years.

Induction, Information and Continuous Professional Development

Upon appointment to the Board, Directors receive an induction package covering the general understanding of the Group and its businesses and operations. Meetings are also arranged with the Company's external legal adviser on directors' legal role and responsibilities.

All Directors are kept informed on a timely basis of major changes on the relevant laws, rules and regulations. Timely updates on the Group's financial performance, businesses and developments are also provided to the Directors. They also have full and timely access to information on the Group and independent professional advice at all times whenever deemed necessary.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors. For the year ended 31 December 2013, all Directors have attended the training session arranged by the Company, except Mr. Cheng Ming Kit and Mr. Heffner, Paul Lincoln as they were out of town. The Directors have also attended external seminars and/or other training sessions.

In addition, all Directors are required to provide the Company with their training records on an annual basis.

Corporate Governance Report

Board Committees

There are currently 3 committees of the Board (each the "Committee") to oversee particular aspects of the Company's affairs. All Committees are established with defined written terms of reference setting out their respective authorities and duties, which are available on the Company's website. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee is currently chaired by Mr. Chan Chi Yuen, an Independent Non-executive Director, with the Chairman of the Board, Mr. Cheng Kam Chiu, Stewart, a Non-executive Director, Mr. Heffner, Paul Lincoln, and three Independent Non-executive Directors, Mr. Wong Man Kong, Peter, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On as members.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Executive Directors and the senior management of the Group. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the time commitment and responsibilities of the individual as well as market practice and conditions.

During the year of 2013, the Remuneration Committee convened two meetings. Members and their attendance are as follows:

Name of Director	**Meetings attended/held***
Mr. Chan Chi Yuen *(Chairman)*	2/2
Mr. Cheng Kam Chiu, Stewart	2/2
Mr. Heffner, Paul Lincoln *(appointed as a member on 1 November 2013)*	1/1
Mr. Wong Man Kong, Peter *(appointed as a member on 30 December 2013)*	0/0
Mr. Yung Chun Fai, Dickie *(appointed as a member on 28 March 2013)*	2/2
Mr. Chiu Wai On	2/2

* The attendance figure represents actual attendance/the number of meetings a member was entitled to attend during his tenure as a member during the year of 2013.

Nomination Committee

The Nomination Committee is currently chaired by Mr. Chan Chi Yuen, an Independent Non-Executive Director, with the Chairman of the Board, Mr. Cheng Kam Chiu, Stewart, a Non-executive Director, Mr. Heffner, Paul Lincoln, and three Independent Non-executive Directors, Mr. Wong Man Kong, Peter, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On as members.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors; reviewing the structure, size, and composition and diversity of the Board; and assessing the independence of Independent Non-executive Directors.

During the year of 2013, the Nomination Committee convened one meeting. Members and their attendance are as follows:

Name of Director	Meetings attended/held*
Mr. Chan Chi Yuen *(Chairman)*	1/1
Mr. Cheng Kam Chiu, Stewart	1/1
Mr. Heffner, Paul Lincoln *(appointed as a member on 1 November 2013)*	0/0
Mr. Wong Man Kong, Peter *(appointed as a member on 30 December 2013)*	0/0
Mr. Yung Chun Fai, Dickie *(appointed as a member on 28 March 2013)*	1/1
Mr. Chiu Wai On	1/1

* The attendance figure represents actual attendance/the number of meetings a member was entitled to attend during his tenure as a member during the year of 2013.

Audit Committee

The Audit Committee is currently chaired by Mr. Chiu Wai On, and its other members are Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen and Mr. Yung Chun Fai, Dickie. All of them are Independent Non-executive Directors who possess the relevant qualifications, experiences and skills to contribute to the financial governance, internal controls and risk management of the Company.

Under its terms of reference, the main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual financial items; overseeing the relationship between the Company and the external auditors; and reviewing the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year of 2013, the Audit Committee convened two meetings. Members and their attendance are as follows:

Name of Director	Meetings attended/held*
Mr. Chiu Wai On *(Chairman)*	2/2
Mr. Wong Man Kong, Peter *(appointed as a member on 30 December 2013)*	0/0
Mr. Chan Chi Yuen	2/2
Mr. Yung Chun Fai, Dickie *(appointed as a member on 28 March 2013)*	2/2

* The attendance figure represents actual attendance/the number of meetings a member was entitled to attend during his tenure as a member during the year of 2013.

Corporate Governance Report

Accoutability and Audit

Financial reporting

The Directors acknowledge their responsibility for preparing the Company's accounts. The financial statements for the year ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the external auditors, Crowe Horwath (HK) CPA Limited ("Crowe Horwath"), are set out in the Independent Auditor's Report on pages 49 to 50 to this annual report.

Auditors' remuneration

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by Crowe Horwath and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by Crowe Horwath for the year ended 31 December 2013 and their corresponding remuneration is as follows:

Nature of services	**Amount** HK$'000
Audit services for the year ended 31 December 2013	3,002
Review of preliminary announcement of results for the year ended 31 December 2013	10
Review of interim results for the six month ended 30 June 2013	238
Review of continuous connected transactions	15
Tax review	707
Other services	410

Internal Controls

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Group and reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group.

Procedures have been designed to (i) safeguard assets from inappropriate use; (ii) maintain proper accounting records; (iii) ensure compliance with applicable law, rules and regulations; and (iv) manage the risk of failure to achieve business objectives.

The internal controls system provides a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed. It could only manage, rather than eliminate, all risks of material misstatement, errors, loss or fraud.

During the year, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal controls system continuously, which covers financial, operational, and compliance controls as well as risk management function, in order to cope with the changing business environment.

Company Secretary

Ms. Tsang Tsz Ying, Fion was appointed the Company Secretary following the resignation of Mr. Yu Wing Cheung, the former Company Secretary, with effect from 4 November 2013.

The Company Secretary directly reports to the Board. Minutes of all meetings of the Board and the Committees, recording sufficient details of matters considered and decisions reached, are kept by the Company Secretary, and are open for inspection by the Directors upon request.

For the year ended 31 December 2013, Ms. Tsang confirmed that she has taken no less than 15 hours of relevant professional training.

Shareholders

Communications with Shareholders

The Board recognizes the importance of continuing communications with the Company's shareholders (the "Shareholders") and investors, and maintains ongoing dialogues with them through various channels. The formal communication channels between the Company and the Shareholders are announcements, circulars, press releases and interim and annual reports. All Shareholders' communications are available on the Company's website. An up-to-date consolidated version of the Bye-laws is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders are encouraged to participate in annual general meetings and other general meetings of the Company which provide a useful forum for the Shareholders to exchange views with the Board. The Board members and management of the Company are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary.

Shareholders' rights

Under the Bye-laws, Shareholders holding not less than 10% of the paid-up capital of the Company at the date of deposit of written requisition to the Board or the Company Secretary, can at all times require a special general meeting to be called by the Board for addressing specific issues of the Company within 21 days from the date of deposit of such requisition to the Company's head office address in Hong Kong.

The Group recognizes Shareholders' rights in exercising control proportionate to their equity ownership. The Company has been conducting voting at the general meetings by way of poll, which is conducted and scrutinised by the Company's branch share registrar in Hong Kong. Procedures for conducting a poll are explained by the Chairman of the Board in the general meetings prior to the taking of the poll. Poll results are announced and posted on the websites of both the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders' enquiries and proposals

Shareholders may direct their enquiries about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, in person or by post. Contact details are set out in the "Information for Stakeholders" section to this annual report.

Enquiries and proposals by Shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Hong Kong head office address of the Company.

Directors' Report

The directors (the "Directors") of New Times Energy Corporation Limited (the "Company") submit herewith their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in note 21 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 15 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 51 to 55.

The Directors do not recommend the payment of any dividend in respect of the year.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 193.

Fixed Assets

Details of movements in the fixed assets of the Group during the year are set out in note 17 to the financial statements.

Convertible Notes

Details of convertible notes are set out in note 33 to the financial statements.

Warrants

On 16 July 2012, pursuant to the conditional warrant subscription agreement dated 29 May 2012 entered into between the Company and Max Sun Enterprises Limited ("Max Sun"), the substantial shareholder of the Company, a total of 100,000,000 unlisted warrants was issued by the Company to Max Sun at an issue price of HK$0.02 conferring the rights to subscribe for an aggregate of 100,000,000 shares at an exercise price of HK$1.05 per share. Such unlisted warrants shall be due on 15 July 2017. As at 31 December 2013, no warrant was exercised.

On 5 July 2013, pursuant to the subscription agreement dated 19 June 2013 and the supplemental agreement dated 27 June 2013 entered into between the Company and Asia Private Credit Fund Limited (the "Investor"), a company incorporated in the Cayman Islands with limited liability, a total of 34,370,000 unlisted warrants was issued by the Company to the Investor at nil consideration conferring the rights to subscribe for an aggregate of 34,370,000 shares at an exercise price of HK$0.66 per share. Such unlisted warrants shall be due on 4 July 2016. As at 31 December 2013, no warrant was exercised.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 34 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 41(b) to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 41(a) to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 31 December 2013, the Company had no retained profits available for cash distribution and/or distribution in specie. Pursuant to the Company Act 1981 of Bermuda (as amended), the Company's contribution surplus of approximately HK$567,611,000 is currently not available for distribution. The Company's share premium account of HK$3,361,961,000 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 100% and the largest customer accounted for approximately 54% of the Group's total turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 94% and the largest suppliers accounted for approximately 52% of the Group's total purchases for the year.

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Connected Transactions and Continuing Connected Transactions

During the year ended 31 December 2013, the Group conducted the following transactions:

Connected Transaction

1. On 10 November 2012, Total Belief Limited, a wholly owned subsidiary of the Company ("Total Belief"), entered into a memorandum of understanding with Ms. Lin Ru Xiang, pursuant to which Total Belief has granted a loan of HK$18,072,877.63 to Ms. Lin. Ms. Lin has provided the entire amount of the loan as shareholder loan to New Phoenix Global Limited, a non-wholly owned subsidiary of the Company ("New Phoenix") (the "Financial Assistance").

   On 22 January 2013, Total Belief entered into an agreement with Ms. Lin, pursuant to which Total Belief has conditionally agreed to acquire and Ms. Lin has conditionally agreed to sell 22% equity interest of New Phoenix for a total consideration of HK$13,900,000 (the "Acquisition").

   As Ms. Lin is a substantial shareholder of New Phoenix, Ms. Lin and her associates are connected persons of the Company under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Acquisition and the Financial Assistance constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Directors' Report

2. On 10 May 2013, Novastar Capital Limited, a wholly owned subsidiary of the Company ("Novastar"), and TXX Energy Corporation ("TXX") are obligated to pay US$1,815,000 and US$385,000 respectively, in proportion to their respective shareholding in ET-LA, LLC ("ET-LA") in relation to the proposed acquisition of interest in certain oil and gas assets in the United States. As the entire amount of the consideration of US$2,200,000 is to be satisfied by way of issue of 21,450,000 shares by the Company, Novastar is therefore deemed as providing financial assistance of US$385,000 to TXX. A confirmation letter has been signed by TXX in this regard to agree to repay the amount of US$385,000 to Novastar on or before 31 December 2013.

   As TXX is the substantial shareholder of ET-LA and TXX and its associates are connected persons of the Company and the said financial assistance constitutes a connected transaction under Chapter 14A of the Listing Rules.

3. On 2 October 2013, the Company and Max Sun entered into a conditional agreement, pursuant to which Max Sun conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 90,163,934 new shares at the subscription price of HK$0.61 per share.

   On the same day, the Company and Max Sun entered into the conditional sale and purchase agreement in relation to the acquisition of the entire issued share capital of Big Trade Investments Limited, pursuant to which Max Sun agreed to sell, and the Company agreed to buy, the shares at a consideration of HK$55,359,269, which shall be satisfied by way of the allotment and issue by the Company of 90,752,900 shares at HK$0.61 per share.

   Max Sun is a wholly-owned subsidiary of Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu Tung. As Dato' Dr. Cheng Yu Tung is the uncle of Mr. Cheng Kam Chiu, Stewart, an Executive Director and the Chairman, Max Sun is a connected person of the Company. Accordingly, the abovementioned transactions constitute connected transactions under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

An offer letter of tenancy (the "Offer Letter") was entered into between Jumbo Hope Group Limited ("Jumbo Hope"), a wholly owned subsidiary of the Company, and New World Tower Company Limited (the "Landlord"), a wholly-owned subsidiary of New World Development Company Limited, for the lease of an office unit at Room 1007–08, 10/F, New World Tower I, 16–18 Queen's Road Central, Hong Kong for a term of three years commencing on 12 December 2012, at a monthly rental of HK$96,915 (exclusive of air-conditioning and management charges and government rates). On 7 January 2010, Rich Result Limited, a wholly-owned subsidiary of the Company, had entered into a car park agreement with the Landlord for the lease of a car park space (the "Car Park Agreement") at a monthly fee of HK$4,000 with a commencement date on 11 January 2010, and the tenant of which was replaced by Jumbo Hope on 21 March 2013.

Dato' Dr. Cheng Yu Tung is the Emeritus Chairman of New World Development Company Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited and the sole parent of the Landlord. Mr. Cheng Kam Chiu, Stewart, the Executive Director and the Chairman, is the nephew of Dato' Dr. Cheng Yu Tung. Therefore, the Landlord is a connected person of the Company and the transactions under the Offer Letter and the Car Park Agreement constitute continuing connected transactions of the Company (the "CCT") under the Listing Rules.

The Board, including the Independent Non-executive Directors, has reviewed the CCT and confirmed that the CCT was:

(i) entered into by the Group in its ordinary and usual course of businesses;

(ii) conducted on normal commercial terms or on terms no less favourable than those available to or from independent third parties; and

(iii) entered into in accordance with the agreements governing the CCT on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board, including the Independent Non-executive Directors, also confirmed that the aggregate amount for the year ended 31 December 2013 did not exceed the annual cap amount of HK$1,500,000 for the fee paid by the Group under the Car Park Agreement and the rent and air-conditioning and management charges paid by the Group under the Tenancy Agreement as disclosed in the announcement of the Company dated 4 December 2012.

The Company's auditors were engaged to report on the CCT in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits and Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Company's auditors have issued their unqualified letter containing their findings and conclusions in respect of the CCT by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, all the transactions as set out in notes 46(a) to the financial statements fall within Rule 14A.31(2) of the Listing Rules and each constitutes a *de minimis* continuing connected transactions which were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Related Party Transactions

Save as disclosed above, the remaining related party transactions as set out in note 46 to the financial statements under the heading of "Material Related Party Transactions" did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Management Contracts

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

Directors' Report

Directors

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

Executive Directors

Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*
Mr. Wong Tai Cheung, Andrew *(Chief Financial Officer) (appointed on 2 July 2013)*
Mr. Sun Jiang-Tian *(resigned on 28 June 2013)*

Non-executive Director

Mr. Heffner, Paul Lincoln *(appointed on 18 October 2013)*

Independent Non-executive Directors

Mr. Wong Man Kong, Peter *(re-designated on 10 May 2013)*
Mr. Chan Chi Yuen
Mr. Yung Chun Fai, Dickie *(appointed on 28 March 2013)*
Mr. Chiu Wai On

Biographical details of the Directors are set out on pages 23 to 25 of this annual report.

Retirement and Re-Election of Directors

In accordance with bye-law 87(1) of the Bye-laws, Mr. Cheng Ming Kit, Mr. Wong Man Kong, Peter and Mr. Chiu Wai On shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries that is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

Director Interest in Contracts

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

Directors' Interests and Short Positions in Securities

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions of Directors' interests in shares and underlying shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of ordinary shares held	Number of share options held*	Total interests	Approximate percentage of interest held**
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	–	10,672,000	10,672,000	0.91%
Mr. Cheng Ming Kit	Beneficial owner	1,000	9,172,000	9,173,000	0.78%
Mr. Wong Tai Cheung, Andrew	Beneficial owner	–	6,172,000	6,172,000	0.53%
Mr. Heffner, Paul Lincoln	Beneficial owner	–	6,172,000	6,172,000	0.53%
Mr. Wong Man Kong, Peter	Beneficial owner	–	1,067,000	1,067,000	0.09%
Mr. Chan Chi Yuen	Beneficial owner	–	1,067,000	1,067,000	0.09%
Mr. Yung Chun Fai, Dickie	Beneficial owner	–	617,000	617,000	0.05%
Mr. Chiu Wai On	Beneficial owner	–	1,067,000	1,067,000	0.09%

* Further details of the share options are set out in the section headed "Share Option Scheme" below.

** The approximate percentage of interests held was calculated on the basis of 1,169,998,416 ordinary shares of the Company as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in the section headed "Directors' Interests and Short Positions in Securities" and "Share Option Scheme", at no time during the year was the Company or the Company's subsidiary or holding Company or a subsidiary of the Company's holding Company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

Directors' Interests in Competing Businesses

During the year, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interest in any businesses that competes with or is likely to compete with the businesses of the Group.

Directors' Remuneration and Five Individuals with Highest Emoluments

Particulars of the Directors' remuneration and five individuals with highest emoluments are set out in notes 9 and 10 to the financial statements respectively.

Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for the employees under the jurisdiction of the Hong Kong Employment Ordnance. The MPF Scheme is a defined contribution retirement plan administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

Share Option Scheme

At the annual general meeting of the Company held on 17 May 2011, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") in place of the old share option scheme adopted on 30 August 2002 (the "Old Scheme"). No further share options may be granted under the Old Scheme upon its termination and share options granted and unexercised prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Old Scheme.

The Share Option Scheme is adopted under the relevant requirements of Chapter 17 of the Listing Rules and its purpose is to provide incentives or rewards to the eligible participants thereunder for their contribution or would-be contributions to the Group and/or enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants include any Director (including Non-executive Director and Independent Non-executive Director), employee (whether full time or part time), any supplier of goods or services to the Group, any customer of the Group, any agent or consultant that provides research, development, technological support or other services to the Group, any shareholder or any member of the Group or any holder of any securities issued by the Group. The Share Option Scheme, unless otherwise terminated or amended, will remain in force for 10 years from the date of coming into effect.

The maximum number of shares in respect of which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the shares of the Company in issue as at the date of approval of the limit and such limit may be refreshed by the Company's shareholders in general meeting. In addition, the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of all share options granted and to be granted (including both exercised and outstanding options) under the Share Option Scheme to each eligible participants (other than an Independent Non-executive Director or a substantial shareholder of the Company or any of their respective associates) in any 12-month period up to and including the date of the latest grant of share options must not exceed 1% of the shares in issue at such date. Any further grant of share options under the Share Option Scheme in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Under the Share Option Scheme, any grant of share options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates are subject to approval by the Independent Non-executive Directors. In addition, any share options granted to an Independent Non-executive Director or a substantial shareholder of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted or to be granted under the Share Option Scheme (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK$5 million, such grant of share options by the Board must be approved by shareholders in general meeting of the Company.

The period within which share options may be exercised under the Share Option Scheme will be determined by the Board in its absolute discretion save that such period shall not be more than 10 years from the date of grant of the share options and that the Board may at its discretion determine the minimum period for which the share options have to be held before the exercise of the subscription right attaching thereto.

The exercise price of the share options under the Share Option Scheme is determinable by the Board in its absolute discretion, but in any event shall not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of such share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of such share options; and (iii) the nominal value of the Company's shares.

The offer of a grant of share options under the Share Option Scheme may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee.

Directors' Report

During the year, 57,246,000 share options were granted, 25,164,000 share options were exercised, 2,638,000 share options were lapsed and no share options were cancelled under the Share Option Scheme. As at 31 December 2013, share options were outstanding under the Share Option Scheme entitling the holders to subscribe for 44,064,000 shares of the Company, which represented approximately 3.77% of the shares in issue at that date. Details of share options held by the eligible participants and movements in such holdings during the year ended 31 December 2013 are as follows:

				Number of options				
Category of grantees	Date of grant	Exercise Period (both days inclusive)	Exercise Price (HK$)	Balance at beginning of the year	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Balance at the end of the year
Director								
Mr. Cheng Kam Chiu, Stewart	10.8.2012	10.8.2012–21.7.2014	1.10	4,500,000	–	–	–	4,500,000
	30.12.2013	30.12.2013–29.12.2015	0.75	–	6,172,000	–	–	6,172,000
Mr. Cheng Ming Kit	10.8.2012	10.8.2012–21.7.2014	1.10	3,000,000	–	–	–	3,000,000
	30.12.2013	30.12.2013–29.12.2015	0.75	–	6,172,000	–	–	6,172,000
Mr. Wong Tai Cheung, Andrew	30.12.2013	30.12.2013–29.12.2015	0.75	–	6,172,000	–	–	6,172,000
Mr. Heffner, Paul Lincoln	30.12.2013	30.12.2013–29.12.2015	0.75	–	6,172,000	–	–	6,172,000
Mr. Wong Man Kong, Peter	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	–	450,000
	30.12.2013	30.12.2013–29.12.2015	0.75	–	617,000	–	–	617,000
Mr. Chan Chi Yuen	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	–	450,000
	30.12.2013	30.12.2013–29.12.2015	0.75	–	617,000	–	–	617,000
Mr. Yung Chun Fai, Dickie	30.12.2013	30.12.2013–29.12.2015	0.75	–	617,000	–	–	617,000
Mr. Chiu Wai On	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	–	450,000
	30.12.2013	30.12.2013–29.12.2015	0.75	–	617,000	–	–	617,000
Employees	11.6.2012	11.6.2012–10.6.2014	1.00	2,000,000	–	–	(1,048,000)	952,000
	10.8.2012	10.8.2012–21.7.2014	1.10	690,000	–	–	(500,000)	190,000
	24.1.2013	24.1.2013–23.1.2016	0.99	–	1,290,000	–	(640,000)	650,000
Other participants	11.6.2012	11.6.2012–10.6.2014	1.00	2,000,000	–	–	–	2,000,000
	10.8.2012	10.8.2012–21.7.2014	1.10	1,080,000	–	–	(450,000)	630,000
	24.1.2013	24.1.2013–23.1.2016	0.99	–	15,800,000	(12,262,000)	–	3,538,000
	4.2.2013	4.2.2013–3.2.2015	0.99	–	10,000,000	(10,000,000)	–	–
	14.6.2013	14.6.2013–13.6.2015	0.80	–	3,000,000	(2,902,000)	–	98,000
				14,620,000	57,246,000	(25,164,000)	(2,638,000)	44,064,000

* The number and exercise price of the share options have been adjusted for presentation purpose to reflect the twenty-to-one share consolidation effective on 21 November 2011.

On 24 July 2012, the Company proposed to adjust the terms of the share options granted on 22 July 2011 under the Share Option Scheme by reducing the original exercise price from HK$2.20 to HK$1.10. Accordingly, the Company cancelled all the share options granted and granted the replacement share options to the existing share option holders with the new exercise price of HK$1.10. The above mentioned was approved in the special general meeting held on 29 August 2012.

Interests and Short Positions of Substantial Shareholders

As at 31 December 2013, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/Short position	Capacity/Nature of Interests	Number of ordinary shares beneficially held	Approximate percentage of interests held
Max Sun (Note (i))	Long position	Beneficial owner	259,647,110	22.19%
Chow Tai Fook Nominee Limited (Note (ii))	Long position	Interest in a controlled corporation	259,647,110	22.19%

Notes:

(i) The entire issued share capital of Max Sun is legally and beneficially owned by Chow Tai Fook Nominee Limited ("CTFNL").

(ii) So far as is known to the Directors, CTFNL is in turn controlled by Dato' Dr. Cheng Yu Tung. As such, CTFNL and Dato' Dr. Cheng Yu Tung are deemed to have interest in the said shares for the purpose of the SFO.

Save as disclosed above, as at 31 December 2013, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float during the year and up to the date of this annual report as required under the Listing Rules.

Directors' Report

Auditors

The financial statements for the year ended 31 December 2013 have been audited by Crowe Horwath (HK) CPA Limited who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. There was no change in auditors of the Company in any of the preceding three years.

By order of the Board
Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 31 March 2014

Independent Auditor's Report

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW TIMES ENERGY CORPORATION LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Times Energy Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 51 to 192, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

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, 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 considers 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.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2014

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Statement of Profit or Loss

For The Year Ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	4 & 15	**322,855**	129,007
Cost of sales		**(320,258)**	(132,546)
Gross profit/(loss)		**2,597**	(3,539)
Other revenue	5(a)	**9,711**	1,516
Other net income	5(b)	**28,516**	4,761
Gain on bargain purchase	43(a)	**25,188**	–
Gain on disposal of property, plant and equipment		**2,728**	3,143
Gain on disposal of intangible assets		**16,780**	6,330
Reversal of impairment loss/(impairment loss) on convertible notes receivables	27(a)	**15,456**	(15,467)
Gain on termination of sub-contracting agreement		**–**	29,034
Gain on disposal of subsidiaries	44	**18**	10,451
Selling and distribution costs		**(360)**	–
Administrative expenses		**(109,331)**	(72,249)
Other operating expenses		**(5,554)**	(17,551)
Loss from operations		**(14,251)**	(53,571)
Finance costs	6(a)	**(16,940)**	(5,067)
Share of losses of joint ventures	23	**(232)**	(1,504)
Share of post-acquisition profit/(loss) of associates	24	**–**	–
Loss before taxation	6	**(31,423)**	(60,142)
Income tax	7(a)	**(400)**	448
Loss for the year		**(31,823)**	(59,694)
Profit/(loss) for the year attributable to:			
Owners of the Company		**3,771**	(39,917)
Non-controlling interests		**(35,594)**	(19,777)
		(31,823)	(59,694)
Earnings/(loss) per share	14		
Basic		**HK0.43 cents**	HK(7.12) cents
Diluted		**HK0.43 cents**	HK(7.12) cents

The notes on pages 59 to 192 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(31,823)**	(59,694)
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:		
Exchange differences arising during the year	**(94,070)**	(45,272)
Reclassification adjustments relating to PRC subsidiaries disposed of during the year	**–**	(2,035)
Available-for-sale investments:		
Net gain arising on revaluation of available-for-sale investments during the year	**8,680**	245
Other comprehensive loss for the year, net of tax	**(85,390)**	(47,062)
Total comprehensive loss for the year, net of tax	**(117,213)**	(106,756)
Attributable to:		
Owners of the Company	**(95,475)**	(88,809)
Non-controlling interests	**(21,738)**	(17,947)
Total comprehensive loss for the year	**(117,213)**	(106,756)

The notes on pages 59 to 192 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Exploration and evaluation assets	16	**3,523,992**	3,593,059
Property, plant and equipment	17(a)	**44,246**	13,501
Lease prepayments	18	**3,384**	–
Intangible assets	19	**222,692**	4,746
Goodwill	20	**33,620**	–
Interests in associates	24	**15,225**	–
Interests in joint ventures	23	**2,681**	2,836
Deposit paid for a sub-contracting contract	25	**–**	–
Deposits paid for potential investments	22	**89,652**	61,992
Convertible notes receivables	27	**53,922**	8,759
Available-for-sale investments	26	**105,988**	40,104
Prepayments, deposits and other receivables	29	**114,597**	60,665
		4,209,999	3,785,662
CURRENT ASSETS			
Inventories	28	**2,517**	4,037
Lease prepayments	18	**146**	–
Trade and other receivables	29	**92,678**	71,196
Pledged bank deposits	30	**19,031**	–
Cash and cash equivalents	31	**87,104**	36,050
Tax recoverable	37(a)	**483**	–
		201,959	111,283
Assets held for sale	8	**–**	2,325
		201,959	113,608
CURRENT LIABILITIES			
Trade and other payables	32	**57,441**	19,354
Bank and other borrowings	34	**175,731**	40,959
Promissory notes payables	35	**47,697**	–
Convertible notes payables	33	**16,718**	–
Obligations under finance leases	36	**79**	74
Current taxation	37(a)	**358**	500
		(298,024)	(60,887)
Liabilities held for sale	8	**–**	(1,296)
		(298,024)	(62,183)
NET CURRENT (LIABILITIES)/ASSETS		**(96,065)**	51,425
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,113,934**	3,837,087
NON-CURRENT LIABILITIES			
Provisions	38	**3,373**	4,670
Bank and other borrowings	34	**15,286**	30,135
Promissory notes payables	35	**–**	5,003
Convertible notes payables	33	**79,767**	–
Obligation under finance lease	36	**261**	340
Deferred tax liabilities	37(c)	**64,348**	734
		(163,035)	(40,882)
NET ASSETS		**3,950,899**	3,796,205

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	41(b)	**584,999**	338,208
Share premium and reserves		**3,400,747**	3,501,139
		3,985,746	3,839,347
NON-CONTROLLING INTERESTS		**(34,847)**	(43,142)
TOTAL EQUITY		**3,950,899**	3,796,205

Approved and authorised for issue by the board of directors on 31 March 2014.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 59 to 192 form part of these financial statements.

Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	**3,598,610**	3,540,052
Convertible notes receivables	27	**5,548**	–
		3,604,158	3,540,052
CURRENT ASSETS			
Prepayments, deposits and other receivables	29	**810,347**	365,984
Cash and cash equivalents	31	**77,712**	610
		888,059	366,594
CURRENT LIABILITIES			
Other payables	32	**20,933**	24,180
Bank and other borrowings	34	**118,827**	–
Promissory notes payables	35	**47,697**	–
Convertible notes payable	33	**16,718**	–
Current taxation	37(a)	**–**	6
		(204,175)	(24,186)
NET CURRENT ASSETS		**683,884**	342,408
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,288,042**	3,882,460
NON-CURRENT LIABILITIES			
Bank and other borrowings	34	**15,286**	30,135
Promissory notes payables	35	**–**	5,003
Convertible notes payables	33	**79,767**	–
		(95,053)	(35,138)
NET ASSETS		**4,192,989**	3,847,322
EQUITY	41(a)		
Equity attributable to owners of the Company			
Share capital		**584,999**	338,208
Share premium and reserves		**3,607,990**	3,509,114
TOTAL EQUITY		**4,192,989**	3,847,322

Approved and authorised for issue by the board of directors on 31 March 2014.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 59 to 192 form part of these financial statements.

Consolidated Statement of Changes In Equity

For The Year Ended 31 December 2013

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Warrants reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total share premium and reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	227,231	3,150,568	11,162	9,585	–	2,810	(1,754)	687	444,747	(87,410)	3,530,395	3,757,626	(46,903)	3,710,723
Loss for the year	–	–	–	–	–	–	–	–	–	(39,917)	(39,917)	(39,917)	(19,777)	(59,694)
Other comprehensive loss														
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:														
Exchange differences arising during the year	–	–	–	–	–	(47,102)	–	–	–	–	(47,102)	(47,102)	1,830	(45,272)
Reclassification adjustments relating to PRC subsidiaries disposed of during the year	–	–	–	–	–	(2,035)	–	–	–	–	(2,035)	(2,035)	–	(2,035)
Available-for-sale investments:														
Net gain arising on revaluation of available-for-sale investments during the year	–	–	–	–	–	–	245	–	–	–	245	245	–	245
Total comprehensive loss for the year	–	–	–	–	–	(49,137)	245	–	–	(39,917)	(88,809)	(88,809)	(17,947)	(106,756)
Transactions with owners														
Issue of warrants (note 41(c)(viii))	–	–	–	–	1,801	–	–	–	–	–	1,801	1,801	–	1,801
Equity-settled share-based payments	–	–	3,502	–	–	–	–	–	–	–	3,502	3,502	–	3,502
Shares issued under placements, net of issuing costs (note 41(b)(iii))	96,977	39,602	–	–	–	–	–	–	–	–	39,602	136,579	–	136,579
Capital contribution received by a non-wholly owned subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	9,998	9,998
Shares issued under share options scheme (note 41(b)(iv))	14,000	16,521	(2,521)	–	–	–	–	–	–	–	14,000	28,000	–	28,000
Settlement of convertible notes (note 33(b))	–	–	–	–	–	–	–	(687)	–	687	–	–	–	–
Lapse of share options granted under share option scheme	–	–	(7,090)	–	–	–	–	–	–	7,090	–	–	–	–
Decrease in non-controlling interests arising from disposal of subsidiaries (note 44(b))	–	–	–	–	–	–	–	–	–	–	–	–	10,919	10,919
Decrease in non-controlling interests arising on acquisition of additional interests in non-wholly owned subsidiaries (note 21(c))	–	–	–	6	–	–	–	–	–	–	6	6	(6)	–
Others	–	–	–	–	–	642	–	–	–	–	642	642	797	1,439
Total transactions with owners	110,977	56,123	(6,109)	6	1,801	642	–	(687)	–	7,777	59,553	170,530	21,708	192,238
At 31 December 2012	338,208	3,206,691	5,053	9,591	1,801	(45,685)	(1,509)	–	444,747	(119,550)	3,501,139	3,839,347	(43,142)	3,796,205
At 1 January 2013	338,208	3,206,691	5,053	9,591	1,801	(45,685)	(1,509)	–	444,747	(119,550)	3,501,139	3,839,347	(43,142)	3,796,205
Profit/(loss) for the year	–	–	–	–	–	–	–	–	–	3,771	3,771	3,771	(35,594)	(31,823)
Other comprehensive loss														
Exchange differences on translation of financial statements of overseas and PRC subsidiaries:														
Exchange differences arising during the year	–	–	–	–	–	(107,926)	–	–	–	–	(107,926)	(107,926)	13,856	(94,070)
Available-for-sale investments:														
Net gain arising on revaluation of available-for-sale investments during the year	–	–	–	–	–	–	8,680	–	–	–	8,680	8,680	–	8,680
Total comprehensive loss for the year	–	–	–	–	–	(107,926)	8,680	–	–	3,771	(95,475)	(95,475)	(21,738)	(117,213)
Transactions with owners														
Equity-settled share-based payments	–	–	10,597	–	–	–	–	–	–	–	10,597	10,597	–	10,597
Shares issued under placements, net of issuing costs (note 41(b)(iii))	35,500	27,270	–	–	–	–	–	–	–	–	27,270	62,770	–	62,770
Subscription of new shares (note 41(b)(vii))	62,267	12,667	–	–	–	–	–	–	–	–	12,667	74,934	–	74,934
Shares issued upon conversion of convertible notes (note 41(b)(ii))	80,341	84,663	–	–	–	–	–	–	–	–	84,663	165,004	–	165,004
Shares issued under share options scheme (note 41(b)(iv))	12,582	16,660	(4,881)	–	–	–	–	–	–	–	11,779	24,361	–	24,361
Share issued under acquisition of subsidiaries (note 43(b))	45,376	9,076	–	–	–	–	–	–	–	–	9,076	54,452	–	54,452
Issue of consideration shares (note 41(b)(vi))	10,725	4,934	–	–	–	–	–	–	–	–	4,934	15,659	–	15,659
Lapse of share options granted under share option scheme	–	–	(657)	–	–	–	–	–	–	657	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	–	–	(490)	(490)
Acquisition of subsidiaries (note 43(a)(i))	–	–	–	–	–	–	–	–	–	–	–	–	25,842	25,842
Decrease in non-controlling interest arising on acquisition of additional interests in non-wholly owned subsidiaries (note 45)	–	–	–	–	–	–	–	–	–	(165,903)	(165,903)	(165,903)	4,681	(161,222)
Total transactions with owners	246,791	155,270	5,059	–	–	–	–	–	–	(165,246)	(4,917)	241,874	30,033	271,907
At 31 December 2013	584,999	3,361,961	10,112	9,591	1,801	(153,611)	7,171	–	444,747	(281,025)	3,400,747	3,985,746	(34,847)	3,950,899

The notes on pages 59 to 192 form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(31,423)**	(60,142)
Adjustments for:			
Amortisation of intangible assets	19	**1,081**	2,464
Amortisation of lease prepayments	6(c)	**6**	–
Depreciation	17(a)	**1,518**	2,217
Foreign exchange loss/(gain)		**17,630**	(5,412)
Gain on bargain purchase	43(a)	**(25,188)**	–
Interest expenses	6(a)	**16,940**	5,067
Interest income	5(a)	**(5,740)**	(512)
Impairment loss on property, plant and equipment	17(a)	**–**	1,094
Impairment loss on assets held for sale	8	**–**	12,194
(Reversal of impairment loss)/ impairment loss on convertible notes receivables	27(a)	**(15,456)**	15,467
Impairment loss on available-for-sale investments	26	**2,646**	1,579
Deemed loss on dilution of interest in available-for-sale investments	26	**25**	252
Impairment loss on trade and other receivables	6(c)	**2,590**	–
Gain on disposal of subsidiaries	44	**(18)**	(10,451)
Gain on termination of sub-contracting contract		**–**	(29,034)
Net fair value (gain)/loss on financial derivative instruments	5(b)	**(1,234)**	31
Loss on disposal of property, plant and equipment	6(c)	**–**	2,429
Gain on disposal of property, plant and equipment		**(2,728)**	(3,143)
Gain on disposal of intangible assets		**(16,780)**	(6,330)
Reversal of impairment loss on prepayments	5(b)	**–**	(3,199)
Reversal of impairment loss on other receivables	5(b)	**–**	(1,600)
Share of loss of joint ventures	23	**232**	1,504
Share-based payment expenses		**10,597**	3,502
		(45,302)	(72,023)
Changes in working capital:			
Decrease/(increase) in inventories		**1,592**	(1,901)
Decrease/(increase) in trade and other receivables		**3,107**	(42,641)
Decrease in trade and other payables		**(43,261)**	(22,541)
Increase in provision		**–**	2,761
CASH USED IN OPERATIONS		**(83,864)**	(136,345)
Interest paid		**(4,621)**	(5,064)
Interest received		**1,349**	222
Income tax paid			
— Hong Kong		**(75)**	(2)
— PRC		**(3)**	(32)
— Argentina		**(958)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(88,172)**	(141,221)

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Payment for the purchase of property, plant and equipment	17(a)	**(3,016)**	(14,665)
Payment for the purchase of exploration and evaluation assets	16	**(2,488)**	(4,871)
Payment for the purchase of intangible assets	19	**(1,961)**	(388)
Proceeds from disposal of property, plant and equipment		**–**	12,273
Payment of deposit for potential investment	22	**(48,536)**	(56,992)
Net cash outflows from acquisition of subsidiaries	43	**(36,436)**	–
Net cash inflows from disposal of subsidiaries	44	**18**	191
Net cash outflow from interests in associates	24	**–**	–
Net cash outflow from interest in joint ventures	23	**(78)**	–
Proceeds from termination of sub-contracting contract	25	**–**	122,800
Convertible notes receivables acquired	27	**(44,623)**	–
Proceeds from conversion of convertible notes		**148,104**	–
Repayment from a non-controlling shareholder		**–**	1,134
Payment of purchase of available-for-sale investments		**–**	(377)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**10,984**	59,105
FINANCING ACTIVITIES			
Proceeds from bank and other borrowings		**159,977**	27,663
Repayment of bank and other borrowings		**(56,626)**	(116,103)
Repayment of promissory note	35	**(3,500)**	–
Capital element of finance lease rentals paid		**(74)**	(5)
Interest element of finance lease rentals paid		**(25)**	(2)
Payment for conversion of convertible notes	33	**(165,003)**	–
Issue of convertible notes	33(a)(iv)	**50,000**	–
Issue of new shares, net of transaction costs		**162,065**	164,579
Issue of warrants, net of transaction costs	41(c)(viii)	**–**	1,801
Increase in pledged deposits		**(19,031)**	–
Capital contributions received by a wholly-owned subsidiary from non-controlling interest		**736**	9,998
Redemption of convertible notes	33	**–**	(10,716)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**128,519**	77,215
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**51,331**	(4,901)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**36,050**	41,030
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(277)**	(79)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	31	**87,104**	36,050

The notes on pages 59 to 192 form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2013

1. Background Information

New Times Energy Corporation Limited ("the Company") is a limited liability company incorporated in Bermuda and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1007-8, 10/F., New World Tower 1, 16-18 Queen's Road Central, Hong Kong respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in: (i) trading of oil products; (ii) exploration of natural resources; (iii) oil exploration and production; and (iv) distribution of natural gas.

2. Significant Accounting Policies

(a) Statement of compliance

These 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 ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Going concern basis

For the year ended 31 December 2013, the Group incurred a net loss of HK$31,823,000. As at 31 December 2013, the Group had net current liabilities of HK$96,065,000 (2012: net current assets of HK$51,425,000). The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due.

In the opinion of the directors of the Company, the Group should be able to continue as a going concern taking into consideration various measures to improve its financial position which include, but are not limited to, the following:

(i) The continuing financial support from its substantial shareholder;

(ii) The Group has received confirmation from major lenders to further extend the other borrowings upon request by the Company;

(iii) The Group will discuss with its banker and other lenders for the renewal of banking facilities and other borrowings upon their maturities;

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(b) Going concern basis *(Continued)*

(iv) The Company is considering raising funds from existing and potential investors for any proposed financing arrangement; and

(v) The directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

In light of the measures described above, the directors are confident that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are carried at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale investments (see note 2(h)); and

— derivative financial instruments (see note 2(i)).

Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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 amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2. Significant Accounting Policies *(Continued)*

(c) Basis of preparation of the financial statements *(Continued)*

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 50.

(d) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(d) Subsidiaries and non-controlling interest *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less any impairment losses (see note 2(p)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ad)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(p)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

2. Significant Accounting Policies *(Continued)*

(e) Associates and joint ventures *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interests is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see note 2(p)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ad)).

(f) Business combinations

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

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

— a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Taxes*;

— assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

— liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(f) Business combinations *(Continued)*

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

2. Significant Accounting Policies *(Continued)*

(f) Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(aa)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried in the statement of financial position at amortised cost less impairment losses (see note 2(p)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the investment revaluation reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instruments and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(p)(i)). Dividend income from equity securities is recognised in profit or loss in accordance with the policy set out in note 2(aa)(iv).

When the investments are derecognized or impaired, the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(j) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are carried at cost less any accumulated impairment losses (see note 2(p)(iii)).

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

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

(k) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are carried in the statement of financial position at cost less any accumulated depreciation and any impairment losses (see note 2(p)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	25%
Infrastructure	20%
Machinery	33%
Furniture, fixtures and office equipment	20%–33%
Motor vehicles	20%–33%

Depreciation of oil production assets is calculated on unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

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

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

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(l) Oil exploration assets

Oil exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, it is transferred to production or intangible assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil exploration assets represent aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved reserves.

(m) Lease prepayments

Lease prepayments represent cost of land use rights paid to the governmental authorities of the People's Republic of China (the "PRC"). Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 2(p)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(n) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(o) Leased assets

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.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(o) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(k). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(p)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(p) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are carried at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment 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. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

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

— For investment in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(p)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(p)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

— For available-for-sale securities which are stated at fair value, when a decline in the fair value has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. 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.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and other receivables (Continued)

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.

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 circumstance are recognised in profit or loss.

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— lease prepayments;

— goodwill;

— investments in associates and joint ventures;

— investments in subsidiaries in the Company's statement of financial position; and

— deposits and prepayment.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Impairment of exploration and evaluation assets

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

— the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

— substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(p) Impairment of assets *(Continued)*

(iii) Impairment of exploration and evaluation assets (Continued)

— exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

— sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

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

(iv) Impairment of proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(v) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 2(p)(i), (ii), (iii) and (iv)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2. Significant Accounting Policies *(Continued)*

(q) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(r) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts (see note 2(p)(i)).

(s) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible notes reserve until either the note is converted or redeemed.

If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is released directly to retained profits.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(s) Convertible notes *(Continued)*

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 2(i)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(i). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interests and fees payables, using the effective interest method.

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with 2(z)(i), trade and other payables are subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. Significant Accounting Policies *(Continued)*

(w) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

(ii) Termination benefits

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

(x) Share-based payments

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share-based compensation reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model or Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(ii) Share options granted to consultants

Share options granted to consultants in exchange for services are measured at the fair values of the services received, unless that the fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding adjustment to the share-based compensation reserve, when the counterparties render services, unless the services qualify for recognition as assets.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(y) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provide those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted on substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. Significant Accounting Policies *(Continued)*

(y) Income tax *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

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

(z) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(z) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(z)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(z)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(z)(iii).

(iii) Other provisions and contingent liabilities

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

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant Accounting Policies *(Continued)*

(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided 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 in profit or loss as follows:

(i) Sale of goods (other than sale of oil products under oil exploration and production)

Revenue is recognised upon delivery of products which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

(ii) Sale of oil products under oil exploration and production

Revenue is recognised when crude oil is picked up by the customers which is taken to be the point in time when the customer has accepted the crude oil and the related risks and rewards of ownership.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(ab) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(ab) Translation of foreign currencies *(Continued)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On 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 a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(ac) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Significant Accounting Policies *(Continued)*

(ad) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ae) Related parties

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

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

(ii) has significant influence over the Group; or

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

Notes to the Financial Statements

For The Year Ended 31 December 2013

2. Significant Accounting Policies *(Continued)*

(ae) Related parties *(Continued)*

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

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

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

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

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

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

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

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

(af) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker, i.e. the board of directors of the Company, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Financial Statements

For The Year Ended 31 December 2013

3. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	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
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

The Group has not applied any new HKFRS that is not yet effective for the current accounting period.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

Amendments to HKAS 1 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 consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2013

3. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

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 11 Joint Arrangements

HKFRS 11, which replaces HKAS 31, Interests in Joint Ventures , divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

Notes to the Financial Statements

For The Year Ended 31 December 2013

3. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 21, 23 and 24.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 42. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

HKAS 19 Employee Benefits (as revised in 2011)

HKAS 19 (as revised in 2011) introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The application of this revised standard does not have any material impact on the financial position and the financial results of the Group because the Group has no defined benefits plans.

HK (IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK (IFRIC) Int-20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. The adoption of HK (IFRIC)-Int 20 does not have any material impact on the financial position and the financial results of the Group as the Group does not engage in such activities.

Notes to the Financial Statements

For The Year Ended 31 December 2013

4. Turnover

The principal activities of the Group are (i) trading of oil products; (ii) exploration of natural resources; (iii) oil exploration and production and (iv) distribution of natural gas.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013 HK$'000	2012 HK$'000
Sale of oil products	318,410	121,406
Sale of non-ferrous metals	–	2,686
Sale of oil products under oil exploration and production	3,360	4,915
Sale of natural gas	1,085	–
	322,855	129,007

5. Other Revenue and Net Income

	2013 HK$'000	2012 HK$'000
(a) Other revenue		
Bank interest income	626	42
Other interest income	723	180
Effective interest income on convertible notes receivables	4,391	290
Total interest income on financial assets not at fair value through profit or loss	5,740	512
Dividend income	3,500	–
Sundry income	471	1,004
	9,711	1,516
(b) Other net income/(loss)		
Net loss on sale of crude oil under trial production	(146)	(7)
Net fair value gain/(loss) on derivative financial instruments	1,234	(31)
Net gain on disposal of scrap equipments	99	–
Reversal of impairment loss on prepayment	–	3,199
Reversal of impairment loss on other receivables (note 29(b))	–	1,600
Exchange gain	27,329	–
	28,516	4,761

Notes to the Financial Statements

For The Year Ended 31 December 2013

6. Loss Before Taxation

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

		2013 HK$'000	2012 HK$'000
(a)	**Finance costs**		
	Interest on bank and other borrowings wholly repayable within five years	**4,621**	5,062
	Finance charge on obligations under finance lease	**25**	2
	Effective interest expenses on convertible notes payables (note 33)	**8,027**	–
	Effective interest expenses on promissory notes payables (note 35)	**4,267**	3
	Total interest expenses on financial liabilities not at fair value through profit or loss	**16,940**	5,067
(b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and benefits in kind	**22,356**	15,201
	Contributions to defined contribution retirement plans	**1,749**	1,353
	Equity-settled share-based payment expenses	**3,809**	834
		27,914	17,388
(c)	**Other items**		
	Auditor's remuneration	**2,075**	1,875
	Amortisation of intangible assets (note 19)	**1,081**	2,464
	Amortisation of lease prepayments	**6**	–
	Consultancy fees (note (ii))	**20,628**	8,239
	Cost of inventories (note (i) and note 28(b))	**320,258**	132,546
	Depreciation for property, plant and equipment (note 17(a))	**1,518**	2,217
	Impairment loss on trade and other receivables (note 29)	**2,590**	–
	Impairment loss on property, plant and equipment (note 17(a))	**–**	1,094
	Impairment loss on assets held for sale	**–**	12,194
	(Reversal of impairment loss)/impairment loss on convertible notes receivables (note 27(a))	**(15,456)**	15,467
	Impairment loss on available-for-sale investments (note 26)	**2,646**	1,579
	Deemed loss on dilution of interests in available-for-sale investments (note 26)	**25**	252
	Loss on disposal of property, plant and equipment	**–**	2,429
	Minimum lease payments under operating leases on leasehold land and buildings	**2,996**	1,810
	Net foreign exchange (gain)/loss	**(27,329)**	862

Notes:

(i) Cost of inventories includes HK$430,000 (2012: HK$637,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

(ii) Consultancy fees include HK$6,788,000 (2012: HK$2,668,000) equity-settled share-based payment expenses on options granted to the consultants during the year.

Notes to the Financial Statements

For The Year Ended 31 December 2013

7. Income Tax in the Consolidated Statement of Profit or Loss

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 HK$'000	2012 HK$'000
Current tax		
Hong Kong Profits Tax	**400**	42
PRC Enterprise Income Tax ("EIT")	**–**	–
	400	42
Under/(over)provision in respect of prior years		
Hong Kong Profits Tax	**(9)**	(208)
PRC EIT	**(3)**	–
United States Federal Tax	**12**	–
	–	(208)
Deferred tax		
Argentina Corporate Income Tax	**–**	(282)
Total	**400**	(448)

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands ("BVI"), the Company and its subsidiaries incorporated in Bermuda and BVI are not subject to any income tax in the Bermuda and the BVI during the year (2012: HK$Nil).

Provision for Hong Kong Profits Tax for 2013 is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012/13 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

Subsidiaries of the Group in PRC are subject to PRC Enterprise Income tax at 25% (2012: 25%). Provision for Foreign Enterprise Income Tax in the PRC has been calculated based on total operating expenses of the PRC representative office of the Company in accordance with the provisions of the Circular Guo Shui Fa [2010] No.18 "Provisional Regulations on Tax Administration for Representative Office of Foreign Enterprises" issued on February 2010.

Notes to the Financial Statements

For The Year Ended 31 December 2013

7. Income Tax in the Consolidated Statement of Profit or Loss *(Continued)*

(a) Income tax in the consolidated statement of profit or loss represents: *(Continued)*

Subsidiaries of the Group in Argentina are subject to Argentina Corporate Income Tax ("CIT") at 35% and minimum presumed income tax ("MPIT"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of subsidiaries of the Group in Argentina are the higher of CIT and MPIT.

Subsidiaries of the Group in Texas and Louisiana, United States ("US") are subject to Texas franchise tax equal to 1% of the taxable margin (which approximates gross profits), subject to a threshold of gross receipts of US$1,080,000 (2012:US$1,030,000). The subsidiaries are not subject to federal or Louisiana income taxes and no provision is required to be made in the financial statements.

Subsidiaries of the Group in Utah, United States are not subject to federal tax. As the subsidiaries has no income during the year, the income taxes paid will be limited to US$100 which is the minimum fee to be charged regardless of income.

(b) Reconciliation between tax expense/(credit) and accounting loss at the applicable tax rates:

	2013 HK$'000	2012 HK$'000
Loss before taxation	**(31,423)**	(60,142)
Notional tax on loss before taxation, calculated at the tax rates applicable to losses in the tax jurisdictions concerned	**(13,183)**	(4,128)
Tax effect of non-taxable income	**(5,081)**	(23,863)
Tax effect of non-deductible expenses	**8,340**	15,658
Tax effect of utilisation of tax losses	**–**	(3,096)
Tax effect of tax losses not recognised	**10,320**	15,177
Tax effect of deductible temporary differences not recognised	**4**	12
Over-provision in prior years	**–**	(208)
Actual tax expense/(credit)	**400**	(448)

8. Asset and Liabilities Held for Sale

On 24 July 2012, ET-LA, LLC ("ET-LA") and ET-LA(2), LLC ("ET-LA(2)"), of which 82.5% equity interests are beneficially owned by the Company, through Novastar Capital Limited, had entered into a purchase agreement with an independent third party in relation to the disposal of certain oil and gas interests within the oil exploration and production reportable segment with an aggregate carrying value of approximately US$2,078,000 (equivalent to approximately HK$16,105,000). However, the buyer failed to comply with the payment terms and conditions as stated in the agreement and the agreement was then terminated.

Subsequent on 16 January 2013, EL-LA and ET-LA(2), had entered into another sale and purchase agreement with BCM Energy Partners Inc. ("BCM"), an independent third party, in respect of the disposal of oil and gas interests with carrying value of approximately US$2,078,000 (equivalents to approximately HK$16,105,000) at a total consideration is US$2,800,000 (equivalent to approximately HK$21,700,000). The agreement was terminated on 29 April 2013.

Further on 1 June 2013, ET-LA and ET-LA(2) had entered into another purchase agreement with an independent third party to dispose the above oil and gas properties.

At 31 December 2012, the assets and liabilities held for sale are as follows:

	2012 HK$'000
Property, plant and equipment	807
Intangible assets	1,518
Assets held for sale	2,325
Provisions	(550)
Deferred tax liabilities (note 37(c))	(746)
Liabilities held for sale	(1,296)

During the year ended 31 December 2012, impairment losses of approximately HK$12,194,000 on the remeasurement of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell have been included in "other operating expenses" in the consolidated statement of profit or loss.

Cumulative income or expenses included in other comprehensive income

There are no cumulative income or expenses recognised in other comprehensive income relating to these assets and liabilities held for sale.

Notes to the Financial Statements

For The Year Ended 31 December 2013

9. Directors' Emoluments

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2013						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (note a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	–	960	80	15	1,055	610	1,665
Executive directors							
Mr. Cheng Ming Kit (note b)	–	1,801	150	15	1,966	610	2,576
Mr. Wong Tai Cheung, Andrew (note c)	–	720	–	8	728	610	1,338
Mr. Sun Jiang Tian (note d)	–	454	63	–	517	604	1,121
Non-executive director							
Mr. Heffner, Paul Lincoln (note e)	21	–	–	–	21	611	632
Independent non-executive directors							
Mr. Chan Chi Yuen	100	–	–	–	100	61	161
Mr. Chiu Wai On	100	–	–	–	100	61	161
Mr. Yung Chun Fai, Dickie (note f)	76	–	–	–	76	61	137
Mr. Fung Siu To, Clement (note g)	25	–	–	–	25	–	25
Mr. Wong Man Kong, Peter (note h)	100	–	–	–	100	61	161
	422	3,935	293	38	4,688	3,289	7,977

Notes to the Financial Statements

For The Year Ended 31 December 2013

9. Directors' Emoluments *(Continued)*

	Year ended 31 December 2012						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (note a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	–	817	–	12	829	–	829
Executive directors							
Mr. Cheng Ming Kit (note b)	–	1,759	–	14	1,773	–	1,773
Mr. Sun Jiang Tian (note d)	–	742	–	–	742	–	742
Non-executive director							
Mr. Wong Man Kong, Peter (note h)	100	–	–	–	100	–	100
Independent non-executive directors							
Mr. Chan Chi Yuen	100	–	–	–	100	–	100
Mr. Fung Chi Kin (note i)	38	–	–	–	38	–	38
Mr. Chiu Wai On	100	–	–	–	100	–	100
Mr. Fung Siu To, Clement (note g)	100	–	–	–	100	–	100
	438	3,318	–	26	3,782	–	3,782

Notes:

(a) These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 17 May 2011. The value of these share options is measured according to the Group's accounting policies for share-based payment as set out in note 2(x).

(b) Mr. Cheng Ming Kit is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(c) Appointed on 2 July 2013.

(d) Resigned on 28 June 2013.

(e) Appointed on 18 October 2013.

(f) Appointed on 28 March 2013.

(g) Resigned on 28 March 2013.

(h) Mr. Wong Man Kong, Peter, has been re-designated from a non-executive director to an independent non-executive director with effect from 10 May 2013.

(i) Resigned on 18 May 2012.

9. Directors' Emoluments *(Continued)*

The details of the share options are disclosed under the paragraph "Share Option Scheme" in the report of the directors and note 39.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2013 and 2012.

10. Individuals With Highest Emoluments

Of the five individuals with the highest emoluments in the Group, four (2012: three) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining one (2012: two) individual were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**1,501**	1,378
Equity-settled share-based payment	**–**	290
Contribution to retirement benefit schemes	**–**	24
	1,501	1,692

Analysis of the emoluments of the remaining one (2012: two) individuals with the highest emoluments by the number of individuals and remuneration range is as follows:

	Number of individuals	
	2013	2012
Band		
Nil–HK$1,000,000	**–**	2
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**1**	–

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2013 and 2012.

Notes to the Financial Statements

For The Year Ended 31 December 2013

11. Other Comprehensive Income/(loss)

Tax effects relating to each components of other comprehensive income/(loss)

	2013			2012		
	Before-tax amount HK$'000	**Tax (expense)/ benefit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax (expense)/ benefit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas and PRC subsidiaries						
— Exchange differences arising during the year	**(94,070)**	**–**	**(94,070)**	(45,272)	–	(45,272)
— Reclassification adjustments relating to PRC subsidiaries disposed of during the year	**–**	**–**	**–**	(2,035)	–	(2,035)
	(94,070)	**–**	**(94,070)**	(47,307)	–	(47,307)
Net gain arising on revaluation of available-for-sale investments during the year	**8,680**	**–**	**8,680**	245	–	245
	(85,390)	**–**	**(85,390)**	(47,062)	–	(47,062)

12. Profit/(loss) Attributable to Owners of the Company

The consolidated profit/(loss) attributable to owners of the Company includes a loss of HK$62,110,000 (2012: HK$56,570,000) which has been dealt with in the financial statements of the Company.

13. Dividends

The directors do not recommend the payment of any dividends in respect of the year ended 31 December 2013 (2012: Nil).

Notes to the Financial Statements

For The Year Ended 31 December 2013

14. Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$3,771,000 (2012: loss of HK$39,917,000) and the weighted average number of 879,771,000 ordinary shares (2012: 560,497,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013 **'000**	2012 '000
Weighted average number of ordinary shares at 31 December	**879,771**	560,497

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the current year is based on the profit attributable to owners of the Company of HK$3,771,000 and the weighted average number of ordinary shares of 880,955,000 ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2013 **'000**	2012 '000
Weighted average number of ordinary shares at 31 December	**879,771**	560,497
Effect of exercise of warrants	**1,184**	–
Weighted average number of ordinary shares (diluted) at 31 December	**880,955**	560,497

For the year ended 31 December 2012, diluted loss per share was the same as the basic loss per share as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

The computation of diluted earnings per share (2012: loss per share) did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of shares.

Diluted earnings per share (2012: loss per share) do not include the effect of the convertible notes since their assumed exercise would result in an increase in earnings per share (2012: decrease in loss per share).

Notes to the Financial Statements

For The Year Ended 31 December 2013

15. Segment Information

The Group manages its businesses by divisions which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker, i.e. the board of directors of the Company, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

The Group used to have three reportable segments. In 2013, the Group has introduced a new segment, distribution of natural gas, as a result of expansion of business operations and of the acquisition of subsidiaries (note 43(b) and (c)). Details of the Group's four reportable segments as follows:

General trading	This segment includes trading of oil products and non-ferrous metal. Currently, the Group's general trading activities are carried out in Hong Kong and PRC.
Exploration of natural resources	This segment is engaged in the exploration of crude oil in Argentina and US. The activities carried out in Argentina and US are through non-wholly-owned subsidiaries.
Oil exploration and production	This segment represents the business of oil exploration and production in US.
Distribution of natural gas	This segment is engaged in the sales of natural gas and the transmission of natural gas in PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the board of directors monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in joint ventures, interests in associates, unallocated convertible notes receivables, deposits paid for potential investments, available-for-sale investments and other corporate assets. Segment liabilities include provisions, trade and other payables, current taxation and deferred tax liabilities attributable to the activities of the individual segments and bank and other borrowings managed directly by the segments.

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

15. Segment Information *(Continued)*

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

Segment profit/(loss) represents the profit earned/loss resulted by each segment without allocation of central administration costs including directors' emoluments, share of loss of joint ventures, share of losses of associates, unallocated interest income, unallocated interest expenses, impairment loss on available-for-sale investments, fair value gain/(loss) on derivative financial instruments, unallocated operating income and income tax expenses. This is the measure reported to the board of directors for the purpose of resources allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2(af).

Information regarding the Group's reportable segments as provided to the Group's board of directors for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

	General trading		Exploration of natural resources		Oil exploration and production		Distribution of natural gas		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue (note)	**318,410**	124,092	**–**	–	**3,360**	4,915	**1,085**	–	**322,855**	129,007
Reportable segment profit/(loss)	**765**	34,476	**10,339**	(18,154)	**50,379**	(31,687)	**(17,304)**	–	**44,179**	(15,365)
Depreciation and amortisation	**4**	511	**205**	200	**161**	3,496	**2,203**	–	**2,573**	4,207
Interest income	**4**	4	**–**	1	**3,801**	193	**620**	–	**4,425**	198
Interest expenses	**790**	2,271	**–**	–	**70**	203	**708**	–	**1,568**	2,474
Income tax credit	**–**	–	**–**	282	**–**	–	**–**	–	**–**	282
Impairment loss of										
— property, plant and equipment	**–**	–	**–**	–	**–**	1,094	**18**	–	**18**	1,094
— assets held for sale	**–**	–	**–**	–	**–**	12,194	**–**	–	**–**	12,194
— trade and other receivable	**–**	–	**31**	–	**–**	–	**2,559**	–	**2,590**	–
Reportable segment assets	**6,096**	4,954	**3,582,000**	3,664,213	**221,527**	24,188	**265,181**	–	**4,074,804**	3,693,355
Additions to non-current segment assets during the year	**–**	–	**2,808**	4,871	**157,602**	19,811	**105,523**	–	**265,933**	24,682
Reportable segment liabilities	**(358)**	(576)	**(7,208)**	(8,721)	**(58,049)**	(13,473)	**(96,317)**	–	**(161,932)**	(22,770)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year. (2012: HK$Nil).

Notes to the Financial Statements

For The Year Ended 31 December 2013

15. Segment Information *(Continued)*

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

	Year ended 31 December	
	2013 HK$'000	2012 HK$'000
Revenue		
Reportable segment revenue	**322,855**	129,007
Unallocated revenue	**–**	–
Consolidated turnover	**322,855**	129,007
Profit/(loss)		
Reportable segment profit/(loss)	**44,179**	(15,365)
Depreciation and amortisation	**(32)**	(474)
Unallocated interest income	**1,315**	314
Unallocated interest expenses	**(15,372)**	(2,593)
Impairment loss on available-for-sale investments	**(2,646)**	(1,579)
Deemed loss on dilution of interests in available-for-sale investments	**(25)**	(252)
Unallocated operating income	**3,849**	3,199
Unallocated operating expenses	**(66,225)**	(41,857)
Share of post-tax loss of joint ventures	**(232)**	(1,504)
Share of post-tax loss of associates	**–**	–
Net fair value gain/(loss) on derivative financial instruments	**3,766**	(31)
Consolidated loss before taxation	**(31,423)**	(60,142)
Assets		
Reportable segment assets	**4,074,804**	3,693,355
Interests in joint ventures	**2,681**	2,836
Interests in associates	**15,225**	–
Convertible notes receivables	**5,548**	8,759
Deposits paid for potential investments	**89,652**	61,992
Available-for-sale investments	**105,988**	40,104
Unallocated corporate assets		
— Cash and cash equivalents	**78,175**	33,599
— Other receivables	**39,841**	58,202
— Others	**44**	423
Consolidated total assets	**4,411,958**	3,899,270
Liabilities		
Reportable segment liabilities	**(161,932)**	(22,770)
Convertible notes payables	**(96,485)**	–
Promissory notes payables	**(47,697)**	(5,003)
Obligation under finance lease	**(340)**	(414)
Unallocated corporate liabilities		
— Other borrowing	**(144,374)**	(68,543)
— Current taxation	**–**	(48)
— Others	**(10,231)**	(6,287)
Consolidated total liabilities	**(461,059)**	(103,065)

15. Segment Information *(Continued)*

(c) Geographical information

The Group's operations are located in Hong Kong (place of domicile), PRC, Argentina and US.

The following is an analysis of the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than convertible notes receivables and available-for-sale investments ("Specified non-current assets"). The geographical location of customers refers to the location at which the goods delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of lease prepayments, property, plant and equipment and exploration and evaluation assets; and (ii) the location of the operation to which they are allocated in the case of intangible assets, goodwill and prepayments and deposits. In the case of interests in joint ventures and associates, it is based on the location of the operation of such joint ventures and associates.

	Revenue from external customers		**Specified non-current assets**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong (place of domicile)	**–**	–	**448**	424
PRC	**319,495**	124,092	**215,700**	26,992
Argentina	**–**	–	**3,660,587**	3,689,300
United States	**3,360**	4,915	**170,751**	17,247
Australia	**–**	–	**2,603**	2,836
	322,855	129,007	**4,050,089**	3,736,799

(d) Information about major customers

Revenue from sales of goods to customers contributing 10% or more of the Group are as follows:

	2013 HK$'000	2012 HK$'000
Largest customer	**175,785**	121,407
Second largest customer	**142,625**	–

All revenue disclosed above are related to the "General trading" reportable segment.

(e) Information about products and services

The Group's revenues from external customers for each principle type products were set out in note 4.

Notes to the Financial Statements

For The Year Ended 31 December 2013

16. Exploration and Evaluation Assets

The Group

	Exploration rights HK$'000	Exploratory drilling HK$'000	Geological studies HK$'000	Oil exploration assets HK$'000 (note (e))	Others HK$'000	Total HK$'000
Cost						
At 1 January 2012	3,237,915	81,127	306,685	5,107	43,648	3,674,482
Additions	–	1,265	2,702	–	904	4,871
Transfer to property, plant and equipment (note 17)	–	–	–	(5,093)	–	(5,093)
Effect of foreign currency exchange differences	(1,929)	(14,494)	(34,168)	(14)	(1,488)	(52,093)
At 31 December 2012	3,235,986	67,898	275,219	–	43,064	3,622,167
At 1 January 2013	**3,235,986**	**67,898**	**275,219**	**–**	**43,064**	**3,622,167**
Additions	**1,281**	**360**	**847**	**–**	**–**	**2,488**
Effect of foreign currency exchange differences	**(3,848)**	**(11,329)**	**(60,498)**	**–**	**(3,040)**	**(78,715)**
At 31 December 2013	**3,233,419**	**56,929**	**215,568**	**–**	**40,024**	**3,545,940**
Accumulated impairment						
At 1 January 2012	–	34,550	–	–	–	34,550
Effect of foreign currency exchange differences	–	(5,442)	–	–	–	(5,442)
At 31 December 2012	–	29,108	–	–	–	29,108
At 1 January 2013	**–**	**29,108**	**–**	**–**	**–**	**29,108**
Effect of foreign currency exchange differences	**–**	**(7,160)**	**–**	**–**	**–**	**(7,160)**
At 31 December 2013	**–**	**21,948**	**–**	**–**	**–**	**21,948**
Carrying amount						
At 31 December 2013	**3,233,419**	**34,981**	**215,568**	**–**	**40,024**	**3,523,992**
At 31 December 2012	3,235,986	38,790	275,219	–	43,064	3,593,059

16. Exploration and Evaluation Assets *(Continued)*

(a) On 29 December 2006, JHP International Petroleum Engineering Limited ("JHP") and Maxipetrol — Petroleros de Occidente S.A. (formerly known as "Oxipetrol — Petroleros de Occidente S.A.") ("Maxipetrol") (collectively the "Consortium") were granted the Tartagal Concession and the Morillo Concession under the Provincial Government Decree N° 3391/2006 and Decree N° 3388/2006 respectively. The Tartagal Concession and Morillo Concession (collectively the "Concessions") are the concessions in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 and 3,518 square kilometers respectively. Exploration permits and potential exploitation permits were granted for oil and developments of hydrocarbons in the Concessions areas. The exploration permits granted are valid for an initial period of four years starting from 29 December 2006 and additional extensions up to an aggregate of nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit.

On 9 March 2009, High Luck Group Limited ("High Luck") and the Consortium executed an Union of Temporary Enterprise ("UTE") agreement pursuant to which the interest and title in the Concessions of the exploration permits and potential exploitation permits shall be taken up by an UTE. Under the agreement, Maxipetrol agreed for JHP to distribute its 60% interest in the Concessions to High Luck. After the distribution, High Luck, JHP and Maxipetrol held 60%, 10% and 30% interest in the UTE and the Concessions respectively and each of them shall bear the costs and share the benefits derived from the Concessions and the UTE according to their respective interests. High Luck is mainly responsible for the provision of funding for investments and expenses incurred during the exploration stage, and any cash generated in the Concessions will first be applied to repay the funding provided by High Luck.

In April 2009, the UTE namely Maxipetrol Petroleros de Occidente — UTE was registered in the Public Register of Commerce and High Luck becomes one of the members of the UTE.

In April 2013, upon completion of the acquisition of 100% equity interest of Power Jet Group Limited, the Group increased its interest in the Concessions from 60% to 69.25%. Details of the acquisition of additional interests was set out in note 45(b).

The UTE is managed by an Executive Committee ("Committee"), which composes of ten committee members. High Luck is entitled to appoint up to six members in the Committee. High Luck also acts as the UTE's representative which will carry out the duties with regard to all legal acts, contracts and other operations for the purpose of the UTE and pursuant to Section 379 of Law 19,550 on Business Companies.

(b) As mentioned in note (a), the exploration permits granted are valid for an initial period of four years starting from 29 December 2006 (i.e. expired on 29 December 2010). On 22 April 2010, the Group submitted an application to the Secretary of Energy of Province of Salta, Argentina for an extension of the exploration permits. The application was approved on 2 July 2010 and the initial exploration permits to the Concessions were extended to 29 February 2012. On 18 July 2011, a further extension was granted and the exploration permits were extended to 28 February 2014. Further on 12 December 2013, a further extension was granted and the exploration permits were extended to 13 March 2016.

Notes to the Financial Statements

For The Year Ended 31 December 2013

16. Exploration and Evaluation Assets *(Continued)*

(c) For the years ended at 31 December 2013 and 2012, according to the accounting policy set out in note 2(p)(iii), the management of the Group determines that there is no other facts or circumstances suggesting that the carrying amount of the exploration and evaluation assets may not be recoverable. As a result, no impairment of exploration and evaluation assets is recognised for both years.

(d) Pursuant to the agreements for the acquisition of the Concessions, if within 3 years subsequent to the completion on 4 May 2009, the Company having obtained a technical report in a form and substance reasonably acceptable to the Company prepared and issued by a firm of independent technical consultants to be appointed by the Company and agreed by the vendors, Mr. Wong Cheung Yiu ("Mr. Wong") and Mr. Chan Koon Wa ("Mr. Chan"), showing, and the Company being satisfied, that the aggregate proven reserves (as defined in the Petroleum Resources Management System (PRMS)) in the Concessions are not less than 100 million tons of oil, the Company shall forthwith arrange to issue an contingent announcement on the website of the Stock Exchange and within 90 days after the publication of the contingent announcement, at the choice of the Company after consultation with the vendors, either (i) pay to the vendors a sum of HK$780,000,000 as to HK$259,740,000 to Mr. Chan and as to HK$520,260,000 to Mr. Wong; or (ii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the vendors in aggregate HK$780,000,000 by the allotment and issue of new shares of the Company (the "Shares") at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheets for the 10 business days immediately preceding the date of the contingent announcement in the same proportion as stated in (i) above, or (iii) in the event of the Company having obtained the necessary legal and regulatory approvals, pay to the vendors in aggregate HK$780,000,000 in the same proportion as stated in (i) above by a combination of cash and allotment and issue of new Shares at the price equivalent to the average closing price of the Shares as stated in the Stock Exchange daily quotations sheets for the 10 business days immediately preceding the date of the contingent announcement in any proportion at the absolute discretion of the Company.

The above terms and conditions expired on 3 May 2012. During the year ended 31 December 2012, consistent with the classification as at the date of acquisition, the estimated reserves were classified as prospective resources by reference to an updated technical report prepared by an international independent technical advisor. Having considered the technical report and the fact that the Concessions were still at the exploration stage, the directors of the Company did not expect that the proven reserves in the areas will exceed 100 million tons of oil at the date of expiry, no additional consideration of HK$780,000,000 were paid to the vendors.

(e) Oil exploration assets arose from (i) acquisition of a non-wholly owned subsidiary, ET-LA and (ii) the subsidiary, ET-LA(2) established during the year ended 31 December 2011 in the United States.

17. Property, Plant and Equipment

(a) The Group

	Leasehold improvements HK$'000	Infrastructure HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Oil production assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2012	388	4,068	687	1,312	3,705	12,173	3,164	25,497
Additions	1,336	146	–	621	1,601	11,417	–	15,121
Derecognised on disposal arising from termination of sub-contracting agreement	–	(4,259)	(694)	–	–	–	(3,198)	(8,151)
Transfer from exploration and evaluation assets (note 16)	–	–	–	–	–	5,093	–	5,093
Derecognised on reclassification as held-for-sale	–	–	–	–	–	(7,899)	–	(7,899)
Disposals	–	–	–	(225)	–	(9,298)	–	(9,523)
Derecognised on disposals of subsidiaries (note 44(b))	–	–	–	(113)	(682)	–	–	(795)
Effect of foreign currency exchange differences	2	45	7	(72)	(129)	95	34	(18)
At 31 December 2012	1,726	–	–	1,523	4,495	11,581	–	19,325
At 1 January 2013	**1,726**	**–**	**–**	**1,523**	**4,495**	**11,581**	**–**	**19,325**
Additions	**27**	**–**	**–**	**286**	**1,022**	**1,269**	**412**	**3,016**
Acquired through business combination (note 43)	**–**	**–**	**9,582**	**175**	**155**	**–**	**20,564**	**30,476**
Disposals	**–**	**–**	**(596)**	**–**	**(62)**	**(2,448)**	**(570)**	**(3,676)**
Effect of foreign currency exchange differences	**45**	**–**	**39**	**(130)**	**(117)**	**4**	**83**	**(76)**
At 31 December 2013	**1,798**	**–**	**9,025**	**1,854**	**5,493**	**10,406**	**20,489**	**49,065**
Accumulated depreciation and impairment								
At 1 January 2012	191	225	135	564	2,649	3,173	–	6,937
Charge for the year	142	279	77	218	471	1,030	–	2,217
Impairment loss as recognised in profit or loss (note c)	–	–	–	–	–	1,094	–	1,094
Eliminated on disposal of assets	–	–	–	(69)	–	(334)	–	(403)
Eliminated on disposal arising from termination of sub-contracting contract	–	(506)	(274)	–	–	–	–	(780)
Eliminated on reclassification as held-for-sale	–	–	–	–	–	(2,861)	–	(2,861)
Eliminated on disposal of subsidiary (note 44(b))	–	–	–	(83)	(333)	–	–	(416)
Effect of foreign currency exchange differences	(1)	2	62	(90)	(55)	118	–	36
At 31 December 2012	332	–	–	540	2,732	2,220	–	5,824
At 1 January 2013	**332**	**–**	**–**	**540**	**2,732**	**2,220**	**–**	**5,824**
Charge for the year	**374**	**–**	**109**	**279**	**595**	**161**	**–**	**1,518**
Eliminated on disposals of assets	**–**	**–**	**–**	**–**	**–**	**(2,381)**	**–**	**(2,381)**
Effect of foreign currency exchange differences	**6**	**–**	**3**	**(64)**	**(87)**	**–**	**–**	**(142)**
At 31 December 2013	**712**	**–**	**112**	**755**	**3,240**	**–**	**–**	**4,819**
Carrying amount								
At 31 December 2013	**1,086**	**–**	**8,913**	**1,099**	**2,253**	**10,406**	**20,489**	**44,246**
At 31 December 2012	1,394	–	–	983	1,763	9,361	–	13,501

Notes to the Financial Statements

For The Year Ended 31 December 2013

17. Property, Plant and Equipment *(Continued)*

(b) The Group leases certain furniture, fixtures and office equipment under finance leases. At the end of the lease term, the Group has the option to purchase the leased assets at prices deemed to be a bargain purchase option. None of the leases includes contingent rentals.

At the end of the reporting period, the carrying amount of motor vehicle held under finance leases of the Group was HK$322,000 (2012: HK$406,000).

(c) During the year ended 31 December 2012, the Group carried out a review of the recoverable amount of the oil production assets. These assets are used in the Group's oil exploration and production reportable segment. The review led to the recognition of an impairment loss of HK$1,094,000, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use. The discount rate used in measuring value in use was 10% per annum.

The impairment losses have been included in "Other operating expenses" in the consolidated statement of profit or loss.

(d) Oil production assets with a carrying value of approximately HK$Nil (2012: HK$228,000) were pledged to a bank for the banking facilities granted to the Group (see note 34(d)).

18. Lease Prepayments

	The Group	
	2013	2012
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Land in PRC		
Medium-term lease	**3,530**	–
Analysed for reporting purposes as:		
Current assets	**146**	–
Non-current assets	**3,384**	–
	3,530	–

Lease prepayments represented prepayments of land use rights premiums to the PRC authorities. The Group's leasehold land is located in the PRC.

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements

For The Year Ended 31 December 2013

19. Intangible Asset

The Group

	Rights in oil production sharing contract HK$'000 (note (a))	Oil exploration rights HK$'000 (note (b))	Operation rights HK$'000 (note (c))	Total HK$'000
Cost				
At 1 January 2012	4,680	24,917	–	29,597
Additions	–	388	–	388
Disposals	(4,680)	(8,121)	–	(12,801)
Derecognised on reclassification as held-for-sale	–	(10,065)	–	(10,065)
Effect of foreign currency exchange differences	–	(60)	–	(60)
At 31 December 2012	–	7,059	–	7,059
At 1 January 2013	**–**	**7,059**	**–**	**7,059**
Additions	**–**	**1,961**	**–**	**1,961**
Acquired through business combination (note 43)	**–**	**154,372**	**67,072**	**221,444**
Disposals	**–**	**(6,694)**	**–**	**(6,694)**
Effect of foreign currency exchange differences	**–**	**3**	**–**	**3**
At 31 December 2013	**–**	**156,701**	**67,072**	**223,773**
Accumulated amortisation and impairment				
At 1 January 2012	–	976	–	976
Charge for the year	–	2,464	–	2,464
Disposals	–	(377)	–	(377)
Eliminated on reclassification as held-for-sale	–	(584)	–	(584)
Effect of foreign currency exchange differences	–	(166)	–	(166)
At 31 December 2012	–	2,313	–	2,313
At 1 January 2013	**–**	**2,313**	**–**	**2,313**
Charge for the year	**–**	**–**	**1,081**	**1,081**
Eliminated on disposals of assets	**–**	**(2,310)**	**–**	**(2,310)**
Exchange adjustments	**–**	**(3)**	**–**	**(3)**
At 31 December 2013	**–**	**–**	**1,081**	**1,081**
Carrying amounts				
At 31 December 2013	**–**	**156,701**	**65,991**	**222,692**
At 31 December 2012	–	4,746	–	4,746

Notes to the Financial Statements

For The Year Ended 31 December 2013

19. Intangible Asset *(Continued)*

Notes:

(a) It represented the rights in oil production sharing contract to share in production revenue derived from oil and gas properties located in Uintah County, Utah, United States.

On 27 January 2012, the Group had entered into an agreement with an independent third party in relation to the transfer of the interests in oil production sharing contract. For details of the transfer, please refer to note 27(b)(i).

(b) Oil exploration rights have finite useful lives and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over the remaining useful lives at the dates of acquisition ranging from 4 to 50 years (2012: 4 to 50 years).

(c) It represents the rights to operate natural gas service stations and to distribute natural gas in various locations in the PRC. Operation rights have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over their remaining useful lives ranging for 30 to 50 years for natural gas distribution services.

(d) Amortisation charge for the year is included under "Administrative expenses" in the consolidated statement of profit or loss.

(e) Intangible assets with a carrying amount of HK$Nil (2012: HK$4,358,000) were pledged to a bank for the banking facilities granted to the Group (see note 34(d)).

20. Goodwill

The Group

	2013 HK$'000	2012 HK$'000
Cost:		
At 1 January	**–**	–
Arising on acquisition of subsidiaries during the year (note 43)	**33,620**	–
At 31 December	**33,620**	–
Accumulated impairment losses:		
At 1 January	**–**	–
Impairment loss	**–**	–
At 31 December	**–**	–
Carrying amount	**33,620**	–

20. Goodwill *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

— Guizhou Kunyu Trading Company Limited ("Guizhou Kunyu")

— Guizhou Shunyao Energy Investment Limited ("Guizhou Shunyao")

The carrying amount of goodwill allocated to the Group's cash-generating unit are as follows:

	The Group	
	Guizhou Kunyu HK$'000	Guizhou Shunyao HK$'000
Distribution of natural gas	**31,110**	**2,510**

The recoverable amount of the above cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	Guizhou Kunyu	Guizhou Shunyao
— Gross margin	**15.3%**	**19.8%**
— Growth rate	**3%**	**5%**
— Discount rate	**23.32%**	**28.16%**

Management determined the budgeted gross margin based on its expectations for market development. The weighted average growth rates used are based on industry growth forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

The recoverable amount of the CGU based on value-in-use calculations for Guizhou Kunyn and Guizhou Shunyao were RMB73,200,000 (equivalent to approximately HK$91,381,000) and RMB30,100,000 (equivalent to approximately HK$37,576,000) respectively.

In the opinion of the directors of the Company, no impairment is required for the year ended 31 December 2013.

Notes to the Financial Statements
For The Year Ended 31 December 2013

21. Investments In Subsidiaries

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**2,395,092**	2,395,092
Amount due from subsidiaries (note (a))	**1,279,489**	1,220,931
	3,674,581	3,616,023
Less: Impairment losses	**(75,971)**	(75,971)
	3,598,610	3,540,052

Notes:

(a) The amounts were unsecured, interest free and will not be demanded for repayment. In the opinion of directors, they form part of the investment cost in subsidiaries.

(b) During the year ended 31 December 2013, the Group further acquired 17.5% ownership interests in ET-LA and ET-LA(2) respectively. Upon which, ET-LA and ET-LA(2) became wholly-owned subsidiaries of the Group. Further details are set out in note 45(c).

During the year ended 31 December 2012, the Group further acquired 2.5% ownership interests in ET-LA and ET-LA(2) respectively, increasing its effective interests to 82.5%. An amount of approximately HK$6,000 has been transferred from non-controlling interests.

(c) On 25 March 2013, the Group further acquired 22% ownership interests in New Phoenix Global Limited ("New Phoenix"), increasing its interests from 51% to 73%. Further details are set out in note 45(a).

(d) On 11 April 2013, the Group further acquired 9.25% ownership interests in the Concessions, increasing its interests from 60% to 69.25%. Further details are set out in note 45(b).

(e) Details of the Company's subsidiaries as at 31 December 2013 are as follows:

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Total Belief Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
深圳市源協貿易有限公司 ("Shenzhen Yuanxie") *	PRC	Registered capital US$1,000,000	100%	–	100%	Investment holding
Jumbo Hope Group Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Cheer Profit Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding

21. Investments In Subsidiaries *(Continued)*

(e) Details of the Company's subsidiaries as at 31 December 2013 are as follows: *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
High Luck Group Limited ***	BVI/ Hong Kong and Argentina	100 ordinary shares of US$1	100%	–	100%	Investment holding
Maxipetrol Petroleros de Occidente — UTE ***	Argentina	N/A	69.25%	–	69.25%	Exploration of oil and hydrocarbon
ET-LA, LLC ***	Untied States	US$500	100%	–	100%	Locating, evaluating, acquiring and developing oil and gas properties
ET-LA (2), LLC ***	Untied States	US$1,000	100%	–	100%	Locating, evaluating, acquiring and developing oil and gas properties
United Resources Trading Limited	BVI/Hong Kong	100 ordinary shares of US$1	51%	–	51%	Trading of oil products
Jade Honest Limited	BVI/Hong Kong	2,700 ordinary shares of US$1	100%	100%	–	Dormant
Bright Rise Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Happy Light Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Peak Victory International Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Techno Wealth Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Grand Rich Trading Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	100%	Investment holding
Prominent Sino Holdings Limited	BVI/United States	100 ordinary shares of US$1	100%	–	100%	Investment holding
Novastar Capital Limited	BVI/Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
Value Train Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1	100%	–	100%	Investment holding
High Luck Holding (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
Rich Result Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding

Notes to the Financial Statements

For The Year Ended 31 December 2013

21. Investments In Subsidiaries *(Continued)*

(e) Details of the Company's subsidiaries as at 31 December 2013 are as follows: *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
United Oil & Resources Trading Limited	Hong Kong	100 ordinary shares of HK$1	100%	–	100%	Dormant
NTE-Utah, LLC ***	United States	US$500	100%	–	100%	Investment holding
Tiger Energy Operating LLC ***	United States	Nil	100%	–	100%	Developing oil and gas properties
Clear Elite Holdings Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Shine Great Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Times Gas (Hong Kong) Limited	Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
New Phoenix Global Limited	BVI/Hong Kong	200 ordinary shares at US$1 each	73%	–	73%	Investment holding
First Alpha Holdings Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding
Ever Billion Developments Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Celestial Glory Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding
Ace Diamond Trading Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Absolute Champ Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding
Skyla Investments Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
LA E&P, LLC ***	United States	Nil	100%	–	100%	Not yet commenced business
深圳中港新時代能源有限公司*	PRC	Registered capital of HK$100,000,000	100%	–	100%	Inactive
淮安新時代能源有限公司*	PRC	Registered capital of US$2,000,000	100%	–	100%	Investment holding

Notes to the Financial Statements

For The Year Ended 31 December 2013

21. Investments In Subsidiaries *(Continued)*

(e) Details of the Company's subsidiaries as at 31 December 2013 are as follows: *(Continued)*

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
徐州新時代能源有限公司 *	PRC	Registered capital of US$10,000,000	100%	–	100%	Not yet commenced business
徐州銅北新時代能源有限公司 *	PRC	Registered capital of US$4,000,000	100%	–	100%	Not yet commenced business
深圳全港新時代能源有限公司 *	PRC	Registered capital of RMB500,000	100%	–	100%	Not yet commenced business
貴州坤煜經貿有限公司**	PRC	Registered capital of RMB20,000,000	100%	–	100%	Distribution of natural gas
貴州舜堯能源投資有限公司**	PRC	Registered capital of RMB20,000,000	100%	–	100%	Distribution of natural gas
Boardwalk Global Limited	BVI/Hong Kong	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Sino Matrix Holdings Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Not yet commenced business
Golden Giants Limited	BVI/Hong Kong	1 ordinary share at US$1 each	100%	–	100%	Investment holding
Tiger Energy Partners International LLC **	United States	Nil	75%	–	75%	Developing oil and gas properties
Power Jet Group Limited	BVI/Argentina	1 ordinary share of US$1 each	100%	–	100%	Inactive
Big Trade Investments Limited	BVI/Hong Kong	1 ordinary share at US$1 each	100%	–	100%	Investment holding
TXX Energy Corporation**	United States	US$500	100%	–	100%	Investment holding
TXX Operating LLC**	United States	Nil	100%	–	100%	Inactive

* Registered under the laws of the PRC as a wholly-foreign-owned enterprise ("WFOE").

** Private limited liability company.

*** Companies not audited by Crowe Horwath (HK) CPA Limited.

Notes to the Financial Statements

For The Year Ended 31 December 2013

21. Investments In Subsidiaries *(Continued)*

The following table lists out the information relating to the Group's subsidiary which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Maxipetrol Petroleros de Occidente — UTE	
	2013	2012
	HK$'000	HK$'000
NCI percentage	**30.75%**	40%
Current assets	**48,299**	63,943
Non-current assets	**220,432**	289,499
Current liabilities	**(448,517)**	(444,891)
Non-current liabilities	**–**	–
Net liabilities	**(179,786)**	(91,449)
Carrying amount of NCI	**(74,513)**	(36,580)
Revenue	**–**	(309)
Loss for the year	**(129,736)**	(64,968)
Total comprehensive loss	**(88,337)**	(56,363)
Loss allocated to NCI	**(41,328)**	(25,987)
Cash flows from operating activities	**37,798**	23,669
Cash flows from investing activities	**(37,798)**	(23,669)
Cash flow from financing activities	**–**	–

22. Deposit Paid for Potential Investments

	The Group	
	2013	2012
	HK$'000	HK$'000
At 31 December	**89,652**	61,992

22. Deposit Paid for Potential Investments *(Continued)*

The balances represented deposits paid by the Group in relation to certain possible acquisitions. Details were as follows:

(a) On 25 February 2012, Total Belief Limited ("Total Belief"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Principal Petroleum Limited, an independent third party, in relation to the purchase of interests in the rights to explore and exploit solid, liquid and gaseous hydrocarbons in certain hydrocarbons areas in the provinces of Salta, Jujuy and Formosa in Argentina (the "Interests").

On 15 May 2012, Total Belief had entered into an acquisition agreement with Principle Petroleum Limited in relation to the acquisition of the entire issued capital of New Choice Group Limited ("New Choice") and Glory Brightness Limited ("Glory Brightness ") at a consideration of HK$116,000,000. Further on 31 July 2012, the companies had entered into a supplemental agreement in relation to the proposed acquisition. Pursuant to the supplemental agreement, Total Belief had conditionally agreed to directly acquire the Interests as opposed to acquire the Interests through the acquisition of the entire issued capital of New Choice and Glory Brightness. The period for the fulfillment of the conditions under the supplemental agreement will be extended to 31 December 2012.

Further on 24 December 2012, the parties had entered into a second supplemental agreement, and upon which the total consideration for the acquisition will be reduced from HK$116,000,000 to HK$35,000,000. The revised consideration has been determined after arm's length negotiations among parties, having taking into account the draft valuation reports prepared by an independent valuer indicating the aggregate value of the Interests to be acquired. The period for the fulfillment of the conditions under the second supplemental agreement will be extended from 31 December 2012 to 30 June 2013.

Further on 28 June 2013 and 31 December 2013, the parties entered into third and fourth supplemental agreements respectively whereby the period for the fulfillment of the conditions will be further extended to 30 June 2014.

During the year ended 31 December 2012, deposits of HK$25,000,000 were paid in cash by the Group and promissory note in the principal amount of HK$5,000,000 (note 35) at a rate of 3% per annum was issued by the Group to Principle Petroleum Limited as deposit payment of the consideration.

(b) On 22 December 2011, High Luck Holding (Hong Kong) Limited ("High Luck HK"), a wholly-owned subsidiary of the Company, had entered into a letter of intent (the "LOI") with Ms. Li LianFang ("Ms. Li"), an independent third party, in relation to the possible acquisition of the entire equity interest in Power Jet Group Limited ("Power Jet") which holds 9.25% interests in the Concessions (i.e. Upon completion of this proposed acquisition, the Group will hold 69.25% of the Concessions).

Notes to the Financial Statements

For The Year Ended 31 December 2013

22. Deposit Paid for Potential Investments *(Continued)*

(b) (Continued)

Pursuant to the terms of the LOI, Ms. Li agreed to negotiate exclusively with High Luck HK for a period of 9 months immediately after the signing of the LOI for the acquisition. Immediately after signing of the LOI, a refundable deposit of HK$5,000,000 shall be payable by High Luck HK to Ms. Li in cash. In the event that a legally binding sale and purchase agreement has not been entered into within 9 months from the date of the LOI and the exclusivity period of the LOI has not been extended, the LOI will terminate automatically and Ms. Li shall forthwith return the deposit to High Luck HK. The Group had paid a deposit of HK$5,000,000 in January 2012. Further on 21 September 2012, High Luck HK had entered into an extended LOI to extend the exclusivity period under the LOI to continue the negotiation for a period of six months up to and inclusive of 21 March 2013.

On 6 February 2013, the Company, High Luck HK, Ms. Li and Power Jet entered into the acquisition agreement to acquire the entire equity interest of Power Jet at a consideration of HK$150,000,000. The consideration shall be satisfied by: (i) cash consideration of HK$15,000,000; (ii) issuance of convertible notes in an aggregate principle amount of HK$105,000,000 by the Company and (iii) issuance of promissory notes in an aggregate amount of HK$30,000,000 by the Company.

The acquisition was completed on 11 April 2013. Cash consideration of HK$15,000,000 was paid and the convertible notes in the principal amount of HK$105,000,000 (note 33(a)(iii)) and promissory notes in the principal amount of HK$30,000,000 have been issued to Ms. Li as consideration.

As at 31 December 2012, a refundable deposit of HK$5,000,000 in cash was paid by the Group in relation to the proposed acquisition.

(c) During the year ended 31 December 2012, the Group had entered into two acquisition agreements to acquire legal and contractual interests, rights and benefits in various projects which mainly involved in natural gas refilling in refilling station and natural gas utilization projects in the PRC. Details of the acquisition were as follows:

(i) On 12 November 2012, 深圳中港新時代能源有限公司 ("深圳中港"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with three independent third parties to acquire 100% equity interests in Guizhou Kunyu at the consideration of RMB80,000,000 (equivalent to approximately HK$99,200,000), Guizhou Kunyu will hold legal and contractual interests, rights and benefits in various projects which mainly involved in natural gas refilling in refilling station and natural gas utilisation projects in the PRC. Further on 22 October 2013, the parties entered into a supplemental agreement and the consideration be reduced to RMB65,100,000 (equivalent to approximately HK$81,607,000) (note 43(a)(ii)).

The acquisition was completed on 31 October 2013. Cash of RMB37,100,000 (equivalent to approximately HK$46,887,000) was paid and convertible bonds in the principal amount of RMB28,000,000 (equivalent to approximately HK$34,720,000) have been issued as full settlement of the consideration (note 33(a)(v)).

As at 31 December 2012, refundable deposit of RMB10,000,000 (equivalent to approximately HK$12,280,000) was paid in cash by the Group in relation to the proposed acquisition.

Notes to the Financial Statements

For The Year Ended 31 December 2013

22. Deposit Paid for Potential Investments *(Continued)*

(c) (Continued)

(ii) On 1 December 2012, 深圳中港 entered into another acquisition agreement with four independent third parties to acquire 100% equity interests in Guizhou Shunyao at the consideration of RMB35,000,000 (equivalent to approximately HK$43,565,000). Guizhou Shunyao will hold interests, rights and benefits in various projects which mainly involved in natural gas refilling in refilling station and natural gas utilisation projects in PRC. Further on 22 November 2013, the parties entered into a supplemental agreement and the consideration be reduced to RMB26,920,000 (equivalent to approximately HK$33,760,000) (note 43(a)(iii)).

The acquisition was completed on 3 December 2013. Cash of RMB13,000,000 (equivalent to approximately HK$16,433,000) was paid and convertible bonds in the principal amount of HK$17,327,000 have been issued as full settlement of the consideration (note 33(a)(vi)).

As at 31 December 2012, refundable deposit of RMB7,000,000 (equivalent to approximately HK$8,596,000) was paid in cash by the Group in relation to the proposed acquisition.

On 5 March 2013, the Group had entered into two supplemental agreements in relation to the above acquisitions, pursuant to which 淮安新時代能源有限公司, an indirect wholly-owned subsidiary of the Company, shall replace 深圳中港 in the acquisitions, with all terms and conditions remained unchanged under the acquisition agreements.

(d) On 24 December 2012, Total Belief had entered into a memorandum of understanding in relation to a possible acquisition of 10% of the issued share capital in Rich Joint Group Limited ("Rich Joint"), a company incorporated in British Virgin Islands. The principal activity of Rich Joint and its subsidiaries is exploitation of old oil and gas wells in the PRC. The exclusivity period is of three months commencing the date of the memorandum of understanding for the parties to enter into a formal agreement. On 29 January 2013, the parties had entered into an addendum and to extend the time for negotiation relating to purchase on or before 31 March 2013 ("Exclusivity Period"). Further on 25 March 2013, Total Belief and the vendor entered into a supplemental memorandum of understanding whereas the Exclusivity Period was amended and extended for a further three months to 23 June 2013. The parties were still under negotiation for the terms of the agreement and the Exclusivity Period.

As at 31 December 2013, the Group had paid RMB10,000,000 (equivalent to approximately HK$12,323,000) (2012: RMB5,000,000 (equivalent to approximately HK$6,116,000)) to the vendor as refundable earnest money which shall be fully refunded to Total Belief within 14 days after the expiration of the Exclusivity Period in the event that the parties are unable to enter into a formal agreement. The parties were still under negotiation to the terms of the agreement and no refund was made.

Notes to the Financial Statements
For The Year Ended 31 December 2013

22. Deposit Paid for Potential Investments *(Continued)*

(e) On 19 November 2013, High Luck Group Limited, a wholly owned subsidiary of the Company, has accepted an offer from Pluspetrol Sociedacl Anonima ("Pluspetrol") in relation to the purchases of a 38.15% participating interests in Palmar Largo UTE. The participating interests consist of (i) rights and obligations of Pluspetrol in Palmar Largo UTE and (ii) interest in the production equipment and facilities required to perform and execute the exploration work. The principal activity of Palmar Largo UTE is engaged in the exploration, development and exploitation of hydrocarbons in Argentina. The total consideration is approximately AR$101,044,000 (equivalent to approximately HK$100,750,000) and will be payable in cash.

As at 31 December 2013, a total of approximately HK$47,329,000 was paid in cash by the Group as deposit payment of the consideration.

The acquisition was completed subsequent to the end of the reporting period on 26 February 2014.

As the acquisition was completed shortly before the approval of these financial statements, there is insufficient financial information available to the Group to quantify the impact of such investment to these financial statements.

23. Interests In Joint Ventures

	The Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	**2,681**	2,836

Details of the Group's interests in the joint ventures are as follows:

				Proportion of ownership interest			
Name of joint venture	**Form of entity**	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Smart Win International Limited ("Smart Win") (note)	Incorporated	BVI/Hong Kong	200 ordinary shares of US$1 each	50%	–	50%	Investment holding
Union Grace Management Limited	Incorporated	BVI/Hong Kong	20,000 ordinary shares of US$1 each	50%	–	50%	Investment holding
Union Grace (Overseas) Management Limited	Incorporated	Hong Kong/ Hong Kong	1 ordinary share of HK$1 each	50%	–	50%	Not yet commenced business

23. Interests In Joint Ventures *(Continued)*

Aggregate information of joint ventures that are not individually material:

	2013 HK$'000	2012 HK$'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**2,681**	2,836
Aggregate amounts of the Group's share of those joint ventures:		
Loss for the year	**(232)**	(1,504)
Other comprehensive income	**–**	–
Total comprehensive loss	**(232)**	(1,504)

Note:

Pursuant to the legally binding memorandum of understanding ("Memorandum") entered into between Smart Win, Empire Energy International Corporation ("Empire Energy"), Great South Land Minerals Limited ("GSLM") and Mr. Malcom Bendall, a major shareholder and president of Empire Energy, dated 17 July 2008, Smart Win agreed to grant Empire Energy a loan of AUD5,000,000 in return for an option to enter into a joint venture agreement with GSLM for the exploration and development of oil and gas resources within special exploration license 13/98 located in Tasmania, Australia. During the year 2008, Smart Win advanced approximately AUD3,886,000 to Empire Energy.

In year 2009, due to failure of adhesion to the budget jointly authorised by Smart Win and Empire Energy as agreed in the Memorandum, Smart Win refused to further advance the remaining loan to Empire Energy pursuant to the Memorandum.

On 9 September 2010, Smart Win commenced a legal proceeding against Empire Energy and Mr. Malcolm Bendall (together "the Defendants"), to the Supreme Court of State of New York ("the Court") to recover the loan principle of AUD3,886,000 advanced to Empire Energy during the year 2008, plus interest, penalties and attorney's fee.

On 17 November 2010, the Defendants submitted an answer, affirmative defense and counterclaim to the Court to defend the complaint by Smart Win and counterclaim for damages alleged to be in excess of US$3,000,000,000 together with attorneys' fees. The counterclaim was based on Smart Win's breach of contract, breach of convenant of good faith and fair dealing and breach of fiduciary duty by suspending the remaining loan of approximately AUD1,114,000.

Smart Win filed a motion for summary judgment seeking an order of the Court granting the above sought relief and dismissing Defendants' counterclaims on 18 March 2011. By order dated August 24, 2011, as confirmed by the legal representative of Smart Win, the Court held that the case should not proceed until further substantive information was available.

According to the legal opinion letter obtained from Stewart Occhipinti LLP, the legal advisor of Smart Win on 14 March 2014, Smart Win will re-file a summary judgment motion on its claims within a period of 45 days from 25 April 2014. Also, in the opinion of the legal advisor of Smart Win, there is no basis for liability against Smart Win as the damages sought by the Defendants are purely speculative. The management of the Company are of the opinion that the counterclaim to Smart Win should be remote.

Notes to the Financial Statements

For The Year Ended 31 December 2013

24. Interests In Associates

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**15,225**	–
Share of post-acquisition profit/(loss)	**–**	–
	15,225	–

a) During the year ended 31 December 2013

On 14 June 2013, the Company had entered into an agreement with 中石油昆侖天燃氣有限公司* to set up 六盤水中石油昆侖燃氣有限公司 ("六盤水中石油") and 六盤水中石油 had became an associate of the Group. The principal activities of 六盤水中石油 was distribution of natural gas.

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
六盤水中石油*	PRC	Registered capital RMB30,000,000	40%	–	40%	Distribution of natural gas
深圳志來貿易有限公司 *	PRC	Registered capital RMB5,000,000	40%	–	40%	Investment holding
四會志來貿易有限公司 *	PRC	Registered capital RMB5,000,000	40%	–	40%	Trading of scrap copper
Hong Kong Zhilai Company Limited	Hong Kong	15,500,000 shares of HK$1	40%	–	40%	Trading of oil products

* Private limited liability company

24. Interests In Associates *(Continued)*

b) During the year ended 31 December 2012

On 17 December 2012, Shenzhen Yuanxie, an indirect wholly-owned subsidiary of the Company, had entered into an agreement with 北京惠合華商貿有限公司 ("北京惠合華") to sell 11% equity interests held in 深圳志來貿易有限公司 ("深圳志來") at a consideration of RMB550,000 (equivalent to approximately HK$684,000). 深圳志來was originally owned as to 51% and 49% by Shenzhen Yuanxie and 北京惠合華 respectively.

Upon such disposal, 深圳源協 held 40% interests in 深圳志來. 深圳志來, together with its wholly-owned subsidiaries, 四會志來貿易有限公司 ("Sihui Zhilai") and Hong Kong Zhilai Company Limited ("HK Zhilai") had became associates of the Group. The principal activities of Sihui Zhilai and HK Zhilai were trading of scrap copper and exploration and exploitation of iron ore and trading of oil products respectively. Both companies did not have any trading activities during the year and up to the date of disposal.

Aggregate information of associates that are not individually material:

	2013 **HK$'000**	2012 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**15,225**	–
Aggregate amounts of the Group's share of those associates:		
Loss for the year	**–**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**–**	–

During the year ended 31 December 2013, the unrecognised share of losses of associates amounted to HK$3,229,000 (2012: HK$115,000). The cumulative unrecognised share of losses of associates amounted to HK$3,344,000 (2012: HK$115,000).

25. Deposit Paid For A Sub-Contracting Contract

	The Group	
	2013 **HK$'000**	2012 HK$'000
At 1 January	**–**	80,160
Less: Refund of deposit paid upon termination	**–**	(82,770)
Effect of foreign currency exchange differences	**–**	2,610
At 31 December	**–**	–

Notes to the Financial Statements

For The Year Ended 31 December 2013

25. Deposit Paid For A Sub-Contracting Contract *(Continued)*

In July 2010, Sihui Zhilai entered into a sub-contracting agreement with an independent third party ("the Sub-contractor"), who has a 90% interest in a PRC limited liability company which owns an iron mine (北坎子鐵礦) located at Qinglong Manzu Autonomous County (青龍滿族自治縣) in the PRC. Pursuant to the sub-contracting agreement, Sihui Zhilai have a right to operate the iron mine for a period of 3 years by paying a deposit of RMB67,400,000 (equivalent to HK$79,498,000). A sub-contracting fee was charged at RMB150 (equivalent to HK$180) per ton on every iron concentrate sold which sum should be offset against the deposit paid. In August 2010, Sihui Zhilai took up the operation of the iron mine and accounted for all the operating results during the sub-contracting period.

As at 31 December 2011, the balance represents the deposit paid after net-off the sub-contracting fee of RMB1,375,000 (equivalent to approximately HK$1,647,000) recognised for the year. The sub-contracting fee was included in "Cost of sales" in the consolidated statement of profit or loss.

In April 2012, the Group and the sub-contractor entered into a termination agreement to early terminate the operating right of the iron mine and refinery factory there. Pursuant to the termination agreement, the Group will receive an aggregate sum of RMB100,000,000 (equivalent to approximately HK$122,800,000), being (i) the refund of the deposit at the amount of RMB67,400,000 (equivalent to approximately HK$82,770,000); (ii) the investment costs incurred by Sihui Zhilai for developing and improving the fundamental infrastructure and technological facilities of the iron mine and the refinery factory there at the amount of approximately RMB18,500,000 (equivalent to approximately HK$22,720,000); and (iii) the compensation for the early termination of the sub-contracting agreement at the amount of approximately RMB14,100,000 (equivalent to approximately HK$17,310,000). The sum of RMB100,000,000 was fully received by the Group before June 2012.

26. Available-For-Sale Investments

Available-for-sale investments comprise:

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investment, at fair value (note (a))	**100,878**	37,746
Unlisted equity investment, at cost (note (b))	**9,612**	4,189
Less: Impairment loss	**(4,225)**	(1,579)
Deemed loss on dilution	**(277)**	(252)
	5,110	2,358
Total	**105,988**	40,104
Analysed for reporting purpose as:		
Non-current assets	**105,988**	40,104

26. Available-For-Sale Investments *(Continued)*

(a) The Group holds approximately 12% (2012: 7%) of the equity interest of Nordaq Energy Inc. ("Nordaq"), a private company engaged in exploration of oil and gas properties in the United States, upon the exercise of the conversion options in 2011. On 23 December 2013, the Group completed the acquisition of 100% equity interests of Big Trade Investments Limited at a consideration of approximately HK$55,359,000 (note 43(b)). Upon completion, the Group increased its interest in Nordaq from approximately 7% to approximately 14%. The directors of the Company do not believe that the Group is able to exercise significant influence over Nordaq.

The unlisted equity interests are measured at fair value and are classified as Level 3 fair value measurement. Fair value is estimated by using the market approach with reference to the private placing of shares by Nordaq during the year, and with reference to the movement in market share of comparable companies with similar business to Nordaq.

The valuation were carried out by an independent appraisal firm, LCH (Asia-Pacific) Surveyors Limited, which has appropriate qualifications and experience in the valuation of similar financial instruments.

During the year ended 31 December 2013, gain of HK$8,680,000 (2012: HK$245,000) arising on revaluation has been included in "Other comprehensive loss" in the consolidated statement of profit or loss and other comprehensive income in accordance with the policy set out note 2(h).

(b) The Group holds equity interests of Grey Hawk Exploration Inc. ("Grey Hawk"), a private company incorporated in Canada and engaged in exploration and rework of oil and gas properties in Utah, United States. During the year ended 31 December 2013, upon the exercise of conversion options as stated in note 27(b), the equity interests of Grey Hawk increased from 45% to 56%.

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

During the year ended 31 December 2013, impairment loss of HK$2,646,000 (2012: HK$1,579,000) and deemed loss on dilution of HK$25,000 (2012: HK$252,000) was recognised to reduce the carrying amount to its recoverable amount. The impairment loss have been included in "Other operating expenses" on the consolidated statement of profit or loss.

Notes to the Financial Statements

For The Year Ended 31 December 2013

27. Convertible Notes Receivables

(a) On 2 August 2012, ET-LA had entered into a sale and purchase agreement with BCM, an independent third party, in respect of the disposal of oil and gas interests in Texas and Louisiana of the United States. The total consideration is US$2,718,000 (equivalent to approximately HK$21,064,000), which was satisfied by (i) cash consideration of US$405,000 (equivalent to approximately HK$3,139,000) and (ii) issue of convertible notes in an aggregate principal amount of US$2,313,000 (equivalent to approximately HK$17,925,000), bearing interest at 8% per annum, by the purchaser to the Company.

The convertible notes bears interest at the rate of 8% per annum and shall be compounded monthly with maturity date on 31 May 2014. The outstanding principal amount of the convertible notes may be converted at any time prior to the close of business on 31 May 2014.

The oil and gas interests disposed of included "oil exploration rights" under intangible assets and "oil production assets" under property, plant and equipment respectively.

Further on 30 June 2013, the Group has received convertible notes from BCM in the principal amount of US$5,200,000 (equivalent to approximately HK$37,788,000), bearing interest at 8% per annum with maturity date on 30 June 2015. The outstanding principal amount of the convertible notes may be converted at any time prior to the close of business on 30 June 2015.

Further on 31 December 2013, the Company has received convertible notes from BCM in the principal amount of approximately US$882,000 (equivalent to approximately HK$6,835,000), bearing interest at 8% per annum with maturity date on 31 December 2015.

Summarised movements in the carrying amount of the convertible notes during the years ended 31 December 2013 and 2012 was set out below:

The Group

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2013	3,139	–	3,139
Acquired during the year	44,623	–	44,623
Disposal during the year	(12,765)	–	(12,765)
Effective interest credited during the year	4,066	–	4,066
Reversal of impairment loss recognised	15,456	–	15,456
Effect on foreign currency exchange differences	(597)	–	(597)
At 31 December 2013	53,922	–	53,922

27. Convertible Notes Receivables *(Continued)*

(a) *(Continued)*

The Group *(Continued)*

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2012	–	–	–
Acquired during the year	17,894	31	17,925
Effective interest credited during the year	94	–	94
Changes in fair value during the year	–	(31)	(31)
Impairment loss recognised	(15,467)	–	(15,467)
Effect on foreign currency exchange differences	618	–	618
At 31 December 2012	3,139	–	3,139

The Company

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2013	**–**	**–**	**–**
Acquired during the year	**6,835**	**–**	**6,835**
Disposal during the year	**(1,552)**	**–**	**(1,552)**
Effective interest credited during the year	**265**	**–**	**265**
At 31 December 2013	**5,548**	**–**	**5,548**

As at 31 December 2012, the Company had no outstanding convertible notes receivables.

27. Convertible Notes Receivables *(Continued)*

(a) *(Continued)*

Note:

Impairment loss is determined based on the latest financial position of BCM. During the year ended 31 December 2012, impairment losses of approximately HK$15,467,000 was recognised.

As the convertible notes includes an embedded derivative financial instrument, that is, a conversion option, and loan receivables, the carrying value of the convertible notes have been allocated as follows:

— Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period is calculated by applying effective interest rate at a range of 8%–10% of to the loan receivables since the convertible notes were issued on their respective issue dates.

— Embedded financial derivative comprises the fair value of the conversion option of the Company to convert the convertible notes into BCM's shares.

— The fair value of the embedded financial derivative was calculated using the Black-Scholes Option Pricing Model. The major inputs used in the model as at the following dates of issue, dates of disposal and year end dates were as follows:

	As at 2 August 2012	As at 31 December 2012	As at 30 June 2013	As at 26 July 2013	As at 1 September 2013
Stock price	US$1.20	US$0.002	US$0.304	US$0.313	US$0.301
Exercise price	US$2.90	US$2.90	US$1.00	US$1.00	US$1.00
Risk-free rate	0.214%	0.185%	0.094%	0.016%	0.117%
Expected option period	1.827 years	1.414 years	0.504 year	0.181 year	0.997 year
Expected volatility	32.056%	31.640%	23.135%	16.623%	22.542%
Expected dividend yield	0%	0%	0%	0%	0%

	As at 23 September 2013	As at 1 November 2013	As at 27 November 2013	As at 31 December 2013
Stock price	US$0.311	US$0.310	US$0.306	US$0.336
Exercise price	US$1.00	US$1.00	US$1.00	US$1.00
Risk-free rate	0.013%	0.089%	0.133%	0.382%
Expected option period	0.271 year	1 year	1 year	2 years
Expected volatility	15.826%	20.847%	20.985%	22.378%
Expected dividend yield	0%	0%	0%	0%

The stock price of BCM's was determined by adopting the market-based approach as at the date of the convertible notes issued. The risk-free rate was determined with reference to the Yield Curves & Spread for US Treasury Bonds with a matching maturity term. The exercise price and expected option period are based on the terms and conditions under the convertible notes. The expected volatility is determined by applying the average historical of three comparable companies over the expected option period. The dividend yield was estimated by Bloomberg database regarding the historical dividend payout of BCM.

27. Convertible Notes Receivables *(Continued)*

(a) *(Continued)*

The valuation were carried out by an independent appraisal firm, Roma Appraisal Limited, who have appropriate qualifications and recent experience in the valuation of similar financial instruments being valued.

Any changes in the major inputs into the model will result in changes in the fair value of the embedded financial derivative.

(b) During the year ended 31 December 2012, Prominent Sino Holdings Limited ("Prominent Sino"), an indirect wholly owned subsidiary of the Company, entered into two agreements with Grey Hawk and its subsidiary, Grey Hawk Exploration (USA) Inc. ("Grey Hawk USA"), in relation to the assignment of (i) rights for the oil production in the oil and gas properties and (ii) share in oil production activities. Details were as follows:

(i) On 23 February 2012, Prominent Sino entered into an agreement for the assignment of its right for the oil production in the oil and gas properties in Utah, United States with carrying amount of US$600,000 (equivalent to approximately HK$4,680,000 (note 19(a)). The consideration shall be as follows:

— Grey Hawk and Grey Hawk USA shall grant and deliver to Prominent Sino a 8% convertible note in the principal amount of US$300,000 (equivalent to approximately HK$2,334,000). The note will have a two years' term and bears interest at a rate of 8%. The note and any interest accrued thereon may be convertible by Prominent Sino at any time after the date of grant, into common shares of Grey Hawk at a deemed price of CAD$0.10 per share;

— Grey Hawk shall issue 5,000,000 common shares at CAD$0.10 per share to Prominent Sino at a total consideration of CAD$500,000 (equivalent to approximately HK$3,812,000).

(ii) On 1 July 2012, Prominent Sino entered into another agreement with Grey Hawk for the assignment of its rights to share in oil production activities. As consideration, Grey Hawk shall grant and deliver to Prominent Sino a 8% convertible note in the principal amount of US$400,000 (equivalent to approximately HK$3,112,000).

The two convertible notes bear interest at the rate of 8% per annum with maturity on 1 July 2014. The outstanding principal amount of the convertible notes may be converted at any time before 1 July 2014.

On 30 July 2013, the convertible notes in the principal amount of US$700,000 were converted into 4,666,667 ordinary shares of Grey Hawk (note 26(b)).

Notes to the Financial Statements

For The Year Ended 31 December 2013

27. Convertible Notes Receivables *(Continued)*

(b) *(Continued)*

The movements in the carrying amount of the convertible notes during the years ended 31 December 2013 and 2012 were set out below:

The Group

	Loan receivable HK$'000	**Embedded financial derivatives** HK$'000	**Total** HK$'000
At 1 January 2013	**5,348**	**272**	**5,620**
Converted during the year	**(5,345)**	**(78)**	**(5,423)**
Effective interest credited during the year	**325**	**–**	**325**
Changes in fair value during the year	**–**	**(195)**	**(195)**
Transferred to other receivables	**(401)**	**–**	**(401)**
Effect of foreign currency exchange differences	**73**	**1**	**74**
At 31 December 2013	**–**	**–**	**–**

	Loan receivable HK$'000	**Embedded financial derivatives** HK$'000	**Total** HK$'000
At 1 January 2012	–	–	–
Acquired during the year	5,174	272	5,446
Effective interest credited during the year	196	–	196
Effect of foreign currency exchange differences	(22)	–	(22)
At 31 December 2012	5,348	272	5,620

As the convertible notes includes an embedded derivative financial instrument, that is, a conversion option, and loan receivables, the carrying value of the convertible notes have been allocated as follows:

— Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss. The interest credited for the period is calculated by applying an effective interest rate of 10.51% to the loan receivables since the convertible notes was issued on 1 July 2012.

— Embedded financial derivative comprises the fair value of the conversion option of the Company to convert the convertible notes into Grey Hawk's shares.

27. Convertible Notes Receivables *(Continued)*

(b) *(Continued)*

— The fair value of the embedded financial derivative was calculated using the binomial model. The major inputs used in the model as at the following dates of issue, year end date and dates of conversion were as follows:

	As at 1 July 2012	As at 31 December 2012	As at 30 July 2013
Stock price	US$0.02	US$0.038	US$0.0602
Conversion price	US$0.15	US$0.15	US$0.15
Risk-free rate	1.028%	1.1211%	1.1040%
Expected volatility	233.3064%	332.56%	121.51044%
Expected dividend yield	0%	0%	0%

The stock price is the share price of Grey Hawk as of the valuation date. The risk-free rate was the yield of Hong Kong Zero Coupon Yield/Canada Government Zero Coupon Bond Yield with maturity matching that of the convertible notes as of the valuation dates as obtained from Bloomberg database. The expected volatility is the average of the historical volatilities of the comparable companies over the most recent period commensurate with that of the convertible notes and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The dividend yield was based on assumption that no dividend is expected to be paid in the future.

The valuation were carried out by an independent appraisal firm, Ascent Partners Valuation Service Limited, who have appropriate qualifications and recent experience in the valuation of similar financial instruments being valued.

Any changes in the major inputs into the model will result in changes in the fair value of the embedded financial derivative.

Notes to the Financial Statements

For The Year Ended 31 December 2013

28. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2013	2012
	HK$'000	HK$'000
Oil products	**–**	822
Consumable stores	**2,412**	3,215
Natural gas	**105**	–
	2,517	4,037

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2013	2012
	HK$'000	HK$'000
Carrying amount of inventories sold (note 6(c))	**320,258**	132,546

Notes to the Financial Statements

For The Year Ended 31 December 2013

29. Trade And Other Receivables

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables (notes (a) and (d))	**506**	–	**–**	–
Less: Allowance for doubtful debts (note (b))	**–**	–	**–**	–
	506	–	**–**	–
Other receivables (note (i))	**30,414**	22,387	**8,009**	76
Less: Allowable for doubtful debts (note (b))	**(2,640)**	–	**–**	–
	27,774	22,387	**8,009**	76
Amounts due from subsidiaries (note (h))	**–**	–	**906,416**	473,733
Less: Allowance for doubtful debts (note (c))	**–**	–	**(115,569)**	(115,569)
	–	–	**790,847**	358,164
Loan receivables (note (g))	**6,453**	–	**–**	–
Amounts due from associates (note (h))	**6,316**	5,697	**1,887**	1,887
Amount due from a joint venture (note (h))	**2**	–	**2**	–
Amount due from a related company (note (j))	**6,852**	96	**–**	–
Amount due from a director (note (k))	**–**	108	**–**	–
Amounts due from non-controlling shareholders (note (e))	**19,162**	21,012	**–**	–
Amount due from an operator	**–**	1,565	**–**	–
Loans and receivables	**67,065**	50,865	**800,745**	360,127
VAT recoverable (note (f))	**46,410**	60,665	**–**	–
Other tax recoverable	**4,766**	6,585	**–**	–
Prepayment and deposits	**89,034**	13,746	**9,602**	5,857
	207,275	131,861	**810,347**	365,984
Analysed as:				
Non-current (note (l))	**114,597**	60,665	**–**	–
Current	**92,678**	71,196	**810,347**	365,984
	207,275	131,861	**810,347**	365,984

Notes to the Financial Statements

For The Year Ended 31 December 2013

29. Trade and Other Receivables *(Continued)*

Note:

(a) Age analysis

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	The Group	
	2013 **HK$'000**	2012 HK$'000
0 — 30 days	**506**	–
31 — 60 days	**–**	–
61 — 90 days	**–**	–
Over 90 days	**–**	–
	506	–

Trade receivables are due within 30 days (2012: 30 days) from the date of billing. Further details on the Group's credit policy are set out in note 42(a).

(b) Allowance for impairment loss

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 2(p)(i)).

The movement in the allowance for impairment loss during the year, including both specific and collective loss components, is as follows:

	The Group	
	2013 **HK$'000**	2012 HK$'000
At 1 January	**–**	7,157
Add: impairment loss recognised	**2,590**	–
Less: amount written off	**–**	(5,557)
Less: amount reversed during the year	**–**	(1,600)
Effect of foreign currency exchanges differences	**50**	–
At 31 December	**2,640**	–

At 31 December 2013, the Group's trade and other receivables of HK$2,640,000 (2012: HK$Nil) were individually determined to be impaired. These individually impaired receivables were outstanding for over 365 days. The management assessed that the recovery of the receivables are uncertain. Accordingly, specific allowances for doubtful debts of HK$2,590,000 (2012: HK$Nil) were recognised during the year. The Group does not hold any collateral over these balances.

Notes to the Financial Statements
For The Year Ended 31 December 2013

29. Trade and Other Receivables *(Continued)*

Notes: (Continued)

(c) Impairment of amounts due from subsidiaries

Movement in the allowance for impairment loss:

	The Company	
	2013	2012
	HK$'000	HK$'000
At 1 January	**115,569**	86,699
Impairment loss recognised	**–**	30,757
Less: amount reversed during the year	**–**	(1,887)
At 31 December	**115,569**	115,569

During the year ended 31 December 2012, several subsidiaries had incurred operating losses. After reviewing the financial performance and financial position of these subsidiaries and taking into account the current market environment, the directors consider that impairment loss of HK$30,757,000 on the amounts due from these subsidiaries should be made. The impairment loss were recognised in the profit or loss of the Company.

(d) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**506**	–

Receivable that was neither past due nor impaired related to customer for whom there was no recent history of default.

(e) Except for an amount of approximately HK$18,877,000 (2012: HK$18,073,000), which is unsecured, interest bearing at 4% per annum and repayable on 10 November 2014, the remaining balance is unsecured, interest-free and repayable on demand.

(f) Pursuant to the relevant rules and regulation in Argentina, value-added tax on expenditures incurred in drilling and purchase of property, plant and equipment relating to the petroleum exploration and production operation in Argentina can be used to offset future value-added tax on sales made. The management estimated the recoverable amount of the value-added tax based on the future revenue which the Group expects would be generated from sales of oil and gas, with reference to the current exploration and evaluation stages of the oil field and oil production from wells. As at 31 December 2013, the directors of the Company expects an amount of HK$46,410,000 (2012: HK$60,665,000) will be recovered from the sales of oil and gas after twelve months from the end of the reporting period. Accordingly, such amount is classified as non-current.

(g) The balance represented loan receivables from a customer in PRC of RMB5,087,000 (equivalent to approximately HK$6,453,000) for a period from 14 May 2013 to 14 November 2015. The balance is interest-free and secured by the assets under the agreement.

(h) The balances are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

For The Year Ended 31 December 2013

29. Trade and Other Receivables *(Continued)*

Notes: (Continued)

(i) The balance mainly represented: (i) receivables from independent third parties of approximately HK$13,153,000 on funds for use in the operation in PRC and US; and (ii) receivables of approximately HK$13,384,000 from independent third parties in relation to PRC individual income tax paid on behalf during the year.

As at 31 December 2012, the balance represented (i) receivables from an independent third party of HK$8,779,000 upon termination of the operation of refined oil trade cooperation agreement entered into in 2011; and (ii) fund advanced to Guizhou Kunyu and Guizhou Shunyao of HK$8,758,000 for certain natural gas projects.

(j) The balance represented amount due from 中石油昆侖天燃氣利用有限公司, a related company which held 60% interests in 六盤水中石油. The balance is unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year was approximately HK$6,852,000.

As at 31 December 2012, the balance represented amount due from a related company, 深圳大乘能源投資有限公司, which Mr. Sun is the legal representative. The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year ended 31 December 2012 was approximately HK$2,000,000.

(k) As at 31 December 2012, the balance represented amount due from Mr. Sun Jiang Tian ("Mr. Sun"), an executive director of the Company. The balance was unsecured, interest-free and repayable on demand. The maximum outstanding balance during the year ended 31 December 2012 was approximately HK$108,000. Mr. Sun resigned as executive director of the Company on 28 June 2013.

(l) The balance represented (i) Argentina VAT recoverable of HK$46,410,000 (2012: HK$60,665,000) as disclosed in note (f) above; (ii) prepayments of approximately HK$32,673,000 (2012: HK$Nil) for the acquisition of land use rights located in the PRC; (iii) prepayments of approximately HK$25,416,000 (2012: HK$Nil) for the acquisition of investments; (iv) loan receivables of HK$6,453,000 (2012: HK$Nil) as stated in note (g) above; and (v) prepayments of approximately HK$3,645,000 (2012: HK$Nil) for the operation in US. The amounts are expected to be recovered after one year and was classified as non-current assets in the consolidated statement of financial position.

30. Pledged Bank Deposits

Pledged bank deposit represent deposit pledged to bank to secure banking facilities granted to the Group. Deposits amounting to RMB15,000,000 (equivalent to approximately HK$19,031,000) (2012: HK$ Nil) have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposit will be released upon the settlement of relevant bank borrowings. The deposits bear interest at 3.25% per annum.

31. Cash and Cash Equivalents

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deposits with banks	**22**	64	**–**	–
Cash at bank and in hand	**87,082**	35,986	**77,712**	610
Cash and cash equivalents in the statements of financial position and consolidated statement of cash flows	**87,104**	36,050	**77,712**	610

As at 31 December 2013, the interest rates on the cash at bank and deposits with banks ranged from 0.001% to 9.89% (2012: 0.001% to 9.89%) per annum.

32. Trade And Other Payables

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note (a))	**6,418**	–	**–**	–
Other payables and accruals (note (c))	**50,354**	19,354	**8,090**	5,211
Amount due to a joint venture (note (b))	**35**	–	**–**	–
Amount due to a director (note (b))	**634**	–	**–**	–
Amounts due to subsidiaries (note (b))	**–**	–	**12,843**	18,969
Financial liabilities measured at amortised cost	**57,441**	19,354	**20,933**	24,180

All of the trade and other payables (including amount due to a director, amount due to a joint venture and amounts due to subsidiaries) are expected to be settled within one year or are repayable on demand.

Notes:

(a) The following is an analysis of the trade payables by age presented based on the invoice date at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	HK$'000
0–30 days	**6,418**	–
31–60 days	**–**	–
61–90 days	**–**	–
Over 90 days	**–**	–
	6,418	–

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

(c) The consolidated balance mainly represented (i) unsettled billings of approximately HK$10,339,000 related to the constructions in PRC; and (ii) other tax payables of approximately HK$13,384,000 related to the acquisition of subsidiaries in PRC; (iii) unsettled billings and payables of approximately HK$17,346,000 related to the acquisitions in Argentina and US.

Notes to the Financial Statements

For The Year Ended 31 December 2013

33. Convertible Notes Payables

(a) For the year ended 31 December 2013

(i) As detailed under note 43(a)(i), on 13 March 2013, the Group completed the acquisition of 100% equity interest of Golden Giants Limited for a consideration of HK$52,342,000, which was satisfied by issued HK$38,475,000 convertible notes and HK$13,867,000 promissory notes. Upon completion, the Group indirectly has 75% interest on 30 well bores located in Uinta Basin of the State of Utah in the United States.

Conversion may occur at any time between 13 March 2013 to 13 March 2015. If the notes have not been converted, they will be redeemed on 13 March 2015 at HK$0.9 each. The convertible notes are non-interest bearing.

During the year, HK$5,000,000 convertible notes were exercised and converted into 5,555,555 ordinary shares of the Company.

(ii) On 25 March 2013, the Group completed the acquisition of 22% equity interests of New Phoenix Global Limited, which is a non-wholly owned subsidiary of the Group, for a consideration of HK$13,900,000 which was satisfied by cash of HK$2,000,000 and issue convertible notes of HK$11,900,000. Upon completion, the acquisition enhanced the Group's position in the PRC energy resources market, and provided the Group a better opportunity for further project development in the same sector in the PRC.

Conversion may occur at any time between 25 March 2013 to 24 March 2014. If the notes have not been converted, they will be redeemed on 24 March 2014 at HK$1 each. The convertible notes are non-interest bearing.

During the year ended 31 December 2013, all convertible notes issued under this acquisition were exercised and converted into 11,900,000 ordinary shares of the Company.

(iii) On 11 April 2013, the Company had completed the acquisition of Power Jet Group Limited as detailed under note 22(b) and issued convertible notes in the principal amount of HK$105,000,000.

Conversion may occur at any time between 11 April 2013 to 11 April 2023. If the notes have not been converted, they will be redeemed on 11 April 2023 at HK$1 each. The convertible notes are non-interest bearing.

During the year, all convertible notes issued under this acquisition were exercised and converted into 107,142,854 ordinary shares of the Company.

(iv) On 3 July 2013, the Company had completed the placing arrangement and issued convertible notes in the principal amount of HK$50,000,000.

Conversion may occur at any time between 3 July 2013 to 2 July 2015. If the notes have not been converted, they will be redeemed on 2 July 2015 at HK$0.79 each. Interest of 8% will be paid up until the notes are converted or redeemed.

(v) On 31 October 2013, the Company had completed the acquisition of Guizhou Kunyu as detailed under note 22(c)(i) and issued convertible notes in the principal amount of HK$34,720,000 (note 43(a)(ii)).

Conversion may occur at any time between 2 July 2013 to 1 July 2014. If the notes have not been converted, they will be redeemed on 1 July 2014 at HK$1 each. Interest of 3% will be paid up until the notes are converted or redeemed.

During the year, HK$18,756,240 convertible notes were exercised and converted into 18,756,240 ordinary shares of the Company.

33. Convertible Notes Payables *(Continued)*

(a) For the year ended 31 December 2013 *(Continued)*

(vi) Further on 3 December 2013, the Company had completed the acquisition of Guizhou Shunyao as detailed under note 22(c)(ii) and issued convertible notes in the principal amount of HK$17,327,000 (note 43(a)(iii)).

Conversion may occur at any time between 16 September 2013 to 15 September 2014. If the notes have not been converted, they will be redeemed on 15 September 2014 at HK$1 each. Interest of 3% will be paid up until the notes are converted or redeemed. Both the conversion and redemption options are classified as derivative financial instruments and have been included in the balance of convertible notes in the statement of financial position.

During the year, all convertible notes issued under this acquisition were exercised and converted into 17,326,846 ordinary shares of the Company.

The movement of the liability component and conversion option derivative of the convertible notes for the year ended 31 December 2013 was set out below:

The Group and the Company

	Liability component HK$'000	Conversion option derivative HK$'000	Total HK$'000
As at 1 January 2013	–	–	–
Issued during the year	192,281	65,141	257,422
Effective interest charged during the year	8,027	–	8,027
Converted during the year	(109,262)	(55,741)	(165,003)
Changes in fair value during the year	–	(3,961)	(3,961)
As at 31 December 2013	91,046	5,439	96,485
Current portion	16,719	(1)	16,718
Non-current portion	74,327	5,440	79,767
	91,046	5,439	96,485

The fair value of the liability component of the convertible notes is calculated using cash flows discounted at a rate based on the effective interest rate ranged from 3.32% to 26.60%.

At the time when the convertible notes are converted into ordinary shares of the Company, the nominal value of the shares issued upon conversion will be transferred from the liability component and the conversion option derivative of the convertible notes to the share capital account while the difference will be transferred to the share premium. During the year ended 31 December 2013, principal amount of HK$80,341,000 convertible notes were converted into 160,681,495 ordinary shares of the Company. Accordingly, HK$80,341,000 was transferred to share capital account while HK$84,663,000 was transferred to share premium.

Notes to the Financial Statements
For The Year Ended 31 December 2013

33. Convertible Notes Payables *(Continued)*

(b) For the year ended 31 December 2012

On 8 February 2011, the Company issued convertible notes with maturity date falling on the first anniversary of the date of issue for an aggregate principal amount of HK$160,000,000. In 2011, 833,333,327 ordinary shares were issued upon the conversion of the convertible notes for an aggregate principal amount of HK$150,000,000. The proceeds are used for general working capital purpose and for financing future investment opportunities.

Upon maturity, the outstanding convertible notes which have not been converted, will be redeemed at their principal amount together with any accrued interest in cash.

During the year ended 31 December 2012, the outstanding convertible notes which have not been converted, were fully settled at their principal amount together with any accrued interest in cash upon maturity.

The movement of the liability component and equity component of the convertible notes for the year ended 31 December 2012 was set out below:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
As at 1 January 2012	10,716	687	11,403
Settled upon maturity date	(10,716)	(687)	(11,403)
As at 31 December 2012	–	–	–

34. Bank and Other Borrowings

	The Group		**The Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Bank loans, secured and guaranteed (note a)	**17,600**	2,551	**17,600**	–
Other borrowings, unsecured and unguaranteed (note b)	**173,417**	68,543	**116,513**	30,135
	191,017	71,094	**134,113**	30,135

34. Bank and Other Borrowings *(Continued)*

At 31 December 2013, bank and other borrowings were due for repayment as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Portion of term loans due for repayment within 1 year	**17,600**	2,551	**17,600**	–
Term loans due for repayment after 1 year:				
After 1 year but within 2 years	**–**	–	**–**	–
After 2 years but within 5 years	**–**	–	**–**	–
After 5 years	**–**	–	**–**	–
	–	–	**–**	–
	17,600	2,551	**17,600**	–
Other borrowings:				
Portion of term loans due for repayment within 1 year	**158,131**	38,408	**101,227**	–
Term loans due for repayment after 1 year:				
After 1 year but within 2 years	**5,059**	30,135	**5,059**	30,135
After 2 years but within 5 years	**–**	–	**–**	–
After 5 years	**10,227**	–	**10,227**	–
	15,286	30,135	**15,286**	30,135
	173,417	68,543	**116,513**	30,135

All of the banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 42(b). As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached (2012: HK$Nil).

All of the secured bank loans, including amounts repayable on demand, are carried at amortised cost.

None of the portion of bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Notes to the Financial Statements

For The Year Ended 31 December 2013

34. Bank and Other Borrowings *(Continued)*

The analysis of the carrying amount was as follows:

	The Group		The Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Current liabilities	**175,731**	40,959	**118,827**	–
Non-current liabilities	**15,286**	30,135	**15,286**	30,135
	191,017	71,094	**134,113**	30,135

Note:

(a) As at 31 December 2013, the bank borrowings represent approximately HK$17,600,000 (2012: HK$Nil) borrowed from a bank financed by a banking facilities of HK$25,000,000 and secured by deposits maintained with a bank in PRC (note 30). The borrowings bear interest at a percentage rate per annum equal to the aggregate of 1.9% and HIBOR.

The banking facilities are required to be in compliance with a number of undertakings, including (i) delivery of a signed copy of annual audited financial statements within six months after each of its financial year-ends; (ii) apply the facilities and all amounts advanced to it in or forward the purpose stated; and (iii) fully comply with all applicable rules, regulations and laws in the PRC; etc.

If the Group fails to comply with any of the undertakings which constitutes an event of default, the drawn down facilities would become immediately due and payable unless a waiver in writing is given by the bank.

As at 31 December 2012, the bank borrowings represented approximately US$329,000 (equivalent to approximately HK$2,551,000) borrowed from a bank secured by the intangible assets and oil production assets of a subsidiary and guaranteed by a member of the non-controlling shareholder and two companies under the control of the member. The borrowings bear interest fixed at 6% per annum.

(b) The other borrowings comprise:

(i) HK$31,335,000 (2012: HK$30,135,000) borrowed from an independent third party, bearing interest fixed at 4% per annum (2012: 4% per annum) and is repayable on 21 February 2014. On 21 February 2014, the agreement has been renewed and the loan principal together with the interest accrued was further extended to 31 December 2015. During the year ended 31 December 2012, the loan is repayable on 22 December 2013 and was classified under current liabilities. The agreement has been renewed on 22 November 2013.

(ii) HK$18,073,000 (2012: HK$28,132,000) borrowed from a non-controlling shareholder of an indirectly wholly-owned subsidiary, bearing interest charged at 4% per annum (2012: 4% per annum) and is repayable on 10 November 2014.

(iii) HK$15,320,000 (2012: HK$10,276,000) borrowed from a related company, China Venturetechno International Co., Ltd., interest charged at 5%-6% per annum (2012: 5% per annum) and repayable on demand. Mr. Cheng Kam Chiu, the chairman and an executive director of the Company, is a common director. Included in the balance HK$5,059,000 (2012: HK$Nil) borrowed by the Company.

(iv) US$9,000,000 (equivalent to approximately HK$69,892,000) (2012: US$Nil) borrowed from an independent third party. Interest charged at a percentage rate per annum equal to HKD prime rate issued by the Hong Kong and Shanghai Banking Corporation and repayable on 19 June 2014.

(v) RMB15,000,000 (equivalent to approximately HK$19,689,000) (2012: RMBNil) borrowed from an independent third party, interest charged at 20% per annum and repayable on 17 October 2014.

(vi) RMB7,000,000 (equivalent to approximately HK$8,881,000) (2012: RMBNil) borrowed from two independent third parties, interest-free and repayable on demand.

(vii) HK$10,227,000 represented 7-years bond issued by the Company. The bond is unsecured and carries interest rate of 5% per annum and due on 20 July 2020. In the opinion of the directors of the Company, the carrying value approximates its fair value as at 21 July 2013 and 31 December 2013.

(viii) During the year, the Company entered into agreements with an independent third party for an aggregate loan of HK$46,000,000, interest charged at 5% per annum. The outstanding loan with interest accrued were fully repaid during the year.

Notes to the Financial Statements
For The Year Ended 31 December 2013

34. Bank and Other Borrowings *(Continued)*
Note: *(Continued)*

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

	2013	2012
Effective interest rates:		
Fixed-rate borrowings	**–**	6%
Variable-rate borrowings	**2.1%–2.45%**	–

(d) At 31 December 2012, the banking facilities of the Group are secured by intangible assets of approximately HK$4,358,000 (note 19(e)) and oil production assets under property, plant and equipment of approximately HK$228,000 (note 17(d)) respectively. Such banking facilities was expired during the year ended 31 December 2013.

(e) At 31 December 2013, the Group has the following undrawn borrowing facilities:

	2013 HK$'000	2012 HK$'000
Variable rate:		
— expiring within one year	**7,400**	–
Fixed rate:		
— expiring within one year	**–**	361
— expiring beyond one year	**–**	–
	7,400	361

35. Promissory Notes Payables
The Group and the Company

	2013 HK$'000	2012 HK$'000
At 1 January	**5,003**	–
Issued during the year	**41,927**	5,000
Repayment during the year	**(3,500)**	–
Effective interest charged during the year (note 6(a))	**4,267**	3
At 31 December	**47,697**	5,003
Analysed as:		
Current liabilities	**47,697**	–
Non-current liabilities	**–**	5,003
	47,697	5,003

During the year ended 31 December 2013, the Company issued promissory notes of approximately HK$41,927,000 (2012: HK$5,000,000) upon completion of acquisitions of Power Jet (note 22(b)) and Golden Giants Limited (note 43(a)(i)). The promissory notes bear interest at Nil-5% (2012: 3%) per annum payable on the maturity date and are unsecured and freely transferrable.

Notes to the Financial Statements

For The Year Ended 31 December 2013

36. Obligations Under Finance Leases

At 31 December 2013, the Group had obligation under finance leases repayable as follows:

	The Group			
	2013		2012	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**79**	**99**	74	99
After 1 year but within 2 years	**84**	**99**	79	99
After 2 years but within 5 years	**177**	**188**	261	287
	261	**287**	340	386
	340	**386**	414	485
Less: total future interest expenses		**(46)**		(71)
Present value of lease obligations		**340**		414

Notes to the Financial Statements

For The Year Ended 31 December 2013

37. Income Tax in the Statements of Financial Position

(a) Current taxation in the statements of financial position represents:

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong Profits Tax				
— Provision for the year	**400**	42	**–**	–
— Balance of provision in prior years	**31**	–	**–**	–
— Provisional tax paid	**(75)**	(2)	**–**	–
	356	40	**–**	–
PRC Enterprise Income Tax				
— Provision for the year	**–**	–	**–**	–
— Balance of provision in prior years	**5**	37	**3**	–
— Provisional tax paid	**(3)**	(32)	**(3)**	6
— Effect on foreign currency exchange differences	**–**	3	**–**	–
	2	8	**–**	6
Argentina minimum presumed income tax (note)				
— Provision for the year	**–**	452	**–**	–
— Balance of provision in prior years	**452**	–	**–**	–
— Provision tax paid	**(958)**	–	**–**	–
— Effect on foreign currency exchange differences	**23**	–	**–**	–
	(483)	452	**–**	–
	(125)	500	**–**	6
Representing:				
Tax recoverable	**(483)**	–	**–**	–
Current taxation	**358**	500	**–**	6
	(125)	500	**–**	6

Note:

The Group's subsidiaries in Argentina are subjected to a tax on MPIT. MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain asset. The Group's tax liabilities in Argentina is the higher of CIT and MPIT. If the MPIT exceeds CIT during the financial year. such excess is allowable to carry forward to credit against any CIT excess over MPIT that may arise in the next ten years.

Notes to the Financial Statements

For The Year Ended 31 December 2013

37. Income Tax in the Statements of Financial Position *(Continued)*

(b) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(y), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$49,838,000 (2012: approximately HK$24,744,000) as it is not probable that future taxable profits against which the losses and tax credit can be utilised will be available in the relevant tax jurisdiction and for the entity. The tax losses do not expire under current tax legislation except for tax losses of RMB15,132,000 (equivalent to approximately HK$19,199,000) (2012: RMB5,703,000 (equivalent to approximately HK$7,003,000) in PRC which is available for carry forward to set-off future assessable income for a period of five years. The details of which are as follows:

The Group

Year	PRC tax losses	
	2013 **HK$'000**	2012 HK$'000
2014	**652**	652
2015	**743**	743
2016	**6,243**	5,608
2017	**11,561**	–
	19,199	7,003

Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1 pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. The PRC subsidiaries were loss-making and no temporary differences relating to the undistributed profits of the subsidiaries were recognised.

37. Income Tax in the Statements of Financial Position *(Continued)*

(c) Deferred tax liabilities

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

	Fair value adjustment on intangible assets HK$'000
At 1 January 2012	(3,263)
(Credited)/charged to profit or loss	–
Eliminated on disposal	2,171
Derecognised on reclassification as liabilities held for sale (note 8)	746
Effect of foreign currency exchange differences	(388)
At 31 December 2012	(734)
At 1 January 2013	(734)
(Credited)/charged to profit or loss	–
Eliminated on disposal	734
Acquired under business contribution (note 43)	(64,348)
Effect of foreign currency exchange differences	–
At 31 December 2013	(64,348)

38. Provisions

(a) Provision for compensation to surface owners

The Group

	2013 HK$'000
As 1 January and 31 December	**(3,373)**

38. Provisions *(Continued)*

(a) Provision for compensation to surface owners *(Continued)*

Pursuant to the terms and conditions set out in the bidding documents in relation to the exploration permits of the Concessions as disclosed in note 16, the Group is obliged to indemnify the surface owners for the damages caused by the activities conducted by the Group in the exploration area. Provisions of AR$2,837,000 (equivalents to approximately HK$3,373,000) were therefore made for the expected liabilities estimated by the directors of the Company, after seeking legal advice from an Argentina solicitor, for the compensations to be paid.

(b) Provision for asset retirement obligations

The Group

	2013 **HK$'000**
As 1 January	**(1,297)**
Effect of foreign currency exchange differences	**–**
Provisions made for the year	**–**
Derecognised on reclassification as liabilities held for sale (note 8)	**–**
Eliminated on disposal	**1,297**
At 31 December	**–**

In accordance with the relevant rules and regulations in the United States, the Group is obliged to accrue the costs related to the future costs of plugging and abandoning its oil and gas properties, the removal of equipment and facilities from lease acreage and returning such land to its original condition. These costs reflect the estimated legal obligations associated with the normal operation of oil and gas properties and were capitalised by increasing the carrying amounts of the related assets. The provision for asset retirement obligations has been determined by the directors based on their best estimates of the level of expenditure and extent of work required.

39. Equity-Settled Share-Based Transactions

(a) The Company has a share option scheme which was adopted on 30 August 2002 ("2002 Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group and consultant, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the scheme (i.e. 433,302,000 shares).

39. Equity-Settled Share-Based Transactions *(Continued)*

(a) *(Continued)*

Under the 2002 Share Option Scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The options vest from the date of grant and are exercisable within a period of five years.

(i) The terms and conditions of the grants that existed during the year ended 31 December 2012 are as follows, whereby all options are settled by physical delivery of shares:

	Number of shares issuable under options granted	Vesting conditions	Contractual life of options
Options granted to directors: — on 8 May 2007	–	Immediate from date of grant	5 years
Options granted to employees: — on 8 May 2007	216,650	Immediate from date of grant	5 years
Options granted to consultants: — on 8 May 2007	866,600	Immediate from date of grant	5 years
Total number of shares issuable under share options granted	1,083,250		

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(a) *(Continued)*

(ii) The number and the weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year		**–**	HK$12	1,083,250
Lapsed during the year		**–**	HK$12	(1,083,250)
Outstanding at the end of the year		**–**		–
Exercisable at the end of the year		**–**		–

As at 31 December 2012, the 2002 Share Option Scheme had been terminated.

(b) The Company adopted a new share option scheme on 17 May 2011 ("New Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any eligible person, including employees, directors, consultants, supplier and customer of the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

— On 11 June 2012, the Company granted 32,300,000 share options to the employees and consultants of the Company under the New Share Option Scheme.

— On 10 August 2012, the Company reduced the original exercise price of HK$2.20 for share options granted on 22 July 2011 to the adjusted exercise price of HK$1.10. Accordingly, the Company cancelled all the outstanding share options granted on 22 July 2011 and yet to be exercised and granted new share options ("Replacement Share Options") to the share option holders with the new exercise price of HK$1.10.

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

- On 24 January 2013, the Company granted 17,090,000 share options to the directors, employees and consultants of the Company under the New Share Option Scheme.

- On 4 February 2013, the Company granted 10,000,000 share options to the consultants of the Company under the New Share Option Scheme.

- On 14 June 2013, the Company granted 3,000,000 share options to a consultant of the Company under the New Share Option Scheme.

- On 30 December 2013, the Company granted 27,156,000 share options to the directors of the Company under the New Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the New Share Option Scheme.

Under the New Share Option Scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(i) The terms and conditions of the grants that existed as at 31 December 2013 are as follows:

	Number of shares issuable under options	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 10 August 2012	8,850,000	HK$1.10	Immediate from date of grant	2 years
— on 30 December 2013	27,156,000	HK$0.75	Immediate from date of grant	2 years
Options granted to employees:				
— on 11 June 2012	952,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	190,000	HK$1.10	Immediate from date of grant	2 years
— on 24 January 2013	650,000	HK$0.99	Immediate from date of grant	3 years
Options granted to consultants and other participants:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	630,000	HK$1.10	Immediate from date of grant	2 years
— on 24 January 2013	3,538,000	HK$0.99	Immediate from date of grant	3 years
— on 14 June 2013	98,000	HK$0.80	Immediate from date of grant	2 years
Total share options granted	44,064,000			

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(i) *(Continued)*

The terms and conditions of the grants that existed as at 31 December 2012 are as follows:

	Number of shares Issuable under options	Exercise prices	Vesting conditions	Contractual life of options
Options granted to directors:				
— on 10 August 2012	9,300,000	HK$1.10	Immediate from date of grant	2 years
Options granted to employees:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	690,000	HK$1.10	Immediate from date of grant	2 years
Options granted to consultants:				
— on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
— on 10 August 2012	630,000	HK$1.10	Immediate from date of grant	2 years
Total share options granted	14,620,000			

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(ii) The number and the weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price	**Number of shares issuable under options granted**	Weighted average exercise price	Number of shares issuable under options granted
Outstanding at the beginning of the year	**HK$1.07**	**14,620,000**	HK$2.20	12,000,000
Granted during the year (note 1)	**HK$0.87**	**57,246,000**	HK$1.00	32,300,000
Granted with modification during the year (note 1 and 2)		**–**	HK$1.10	10,620,000
Cancelled with modification during the year (note 2)		**–**	HK$2.20	(10,620,000)
Exercised during the year (note 3)	**HK$0.97**	**(25,164,000)**	HK$1.00	(28,000,000)
Lapsed during the year (note 4)	**HK$1.03**	**(2,638,000)**	HK$1.99	(1,680,000)
Outstanding at the end of the year	**HK$0.87**	**44,064,000**	HK$1.07	14,620,000
Exercisable at the end of the year	**HK$0.87**	**44,064,000**	HK$1.07	14,620,000

Notes:

1. On 24 January 2013, 4 February 2013, 14 June 2013 and 30 December 2013, 17,090,000, 10,000,000, 3,000,000 and 27,156,000 share options were granted respectively. The closing price of the Company's share immediately before the respective dates of grant was HK$0.99, HK$0.98, HK$0.63 and HK$0.60 respectively.

   On 11 June 2012 and 10 August 2012, 32,300,000 and 10,620,000 share options were granted respectively. The closing price of the Company's shares immediately before the date of grant was HK$0.95 and HK$0.94 respectively.

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(ii) *(Continued)*

Notes: *(Continued)*

2. During 2012, 10,620,000 share options previously granted on 22 July 2011 with an exercise price of HK$2.2 were cancelled and the same number of share options were granted to the option holder with the revised terms as follows:

	No. of replacement share options	Exercise price per share	Vesting conditions	Exercisable period
Directors	9,300,000	HK$1.10	Immediate from date of grant	2 years
Employees	690,000	HK$1.10	Immediate from date of grant	2 years
Consultants	630,000	HK$1.10	Immediate from date of grant	2 years
	10,620,000			

The replacement were accounted for as a modification of the original grant. The incremental fair values arising from the modification of terms is approximately HK$834,000.

3. During the year ended 31 December 2013, the weighted average closing market price of the Company's shares immediately before the respective dates on which the share option were exercised was HK$0.97.

During the year ended 31 December 2012, the weighted average closing market price of the Company's shares immediately before the respective dates on which the share options were exercised was HK$0.97.

4. 2,638,000 (2012: 1,680,000) shares options were lapsed due to the resignation of directors and employees after the vesting period.

The share options outstanding at 31 December 2013 had an exercise price from HK$0.75 to HK$1.10 (2012: HK$1.00 to HK$1.10) (note 41(b)(v)) and a weighted average remaining contractual of 1.5 years (2012: 1.6 years).

As at 31 December 2013, the number of shares in respect of options under the New Share Option Scheme that had been granted and remained outstanding was 44,064,000 (2012: 14,620,000) representing approximately 4% (2012: approximately 2%) of the shares of the Company in issue at the year end date.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

Notes to the Financial Statements

For The Year Ended 31 December 2013

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(iii) Fair value of share options and assumptions

— Granted to employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated in the models.

	11 June 2012	10 August 2012	24 January 2013	30 December 2013
Fair value of share options and assumptions				
Fair value of share options at measurement	HK$0.36	HK$0.34	HK$0.40	HK$0.10
Share price	HK$0.95	HK$0.94	HK$0.99	HK$0.60
Exercise price	HK$1.0	HK$1.10	HK$0.99	HK$0.75
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes Option Pricing Model)	110.519%	110.64%	92.872%	43.842%
Option life (expressed as weighted average life used in the modeling)	0.999 year	0.947 year	1.499 years	1.997 years
Expected dividends	–	–	–	–
Risk-free interest rate (based on Exchange Fund Notes)	0.155%	0.17%	0.14%	0.31%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

— Granted to consultants

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, historical monthly payments to similar services provided by the consultants and the service period, along with other out-of-pocket expenses.

39. Equity-Settled Share-Based Transactions *(Continued)*

(b) *(Continued)*

(iii) Fair value of share options and assumptions *(Continued)*

— Granted to consultants *(Continued)*

During the year ended 31 December 2013, option offers to subscribe for 14,300,000, 10,000,000 and 3,000,000 shares under the New Share Option Scheme were granted by the Company to the consultants of the Group which entitles the holders thereof to subscribe for an aggregate of 14,300,000, 10,000,000 and 3,000,000 ordinary shares of HK$0.5 each in the capital of the Company with an exercise price of HK$0.99, HK$0.99 and HK$0.8 per share during the exercisable period from 24 January 2013 to 23 January 2016, from 4 February 2013 to 3 February 2015 and from 14 June 2013 to 13 June 2015, respectively. During the year ended 31 December 2013, 25,164,000 shares were exercised (2012: 28,000,000 shares were exercised).

40. Employee Retirement Benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

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

The Group also participates in a state-managed scheme in the PRC. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of HK$1,749,000 (2012: HK$1,353,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31 December 2013, none of the contributions due in respect of the reporting period had not been paid over to the schemes.

Notes to the Financial Statements

For The Year Ended 31 December 2013

41. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each components of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Warrants reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total share premium and reserve HK$'000	Total equity HK$'000
At 1 January 2012	227,231	3,150,568	11,162	567,611	–	687	(223,249)	3,506,779	3,734,010
Changes in equity for 2012									
Issue of warrants (note 41(c)(viii))	–	–	–	–	1,801	–	–	1,801	1,801
Settlement of convertible notes (note 33)	–	–	–	–	–	(687)	687	–	–
Shares issued under placements, net of issuing costs (note 41(b)(iii))	96,977	39,602	–	–	–	–	–	39,602	136,579
Shares issued under share option scheme (note 41(b)(iv))	14,000	16,521	(2,521)	–	–	–	–	14,000	28,000
Equity settled share- based payments	–	–	3,502	–	–	–	–	3,502	3,502
Lapse of share options granted under share option scheme	–	–	(7,090)	–	–	–	7,090	–	–
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(56,570)	(56,570)	(56,570)
At 31 December 2012	338,208	3,206,691	5,053	567,611	1,801	–	(272,042)	3,509,114	3,847,322
At 1 January 2013	338,208	3,206,691	5,053	567,611	1,801	–	(272,042)	3,509,114	3,847,322
Changes in equity for 2013									
Share issued upon conversion of convertible notes (note 41(b)(ii))	80,341	84,663	–	–	–	–	–	84,663	165,004
Shares issued under placements, net of issuing costs (note 41(b)(iii))	35,500	27,270	–	–	–	–	–	27,270	62,770
Subscription of new shares (note 41(b)(vii))	62,267	12,667	–	–	–	–	–	12,667	74,934
Shares issued under share option scheme (note 41(b)(iv))	12,582	16,660	(4,881)	–	–	–	–	11,779	24,361
Share issued under acquisition of subsidiaries (note 43(b))	45,376	9,076	–	–	–	–	–	9,076	54,452
Issue of consideration shares (note 41(b)(vi))	10,725	4,934	–	–	–	–	–	4,934	15,659
Equity settled share- based payments	–	–	10,597	–	–	–	–	10,597	10,597
Lapse of share options granted under share option scheme	–	–	(657)	–	–	–	657	–	–
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(62,110)	(62,110)	(62,110)
At 31 December 2013	584,999	3,361,961	10,112	567,611	1,801	–	(333,495)	3,607,990	4,192,989

Notes to the Financial Statements

For The Year Ended 31 December 2013

41. Capital and Reserves *(Continued)*

(b) Share capital

(i) Authorised and issued share capital

	2013		2012	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Authorised:				
At 1 January and 31 December				
Ordinary shares of HK$0.50 each	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Ordinary shares, issued and fully paid:				
At 1 January				
Ordinary shares of HK$0.50 each	**676,416**	**338,208**	454,462	227,231
Shares issued under acquisition of subsidiaries (note 43(b))	**90,753**	**45,376**	–	–
Shares issued upon conversion of convertible notes (note 41(b)(ii))	**160,681**	**80,341**	–	–
Shares issued under placements (note 41(b)(iii))	**71,000**	**35,500**	193,954	96,977
Subscription of new shares (note 41(b)(vii))	**124,534**	**62,267**	–	–
Issue of consideration shares (note 41(b)(vi))	**21,450**	**10,725**	–	–
Shares issued under share option scheme (note 41(b)(iv))	**25,164**	**12,582**	28,000	14,000
At 31 December				
Ordinary share of HK$0.50 each	**1,169,998**	**584,999**	676,416	338,208

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Shares issued upon conversion of convertible notes

— During the year ended 31 December 2013, the Company issued convertible notes in an aggregate principal amount of HK$257,422,000 (note 33). During the period, convertible notes for a principal amount of HK$80,341,000 were converted into 160,681,495 ordinary shares of the Company.

41. Capital and Reserves *(Continued)*

(b) Share capital *(Continued)*

(iii) Shares issued under placements

— On 20 December 2012, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place up to 35,000,000 placing shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 14 January 2013. A total of 35,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.91 per placing share.

— On 18 January 2013, the Company had entered into a placing agreement with an independent placing agent Limited, pursuant to which the Company had conditionally agreed to place, through this placing agent, up to 22,000,000 placing shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 29 January 2013. A total of 22,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.91 per placing share.

— On 25 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, up to 14,000,000 placing shares at a price of HK$0.98 per share to not less than six independent third parties. The placing was completed on 6 February 2013. A total of 14,000,000 placing shares have been placed to not less than six independent third parties at the placing price of HK$0.98 per placing share.

— On 20 January 2012, the Company entered into a placing agreement with two independent placing agents to place up to 90,000,000 new ordinary shares at HK$0.55 per share for a total consideration of approximately HK$49,500,000. The placing was completed on 20 February 2012. The proceeds were used for the payment of exploration works in Argentina, to finance potential new projects and future investment opportunities.

— On 30 August 2012 and 11 September 2012, the Company entered into a placing agreement and a supplemental agreement with two independent placing agents to place up to 300,000,000 new ordinary shares at a price of not less than the minimum price of HK$0.90 per share. The placing was completed on 14 November 2012 and 103,954,000 shares out of the proposed placement of 300,000,000 placing shares have been placed at the price of HK$0.90 per share. The proceeds of approximately HK$93,559,000 was used for financing future investment opportunities which are expected to improve the profitability and/or broaden the revenue streams of the Group.

(iv) Shares issued under share option scheme

During the year ended 31 December 2013, options were exercised to subscribe for 25,164,000 ordinary shares (2012: 28,000,000 ordinary shares) in the Company at a consideration of HK$24,361,000 (2012: HK$28,000,000), of which HK$12,582,000 (2012: HK$14,000,000) was credited to the share capital and the balance of HK$11,779,000 (2012: HK$14,000,000) was credited to the share premium account. An amount of HK$4,881,000 (2012: HK$2,521,000) has been transferred from share-based compensation reserve to the share premium account in accordance with the policy set out in note 2(x).

41. Capital and Reserves *(Continued)*

(b) Share capital *(Continued)*

(v) Terms of unexpired and unexercised share options at the end of the reporting period:

Exercisable period	Exercise price (Note)	**2013 Number**	2012 Number
11 June 2012 to 10 June 2014	HK$1.00	**2,952,000**	4,000,000
10 August 2012 to 9 August 2014	HK$1.10	**9,670,000**	10,620,000
24 January 2013 to 23 January 2016	HK$0.99	**4,188,000**	–
14 June 2013 to 13 June 2015	HK$0.80	**98,000**	–
30 December 2013 to 29 December 2015	HK$0.75	**27,156,000**	–
		44,064,000	14,620,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 39 to the financial statements.

(vi) Issue of consideration shares

On 10 May 2013, ET-LA, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with two independent parties, pursuant to which ET-LA has conditionally agreed to acquire from the two independent parties their respective interests in the oil and gas properties in the United States, at a total consideration of US$2,000,000 (equivalent to approximately HK$17,160,000), which shall be satisfied by way of allotment and issue of 21,450,000 consideration shares at the issue price of HK$0.80 per share by the Company upon completion.

On 23 May 2013, an aggregate of 21,450,000 ordinary shares of the Company were issued at a consideration of HK$15,659,000, of which HK$10,725,000 was credited to the share capital and the balance of HK$4,934,000 was credited to the share premium account.

(vii) Subscription of new shares

On 5 July 2013, an aggregate of 34,370,000 subscription shares at the subscription price of HK$0.58 per subscription share have been issued by the Company in accordance with the terms of the subscription agreement dated 19 June 2013 and as amended by the supplementary agreement dated 27 June 2013.

On 2 October 2013, the Company and Max Sun entered into a subscription agreement, pursuant to which Max Sun conditionally agreed to subscribe for 90,163,934 subscription shares at HK$0.61 per consideration shares. On 11 December 2013, a total of 90,163,634 subscription shares have been successfully placed at the placing price of HK$0.61 per subscription share.

Notes to the Financial Statements

For The Year Ended 31 December 2013

41. Capital and Reserves *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Bermuda Companies Act.

(ii) Share-based compensation reserve

	2013 **HK$'000**	2012 HK$'000
At 1 January	**5,053**	11,162
Share options granted	**10,597**	3,502
Lapse of share options granted	**(657)**	(7,090)
Exercise of share options	**(4,881)**	(2,521)
At 31 December	**10,112**	5,053

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(x).

(iii) Capital reserve

The capital reserve of the Group represents (i) the decrease in non-controlling interests arising on acquisition of additional interests in non-wholly owned subsidiaries during the year ended 31 December 2012 and (ii) the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premiums of subsidiaries acquired through a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in October 1998.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(ab).

(v) Investment revaluation reserve

The investment revaluation reserve represents the change in fair value of the available-for-sale financial assets of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(h).

41. Capital and Reserves *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(vi) Contributed surplus

The contributed surplus of the Group represented the credit arising from capital reduction during the year ended 31 December 2011.

The contributed surplus of the Company represents (i) the difference between the aggregate net asset value of subsidiaries acquired as a result of the reorganisation in preparation for the listing of the Company's shares on the Stock Exchange and the nominal amount of the Company's shares issued for the acquisition; and (ii) the credit arising from capital reduction during the year ended 31 December 2011.

Under Section 54 of the Bermuda Companies Act, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Convertible notes reserve

The convertible notes reserve comprises the value of the equity component of unexercised convertible notes issued by the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(viii) Warrants reserve

The balance represented completion of warrants subscription on 17 July 2012 pursuant to the subscription agreement entered into between the Company and Max Sun Enterprises Limited ("Max Sun"), a substantial shareholder of the Company. An aggregate of 100,000,000 warrants (conferring the rights to subscribe for 100,000,000 warrant shares at the exercise price of HK$1.05 each) have been issued to Max Sun at the issue price of HK$0.02 per warrant share, less issuance costs of approximately HK$199,000. The subscription rights will be exercisable within 60 months from date of issue of warrants.

(d) Distributability of reserves

At 31 December 2013, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, the Company's contributed surplus in the amount of HK$567,611,000 (2012: HK$567,611,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,361,961,000 as at 31 December 2013 (2012: HK$3,206,691,000) may be distributed in the form of fully paid bonus shares.

Notes to the Financial Statements

For The Year Ended 31 December 2013

41. Capital and Reserves *(Continued)*

(e) Capital management

The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the balance as shown in the consolidated statement of financial position.

During 2013, the Group's strategy, which was unchanged from 2012, was to maintain the ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The adjusted gearing ratio as at 31 December 2013 and 2012 was as follow:

	2013 **HK$'000**	2012 HK$'000
Bank and other borrowings (note 34)	**191,017**	71,094
Convertible notes payables (note 33)	**96,485**	–
Promissory notes payables (note 35)	**47,697**	5,003
Obligations under finance leases (note 36)	**340**	414
Total borrowings	**335,539**	76,511
Less: Cash and cash equivalents (note 31)	**(87,104)**	(36,050)
Net debt	**248,435**	40,461
Total equity	**3,950,899**	3,796,205
Adjusted gearing ratio	**6%**	1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include available-for-sale investments, convertible note receivables, other non-current financial assets, bank and other borrowings, pledged bank deposits, cash and cash equivalents, trade and other receivables and trade and other payables, convertible note payables and promissory notes payables.

The Company's major financial instruments include cash and cash equivalents, other receivables, convertible notes receivables, other payables, bank and other borrowings, convertible notes payables and promissory notes payables.

Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) As at 31 December 2013, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated and Company's statement of financial position after deducting any impairment allowance.

(iii) The Group's credit risk is primarily attributable to trade and other receivables. In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not require collateral in respect of its financial assets. Debts are usually due within 30 days (2012: 30 days) from the date of billing.

(iv) The Group controls its credit risk on available-for-sale investments through monitoring their financial performance and credit ratings that are regularly reviewed.

(v) In respect of trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group do not have any concentration of credit risk. As at 31 December 2012, the Group had a certain concentration of credit risk as 40% of the total trade and other receivables was due from one debtor of the Group, which was included under "Other receivables" of the Group.

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(a) Credit risk *(Continued)*

(vi) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. With respect to credit risk arising from amounts due from subsidiaries, the Company's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good history of repayment and the Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(vii) The credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their ratings change.

(viii) In respect of amounts due from subsidiaries, the Company has a concentration of credit risk as 71% (2012: 71%) of the amounts due from subsidiaries are owed from two (2012: two) subsidiaries within the exploration of natural resources segment.

(ix) The Group has a concentration of credit risk on convertible notes receivables issued by an independent third party, amounting to HK$53,922,000 (2012: HK$3,139,000). The Group reviews the recoverable amount of convertible notes receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Except for the financial guarantees given by the Company as set out in note 48, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 48.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 29.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval of the board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to satisfy its contractual and reasonably foreseeable obligations as they fall due.

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(b) Liquidity risk *(Continued)*

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2013						2012					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities												
Trade and other payables	44,057	–	–	–	44,057	44,057	19,354	–	–	–	19,354	19,354
Bank and other borrowings	181,010	5,300	–	13,505	199,815	191,017	41,578	31,509	–	–	73,087	71,094
Obligations under finance leases	99	99	189	–	387	340	99	99	287	–	485	414
Convertible notes payable	17,320	88,647	–	–	105,967	96,485	–	–	–	–	–	–
Promissory notes payable	49,430	–	–	–	49,430	47,697	–	5,252	–	–	5,252	5,003
	291,916	94,046	189	13,505	399,656	379,596	61,031	36,860	287	–	98,178	95,865
Financial guarantee issued												
Maximum amount guaranteed (note 48)	–	–	–	–	–	–	–	–	–	–	–	–

The amounts included above for financial guarantee contracts represent the maximum amounts that the Group is required to pay if the guarantee was called upon in its entirety.

The Company

	2013						2012					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables	20,933	–	–	–	20,933	20,933	24,180	–	–	–	24,180	24,180
Other borrowings	120,635	5,300	–	13,505	139,440	134,113	–	31,509	–	–	31,509	30,135
Promissory notes payable	49,430	–	–	–	49,430	47,697	–	5,252	–	–	5,252	5,003
Convertible notes payable	17,320	88,647	–	–	105,967	96,485	–	–	–	–	–	–
	208,318	93,947	–	13,505	315,770	299,228	24,180	36,761	–	–	60,941	59,318
Financial guaranteed issued												
Maximum amount guaranteed (note 48)	–	–	–	–	–	–	–	–	–	–	–	–

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings, bank deposits and receivables. Borrowings and receivables at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

The Group's cash flow interest rate risk mainly concentrates on the fluctuation of market interest rate arising from the Group's bank deposits.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's bank deposits, receivables and borrowings at the end of the reporting period:

The Group

	2013		2012	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate bank deposits:				
Deposit with banks	**0.03%–9.89%**	**22**	9.89%	64
Pledged bank deposit	**3.25%**	**19,031**	–	–
		19,053		64
Fixed rate borrowings:				
Bank borrowings	**–**	**–**	6%	2,551
Other borrowings	**4%–20%**	**94,644**	4%–5%	68,543
Obligations under finance leases	**6.54%**	**340**	6.54%	414
Promissory notes payables	**3%–5%**	**47,697**	3%	5,003
Convertible notes payable	**3%–8%**	**69,487**	–	–
Total borrowings		**212,168**		76,511
Fixed rate receivables				
Amount due from a non-controlling shareholder	**4%**	**18,877**	4%	18,073
Amount due from an operator	**–**	**–**	6%	1,565
Convertible notes receivable	**8%–10%**	**53,922**	8%–10.51%	8,759
		72,799		28,397
Variable rate bank deposits:				
Cash at bank	**0.001%–0.35%**	**87,077**	0.001%–0.385%	35,983
Variable rate borrowings:				
Bank borrowings	**2.1%–2.45%**	**17,600**	–	–
Other borrowings	**5%**	**69,892**	–	–
		87,492		–

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile (Continued)

The Company

	2013		2012	
	Effective interest rates %	**HK$'000**	Effective interest rates %	HK$'000
Fixed rate bank deposits:				
Deposit with banks	–	–	–	–
Fixed rate borrowings:				
Other borrowings	4%–6%	46,621	4%	30,135
Promissory notes payables	3%–5%	47,697	3%	5,003
Convertible notes payable	3%–8%	69,487	–	–
Total borrowings		163,805		35,138
Fixed rate receivable:				
Convertible note receivable	8%	5,548	–	–
Variable rate bank deposits:				
Cash at bank	0.001%	77,707	0.001%–0.385%	608
Variable rate borrowings:				
Bank borrowing	2.1%–2.45%	17,600	–	–
Other borrowings	5%	69,892	–	–
		87,492		–

(ii) Sensitivity analysis

All of the bank and other borrowings, receivables, convertible note payables, promissory notes payables, convertible note receivable and deposit with banks of the Group and the Company which are fixed rate instruments are insensitive to any changes in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 December 2013, it is estimated that a general increase/decrease of 50 basis points in interest rates of variable rate bank deposits, and bank and other borrowings, with all other variables held constant, would increase/decrease the Group's and Company's loss after tax and accumulated losses by approximately HK$2,000 and HK$49,000 respectively (2012: decrease/increase the Group's and Company's loss after tax and accumulated losses by HK$180,000 and HK$3,000 respectively). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for 2012.

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities and investment in convertible note issued by a foreign company which give rise to convertible note receivable, cash and cash equivalents, trade and other receivables, trade and other payables and bank and other borrowings that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies give rise to this risk are primarily United States dollars. Presently, there is no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposures are shown in Hong Kong dollars, translated using the spot rate at the year end date.

	Exposure to foreign currencies (expressed in Hong Kong Dollars)					
	2013			2012		
	United States Dollars HK$'000	**RMB HK$'000**	**Euros HK$'000**	United States Dollars HK$'000	RMB HK$'000	Euros HK$'000
The Group						
Convertible notes receivable	**5,548**	**–**	**–**	8,759	–	–
Trade and other receivables	**13,633**	**3,199**	**–**	–	–	–
Cash and cash equivalents	**63,431**	**–**	**15**	33,358	–	14
Trade and other payables	**(1,315)**	**–**	**–**	–	–	–
Bank and other borrowings	**(69,892)**	**–**	**–**	–	–	–
Net exposure arising from recognised assets and liabilities	**11,405**	**3,199**	**15**	42,117	–	14

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

	Exposure to foreign currencies (expressed in Hong Kong Dollars)					
	2013			2012		
	United States Dollars HK$'000	**RMB HK$'000**	**Euros HK$'000**	United States Dollars HK$'000	RMB HK$'000	Euros HK$'000
The Company						
Convertible note receivable	**5,548**	**–**	**–**	–	–	–
Other receivables	**13,232**	**2,844**	**–**	–	–	–
Cash and cash equivalents	**62,280**	**–**	**15**	29	–	14
Other payables	**(1,315)**	**–**	**–**	–	–	–
Bank and other borrowings	**(69,892)**	**–**	**–**	–	–	–
Exposure arising from recognised assets and liabilities	**9,853**	**2,844**	**15**	29	–	14

(ii) Sensitivity analysis

The directors of the Company considered that the Group's exposure on foreign currency risk is not significant, accordingly, no sensitivity analysis has been presented. The management continuously monitors the foreign exchange exposure and will consider hedging foreign currency should the need arise.

(e) Price risk

The Group is engaged in petroleum-related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil. The management will consider hedging oil exposure should the need arises.

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments (see note 26).

Sensitivity analysis

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

At 31 December 2013, it is estimated that an increase/(decrease) of 5% (2012: 5%) in the period return of comparable companies, with all other variables held constant, would have decreased/increased the Group's other comprehensive loss (and investment revaluation reserve) by HK$5,044,000 (2012: HK$1,887,000) as a result of the revaluation of available-for-sale investments.

The sensitivity analysis indicates the instantaneous change in the Group's other comprehensive loss and other components of consolidated equity that would arise assuming that the changes in the period return of comparable companies had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the period return of comparable companies and that all other variables remain constant.

(g) Fair value measurements

(i) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's and the Company'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.

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair value measurements *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

Valuations for the financial instruments, including available-for-sale investments, convertible notes receivables and convertible notes payables, which are categorised into Level 3 of the fair value hierarchy are prepared by independent valuers, and are reviewed and approved by the management of Group. Discussion of the valuation process and results are made to coincide with the reporting dates.

Information about level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Unlisted available-for-sale investments	Market comparable companies	Discount for lack of marketability	–
Convertible notes receivables — conversion option embedded in convertible notes	Option pricing model	Expected volatility	15.826% to 23.135% (2012: 31.64%–322.56%)
Convertible notes payables — convertible option embedded in convertible notes	Option pricing model	Expected volatility	20.433% to 62.5378% (2012: Nil)

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair value measurements *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy

The Group

	Fair value at 31 December 2013 HK$'000	Fair value measurements as at 31 December 2013 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted	**100,878**	**–**	**–**	**100,878**
Liabilities:				
Derivative financial instruments:				
— Conversion option embedded in convertible notes	**5,439**	**–**	**–**	**5,439**

	Fair value at 31 December 2012 HK$'000	Fair value measurements as at 31 December 2012 categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
— Unlisted	37,746	–	–	37,746
Derivative financial instruments:				
— Conversion option embedded in convertible notes	272	–	–	272

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair value measurements *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The Company

	Fair value at 31 December 2013 HK$'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Liabilities:				
Derivative financial instruments:				
— Conversion option embedded in convertible notes	**5,439**	**–**	**–**	**5,439**

	Fair value at 31 December 2012 HK$'000	Fair value measurements as at 31 December 2012 categorised into		
		Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Derivative financial instruments:				
— Conversion option embedded in convertible notes	–	–	–	–

Notes to the Financial Statements

For The Year Ended 31 December 2013

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair value measurements *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

During the years ended 31 December 2012 and 2013, there was no transfers between Level 1 and level 2, or transfers into or out of Level 3 (2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The movements during the period in the balance of these Level 3 fair value measurements of financial assets are as follows:

	The Group		
	Unlisted available-for sale investments HK$'000	**Conversion options embeded in convertible notes** HK$'000	**Total** HK$'000
As 1 January 2013	37,746	272	38,018
Total gains recognised in other comprehensive income	8,680	–	8,680
Purchase	54,452	–	54,452
Issues	–	–	–
Disposals/settlements	–	(272)	(272)
At 31 December 2013	100,878	–	100,878
At 1 January 2012	37,501	–	37,501
Total gains recognised in other comprehensive income	245	–	245
Purchase	–	272	272
At 31 December 2012	37,746	272	38,018

42. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair value measurements *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The movements during the period in the balance of these Level 3 fair value measurements of financial liabilities are as follows:

	The Group and the Company
	Conversion options embedded in convertible notes HK$'000
As 1 January 2013	–
Issued during the year	65,141
Converted during the year	(55,741)
Total gains recognised in the statement of profit or loss included in other net income	(3,961)
At 31 December 2013	5,439

The total losses for the year included an unrealised gain of HK$3,961,000 relating to financial liabilities that are measured at fair value at the end of the reporting period (2012: HK$Nil). Such fair value gains or losses are included in other net income.

All gains included in other comprehensive income for the current year relate to unlisted available-for-sale investments held at the end of the reporting period and are reported as changes of investment revaluation reserve.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2013.

Notes to the Financial Statements

For The Year Ended 31 December 2013

43. Acquisition of Subsidiaries

(a) Business Combination

(i) On 13 March 2013, the Group acquired 100% equity interest of Golden Giants Limited ("Golden Giants"), which in turn have 75% interest on 30 wells in Altamont-Bluebell area of Uinta Basin. At completion date, an aggregate consideration of HK$52,342,000 was paid by the Company by issuance of HK$38,475,000 convertible notes (note 33 (a)(i)) and HK$13,867,000 promissory notes (note 35). Golden Giants and its subsidiary, Tiger Energy Partners International, LLC ("TEPI") are engaged in oil exploitation and production business and its principal activity is developing, exploiting and producing of potential oil and gas properties in Altamont-Bluebell areas of Uinta Basin. The acquisition provided the Group an opportunity to broaden its investment portfolio in Utah, and as well can provide synergy to the existing business in Natural Buttes area of Uinta Basin.

Included in the loss for the year approximately HK$4,121,180 was attributable to Golden Giants and TEPI. Both companies did not contribute any revenue to the Group for the year.

Had the business combination been effected on 1 January 2013, the loss for the year would have been HK$33,196,000. The directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in the future periods.

The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Fair value HK$'000
Intangible assets (note 19)	154,372
Cash and cash equivalents	5,822
Other payables	(9,500)
Deferred tax liabilities (note 37(c))	(47,322)
Net assets	103,372
Fair value of consideration transferred:	
Convertible notes (note 33(a)(i))	38,475
Promissory notes (note 35)	13,867
	52,342
Add: Non-controlling interests (note (c))	25,842
Less: Fair value of identifiable net assets acquired	(103,372)
Gain on bargain purchase (note (a))	(25,188)

	HK$'000
Net cash inflow on acquisition	
Consideration paid in cash	–
Less: Cash and cash equivalents balance acquired	(5,823)
	(5,823)

43. Acquisition of Subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(i) *(Continued)*

Notes:

(a) The gain arose on acquisition of Golden Giants was recorded as a gain on bargain purchase in the consolidated statement of profit or loss. In the opinion of the directors, as the vendor has no intention to contribute significant funds in the oil production and exploration required and therefore sold equity interest in Golden Giants to make an exit for the additional funds required which in turn resulting in a discount in this acquisition. In addition, the discount on the cost of consideration paid to acquire Golden Giants was to compensate the inherent risk arising from the oil exploration and production business. The Company has reassessed the fair value of identifiable net assets and considered the value of net assets acquired was measured reliably.

(b) The gain on bargain purchase arising from the acquisition of Golden Giants is determined on a provisional basis as the Company is in the process of identifying and obtaining independent valuation to assess the fair value of the identifiable tangible and intangible assets. The gain on bargain purchase may be adjusted upon the completion of initial accounting year.

(c) The fair value of the non-controlling interests was estimated by using the fair value of net assets acquired, based on the proportional method, of 25% interest on TEPI.

(ii) On 31 October 2013, the Group acquired of 100% equity interest in Guizhou Kunyu, a company engaged in distribution of natural gas, for a consideration of RMB65,100,000 (equivalent to approximately HK$81,607,000 (note 22(c)(i)). As a result of the acquisition, the Group is expected to expand its business in the distribution of natural gas.

Included in the loss for the year is HK$2,140,000 attributable to Guizhou Kunyu. Revenue for the year includes HK$1,085,000 in respect of Guizhou Kunyu.

Had the business combination been effected on 1 January 2013, the revenue of the Group and loss for the year would have been approximately HK$328,280,000 and HK$42,523,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Notes to the Financial Statements

For The Year Ended 31 December 2013

43. Acquisition of Subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(ii) *(Continued)*

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Fair value HK$'000
Property, plant and equipment (note 17(a))	30,073
Lease prepayments	4,107
Intangible assets (Operation rights) (note 19)	56,630
Interest in associate	15,165
Inventories	72
Trade and other receivables	52,358
Cash and cash equivalents	179
Trade and other payables	(76,600)
Bank and other borrowings	(16,429)
Deferred tax liabilities (note 37(c))	(14,392)
Total identifiable net assets	51,163
Consideration transferred:	
Cash	46,887
Fair value of convertible notes	35,386
	82,273
Less: Fair value of identifiable net assets acquired	(51,163)
Goodwill arising on acquisition (note 20)	31,110
Consideration, satisfied in cash	46,887
Less: Deposits paid (note 22(c)(i))	(12,280)
Cash and cash equivalent balances acquired	(179)
Net cash outflow	34,428

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised of trade and other receivables) approximated to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of receivables were expected to be collected.

The goodwill of HK$31,110,000 arising from the acquisition is attributable to the anticipated cash flows from the distribution of natural gas business and the anticipated future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

Notes to the Financial Statements

For The Year Ended 31 December 2013

43. Acquisition of Subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(iii) On 3 December 2013, the Group acquired of 100% equity interest in Guizhou Shunyao, a company engaged in distribution of natural gas, for a consideration of RMB26,920,000 (equivalent to approximately HK$33,760,000 (note 22(c)(ii)). As a result of the acquisition, the Group is expected to expand its business in the distribution of natural gas.

Included in the loss for the year is HK$2,000 attributable to Guizhou Shunyao. Guizhou Shunyao did not contribute any revenue to the Group for the year.

Had the business combination been effected on 1 January 2013, the loss for the year would have been HK$31,845,000. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed are as follows:

	Fair value HK$'000
Property, plant and equipment (note 17(a))	403
Intangible assets (Operating rights) (note 19)	10,442
Prepayment, deposits and other receivables	28,051
Cash and cash equivalents	6
Trade and other payables	(4,748)
Deferred tax liabilities (note 37(c))	(2,634)
Total identifiable net assets	31,520
Consideration transferred:	
Cash	16,433
Fair value of convertible notes	17,597
	34,030
Less: Fair value on identifiable net assets acquired	(31,520)
Goodwill arising on acquisition (note 20)	2,510
Consideration, satisfied in cash	16,433
Less: Deposits paid (note 22(c)(ii))	(8,596)
Cash and cash equivalent balances acquired	(6)
Net cash outflow	7,831

Notes to the Financial Statements
For The Year Ended 31 December 2013

43. Acquisition of Subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(iii) *(Continued)*

In the opinion of the directors of the Company, the fair value of the receivables acquired approximated to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of receivables were expected to be collected.

The goodwill of HK$2,510,000 arising from the acquisition is attributable to the anticipated cash flows from the distribution of natural gas business and the anticipated future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

(b) Acquisition of assets through acquisition of a subsidiary

On 2 October 2013, the Group had entered into an acquisition agreement with Max Sun, pursuant to which Max Sun agreed to sell, and the Company agreed to buy the entire issued share capital of Big Trade Investments Limited ("Big Trade") at a consideration of approximately HK$55,359,000, which shall be satisfied by way of the allotment and issue of 90,752,900 consideration shares at HK$0.61 per consideration share.

Big Trade is a company incorporated in the British Virgin Islands and is an investment holding company. Big Trade has not carried out any business since its incorporation and the principal asset of Big Trade is the holding of 474,983 shares in Nordaq, representing approximately 7.65% of the issued share capital of Nordaq.

The fair value of the assets acquired at the date of acquisition amounted to approximately HK$55,245,000.

The acquisition was completed on 23 December 2013. An aggregate of 90,752,900 ordinary shares were issued, of which HK$45,376,000 was credited to the share capital and the balance of HK$9,076,000 was credited to the share premium account.

44. Disposal of Subsidiaries

(a) During the year ended 31 December 2013

During the year ended 31 December 2013, the Group disposed of the following subsidiaries:

Name of company	**Principal activities**	**Date of disposal**	**Group's effective interest** %	**Consideration received** HK$'000
Cloud Decade Limited	Investment holding	6 February 2013	100%	18
Crown Castle Limited	Not yet commenced business	6 February 2013	100%	– (remark)

Remark: Crown Castle Limited is a wholly-owned subsidiary of Cloud Decade Limited. Upon disposal of Cloud Decade Limited, Crown Castle Limited ceased to be a subsidiary of the Group.

44. Disposal of Subsidiaries *(Continued)*

(a) During the year ended 31 December 2013 *(Continued)*

Analysis of asset and liabilities over which control was lost:

	Total HK$'000
Current assets	–
Current liabilities	–
Net assets/liabilities disposed of	–

Gain on disposal of subsidiaries:

	Total HK$'000
Consideration received	18
Net assets/liabilities disposed of	–
Gain on disposal	18

Gain on disposal is included in the loss for the year ended 31 December 2013 in the consolidated statement of profit or loss.

Net cash inflow on disposal of subsidiaries

	HK$'000
Net cash inflow on disposal of subsidiaries	
Consideration received in cash and cash equivalents	18
Less: Cash and cash equivalent balances disposed of	–
	18

Notes to the Financial Statements

For The Year Ended 31 December 2013

44. Disposal of Subsidiaries *(Continued)*

(b) During the year ended 31 December 2012

As detailed in note 24, on 17 December 2012, the Group disposed of 11% equity interest in 深圳志來 at a consideration of RMB550,000 (equivalent to approximately HK$684,000), decreasing its effective interest in 深圳志來 from 51% to 40%. Accordingly, 深圳志來 and its wholly-owned subsidiaries, Sihui Zhilai and HK Zhilai ceased to be subsidiaries of the Group. These subsidiaries were included under "General trading" reportable segments.

	2012 HK$'000
Consideration receivable in cash and cash equivalents	684
Total consideration received	684
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	493
Trade and other receivables	1,152
Non-current assets	
Property, plant and equipment (note 17(a))	379
Current liabilities	
Trade and other payables	(20,675)
Net liabilities disposed of	(18,651)
Gain on partial disposal of a subsidiary	
Consideration received	684
Net liabilities disposed of	18,651
Non-controlling interests	(10,919)
Cumulative exchange differences in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of a subsidiary	2,035
Gain on partial disposal	10,451

Net cash inflow on disposal of subsidiaries

	HK$'000
Net cash inflow on partial disposal of subsidiaries	
Consideration received in cash and cash equivalents	684
Less: Cash and cash equivalent balances disposed of	(493)
	191

45. Transactions with Non-Controlling Interests

Acquisition of additional interests in subsidiaries

(a) On 25 March 2013, the Group completed the acquisition of additional 22% ownership interests of New Phoenix. The carrying amount of the non-controlling interests in New Phoenix on the date of acquisition was approximately HK$3,946,000. The Group recognised a decrease in non-controlling interests of approximately HK$3,946,000 and a decrease in equity attributable to owners of the Company of approximately HK$9,954,000.

(b) On 11 April 2013, the Group completed the acquisition of an additional 9.25% interests of the Concessions at a consideration of HK$150,000,000. The carrying amount of non-controlling interests in the UTE on the date of acquisition was approximately HK$12,641,000. The Group recognised an increase in non-controlling interests of approximately HK$12,641,000 and a decrease in equity attributable to owners of the Company of approximately HK$160,701,000.

(c) On 1 July 2013 and 31 December 2013, the Group completed the acquisition of additional 17.5% ownership interests of ET-LA and ET-LA(2). The carrying amount of the non-controlling interests in ET-LA and ET-LA(2) on the date of acquisition was approximately HK$4,014,000. The Group recognised a decrease in non-controlling interests of approximately HK$4,014,000 and an increase in equity attributable to owners of the Company of approximately HK$4,752,000.

(d) During the year ended 31 December 2012, the Group further acquired 2.5% ownership interests in ET-LA and ET-LA(2) respectively, increasing its effective interests to 82.5%. An amount of approximately HK$6,000 has been transferred non-controlling interests.

The effect of the above changes in ownership interests on the equity attributable to owners of the Company during the year is summarised as follows:

	2013 HK$'000	2012 HK$'000
Carrying amount of non-controlling interests acquired	**(4,681)**	6
Consideration paid to non-controlling interests	**(161,222)**	–
Excess of consideration paid recognised within equity	**(165,903)**	6

Notes to the Financial Statements

For The Year Ended 31 December 2013

46. Material Related Party Transactions

The Group has a related party relationship with the following parties:

Name of party	Relationship
New World Tower Company Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
CiF Solutions Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Maxipetrol-Petroleros de Occidente S.A.	Non-controlling member of the UTE
Cheung Hung Development (Holdings) Limited	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive director of the Company, is a common director.
China Venturetechno International Co., Ltd.	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive director of the Company, is a common director.
深圳大乘能源投資有限公司	The company is wholly-owned by Mr. Sun Jiang Tian, an executive director of the Company; and resigned on 28 June 2013.
Nova Insurance Consultants Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato' Dr. Cheng Yu Tung, the ultimate beneficiary of the Company

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

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

	Related parties	Nature of transactions	**2013 HK$'000**	2012 HK$'000
(i)	New World Tower Company Limited	Rent, rates and management fee	**1,310**	961
(ii)	CiF Solutions Limited	IT management and support	**130**	82
(iii)	Maxipetrol – Petroleros de Occidente S.A.	Seismic advisory	**–**	1,134
(iv)	China Venturetecho International Co., Ltd.	Interest expenses	**584**	276
(v)	Cheung Hung Development (Holdings) Limited	Rent, rates, management fee and other expenses	**829**	–
(vi)	深圳大乘能源投資有限公司	Consultancy fee	**–**	983
(vii)	Nova Insurance Consultants Limited	Insurance	**–**	203

Note:

The terms for all the above transactions are agreed by the parties concerned.

46. Material Related Party Transactions *(Continued)*

(b) Financing arrangement

	The Group			
	Amounts due from/(to) related parties		Related Interest expenses	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts due from non-controlling shareholders	**19,162**	21,012	**723**	81
Loan due to a related party	**15,320**	10,276	**584**	276
Amount due to a non-controlling shareholder	**(18,073)**	(28,132)	**–**	–

Details of the terms and conditions of the amounts due from non-controlling shareholders, loan to a related party and amount due to a non-controlling shareholder are disclosed in note 29(e) and 34(b)(iii) respectively.

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other short-term employee benefits	**5,843**	4,854
Post employment benefits	**1,548**	43
Shared based payment	**3,290**	–
	10,681	4,897

Total remuneration is included in "staff costs" (see note 6(b)).

Notes to the Financial Statements

For The Year Ended 31 December 2013

47. Commitments

(a) Capital commitments outstanding at 31 December 2013 not provided for in the consolidated financial statements were as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted for		
— Acquisition of subsidiaries (note 22(c))	**–**	121,889
— Acquisition of interests in the rights of oil exploration and exploitation (note 22(a))	**5,000**	5,000
— Investment in an associate	**25,375**	–
— Deposit paid for potential investment (note 22(e))	**53,421**	–
	83,796	126,889

(b) Commitments under operating leases

As at 31 December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**2,968**	1,163
In the second to fifth year inclusive	**4,481**	2,263
	7,449	3,426

The Group leases its offices under operating lease arrangements. The leases for properties are negotiated for a term of one to three years. None of the leases includes contingent rentals.

Included in the balance of approximately HK$2,382,000 (2012: approximately HK$3,426,000) was paid to New World Tower Company Limited, a related party of the Group.

48. Financial Guarantee

During 2013 and 2012, the Company had given a corporate guarantee to a bank in connection with banking facilities granted by the bank to a subsidiary. At 31 December 2013, such facilities were drawn down by the subsidiary to the extent of HK$Nil (2012: HK$Nil). The maximum liability of the Company at 31 December 2013 under the guarantee issued represents the amount drawn down by the subsidiary of HK$Nil (2012: HK$Nil). No recognition was made because the fair value of the guarantee was insignificant and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

49. Events After The Reporting Period

Other than disclosed elsewhere in the financial statements, the following events took place after the reporting period:

(a) On 28 February 2014 and subsequently on 11 March 2014, Jumbo Hope Group Limited ("Jumbo Hope"), a wholly-owned subsidiary of the Company, entered into with New World Tower Company Limited (the "Landlord"), a connected person (as defined in the Listing Rules), in respect of (i) the lease of Room 1401, 14/F., effect from 1 March 2014 to 31 May 2014 (both dates inclusive), (ii) offer letter of tenancy in respect of the lease of Room 1402, 14/F., New World Tower, Nos. 16-18 Queen's Road Central, Hong Kong for a term commencing from 15 March 2014 to 14 March 2017 (both dates inclusive) and (iii) the offer letter of tenancy renewal dated 28 February 2014 entered into between Jumbo Hope and the Landlord in respect of the lease of lease premises for a term commencing from 1 June 2014 to 31 May 2017 (both dates inclusive).

The above transactions constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

(b) On 7 February 2013, Total Belief and Goldlink Capital Limited, a wholly-owned subsidiary of China Print Power Group Limited (stock code: 6828.HK) ("China Print Power") entered into a non-legally binding memorandum of understanding ("Memo") in relation to the proposed disposal of up to 100% of the issued share capital of Shine Great Investments Limited, a wholly-owned subsidiary of Total Belief which, through its subsidiaries in the PRC, holds certain natural gas projects in the PRC. The consideration shall be determined with reference to the valuation report to be prepared by an independent third party and shall be satisfied by one or a combination of (i) cash; (ii) newly issued ordinary shares of China Print Power; and (iii) newly issued convertible bonds of China Print Power. The Memo shall be valid for up to 60 days after the execution of the Memo, that is, 6 April 2013 or such period as extended. On 11 June 2013 and 30 December 2013, the parties was entered into supplemental memo to extend the exclusivity period to 30 September 2014.

Further on 20 February 2014, Total Belief and Goldlink Capital Limited have entered into a further supplemental memo to amend the term of the Memo for an additional earnest money in the amount of HK$12,000,000 ("Second Earnest Money") that shall be payable by Goldlink Capital Limited to Total Belief upon signing of the further supplemental memo.

If the transaction documents cannot be executed by the parties within the exclusivity period under the Memo, Total Belief shall refund and return the Second Earnest Money, together with the initial earnest money previously paid by Goldlink Capital Limited under the Memo, in the total amount of HK$14,000,000, to Goldlink Capital Limited in full at an interest rate of 6% per annum within 7 business days upon the expiry of such exclusivity period.

Up to the date when the financial statements are authorised for issue, no legally binding agreement has been entered into.

Notes to the Financial Statements

For The Year Ended 31 December 2013

50. Accounting Estimates and Judgements

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period. Note 27, 33, 39 and 42 contain information about the assumptions and their risk factors relating to convertible promissory note receivables, convertible notes payables, equity-settled share-based transactions and financial instruments. Other judgements made by the management in the application of HKFRSs that may 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.

(i) Impairment of exploration and evaluation assets

Recoverable amounts of exploration and evaluation assets are determined when facts and circumstances suggest that the carrying amounts may exceed their recoverable amounts and requires an estimation of the existence and the amounts of hydrocarbons that can be explored in the oil fields. The Group relied on experts to assess the geological risk of discovering hydrocarbons in the oil fields and estimated the value of exploration opportunities and development potential.

The carrying amount of exploration and evaluation assets as at 31 December 2013 was HK$3,523,992,000 (2012: HK$3,593,059,000).

(ii) Impairment of property, plant and equipment and lease prepayments

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

The carrying amount of property, plant and equipment and lease prepayments as at 31 December 2013 was HK$44,246,000 (2012: HK$13,501,000) and HK$3,530,000 (2012: HK$Nil) respectively.

(iii) Impairment of oil production assets included in property, plant and equipment

The carrying amounts of the oil production assets are assessed for impairment where there is impairment indication suggesting that the carrying amounts of them may exceed their recoverable amounts. The Group's determination as to whether they are impaired requires an estimation of the recoverable amount of the assets. The Group relied on experts to assess the geological prospects for the discovery of oil in the oil field and estimated the value of oil to be produced in the future at a suitable discount rate in order to calculate the present value. The Group's carrying value of the oil production assets included in property, plant and equipment as at 31 December 2013 was HK$10,406,000 (2012: HK$9,361,000). Details of impairment on oil production assets are set out in note 17.

Judgement is required by the directors to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

50. Accounting Estimates and Judgements *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(iv) Impairment of receivables

The Group maintains an allowance for impairment loss on trade and other receivables based upon an evaluation of the irrecoverability, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required.

The carrying amount of receivables and convertible notes receivables as at 31 December 2013 was HK$67,065,000 (2012: HK$50,865,000) and HK$53,922,000 (2012: HK$8,759,000) respectively. Details of impairment on receivables are set out in notes 29 and 27.

(v) Impairment for investment in subsidiaries, joint ventures and associates

If circumstances indicate that the investment in subsidiaries, joint ventures and associates may not be recoverable, investment in subsidiaries, joint ventures and associates may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of Assets. The carrying amount of investment in subsidiaries, joint ventures and associates is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for investment in subsidiaries, joint ventures and associates are not readily available. In determining the value in use, expected cash flows generated by the investment in subsidiaries, joint ventures and associates are discounted to their present value, which requires significant judgment relating to level of sales volume, tariffs and amount of operating costs of the subsidiaries, joint ventures and associates. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariffs and amount of operating costs of the subsidiaries, joint ventures and associates.

The carrying amounts of investment in subsidiaries, joint ventures and associates as at 31 December 2013 were HK$3,598,610,000 (2012: HK$3,540,052,000), HK$2,681,000 (2012: HK$2,836,000) and HK$15,225,000 (2012: HK$Nil) respectively. Details of impairment for investment in subsidiaries, joint ventures and associates are set out in notes 21, 23 and 24 respectively.

(vi) Impairment of non-financial assets (other than goodwill, exploration and evaluation assets and oil production assets included in property, plant and equipment)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Financial Statements

For The Year Ended 31 December 2013

50. Accounting Estimates and Judgements *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(vii) Depreciation and amortisation

Property, plant and equipment, intangible assets and lease prepayments are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

The carrying amount of property, plant and equipment, intangible assets and lease prepayments as at 31 December 2013 was HK$44,246,000 (2012: HK$13,501,000), HK$222,692,000 (2012: HK$4,746,000) and HK$3,530,000 (2012: HK$Nil) respectively. Details of depreciation on property, plant and equipment and amortisation on intangible assets and lease prepayment are set out in note 17, 19 and 18 respectively.

(viii) Taxation

The Group is subject to various taxes in HK, PRC, Argentina and US where group entities operate. Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

The carrying amounts of tax recoverable, current taxation and deferred tax liabilities as at 31 December 2013 was HK$483,000 (2012: HK$Nil), HK$358,000 (2012: HK$500,000) and HK$64,348,000 (2012: HK$734,000) respectively. Details of current taxation and deferred tax liabilities taxes are set out in note 37.

(ix) Estimation of oil reserves

Oil reserves are key elements in the Group's investment decision-making process. It is also an important element in testing for impairment. Changes in the estimated proven oil reserves may affect the carrying amount of the exploration and evaluation assets and provisions. Proven reserve estimates are subject to revision, either upward or downward, based on the new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, change in the estimation of oil reserves resulting from new information being available from development and production activities have tended to be the most significant cause of annual revisions.

50. Accounting Estimates and Judgements *(Continued)*

(a) Key sources of estimation uncertainty *(Continued)*

(x) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investments is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of HK$7,171,000 in its 2013 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale investments to profit or loss.

(xi) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK$33,620,000 (2012: HK$Nil). Details of the goodwill are provided on note 20 to the financial statements.

(xii) Provisions

Provisions for compensation to surface owners and future costs of plugging and abandonment of oil and gas properties are determined by the management based on their best estimates of the current and future cost and past experiences. If the expectation differs from the original estimate, such difference will impact the cost of production charged in the year in which such estimate is changed.

As at 31 December 2013, the carrying amount for provision was HK$3,373,000 (2012: HK$4,670,000). Details are set out in note 38.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(i) Control over UTE

Note 21 describes that UTE is a subsidiary of the Group where the Group has 69.25% interests in the UTE. The directors assessed whether or not the Group has control over UTE based on whether the Group has the practical ability to direct the relevant activities of UTE unilaterally. In making their judgement, the directors considered the Group's control in UTE. After assessment, the directors concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of UTE and therefore the Group has control over UTE.

Notes to the Financial Statements

For The Year Ended 31 December 2013

50. Accounting Estimates and Judgements *(Continued)*

(b) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(ii) Control over Grey Hawk

Note 26 describes that Grey Hawk is not a subsidiary of the Group although the Group has over 50% ownership interests in Grey Hawk. Details of Grey Hawk are set out in note 26. The directors assessed whether or not the Group has control over Grey Hawk based on whether the Group has the practical ability to direct the relevant activities of Grey Hawk unilaterally. In making their judgement, the directors considered the Group's control in Grey Hawk. After assessment, the directors concluded that the Group does not have sufficiently dominant voting interest to direct the relevant activities of Grey Hawk and therefore the Group does not have control over Grey Hawk.

51. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[5]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
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]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalized.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 July 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Years Financial Summary

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**322,855**	129,007	128,857	57,252	9,196
LOSS BEFORE TAXATION	**(31,423)**	(60,142)	(121,509)	(73,837)	(36,001)
INCOME TAX	**(400)**	448	(577)	(6,539)	27
PROFIT/(LOSS) ATTRIBUTABLE TO					
— Owners of the Company	**3,771**	(39,917)	(87,410)	(66,057)	(31,934)
— Non-controlling interests	**(35,594)**	(19,777)	(34,676)	(14,319)	(4,040)
	(31,823)	(59,694)	(122,086)	(80,376)	(35,974)

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**4,209,999**	3,785,662	3,879,804	3,642,538	3,292,565
Current assets	**201,959**	113,608	67,984	266,977	243,814
Total assets	**4,411,958**	3,899,270	3,947,788	3,909,515	3,536,379
Current liabilities	**298,024**	62,183	231,478	238,686	106,841
Non-current liabilities	**163,035**	40,882	5,587	1	13
Total liabilities	**461,059**	103,065	237,065	238,687	106,854
	3,950,899	3,796,205	3,710,723	3,670,828	3,429,525

Glossary

BBL	Barrel
BCF	Billion cubic feet
BOE	Barrels of oil equivalent
BOPD	Barrels of oil per day
MBBL	Thousand barrels of oil
MBOE	Thousand barrels of oil equivalent
MCF	Thousand cubic feet
MMBBL	Million barrels of oil
MMCF	Million cubic feet
MMBOE	Million barrels of oil equivalent
Possible reserves	Additional reserves that are less certain to be recovered than Probable reserves
Probable reserves	Additional reserves that are less certain to be recovered than Proven reserves but which, together with Proven reserves, are as likely as not to be recovered
Proven reserves	Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible
1P reserves	Proven reserves
2P reserves	Proven reserves + Probable reserves
3P reserves	Proven reserves + Probable reserves + Possible reserves