LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED
樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

2014 Annual Report 年報

Stock Code 股份代號：00988

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Corporate Information

EXECUTIVE DIRECTORS

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu *(Deputy Chairman)*
Lau Yu *(Chief Executive Officer)*
Ng Tze For
Li Xiao Juan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy So Yuk, *BBS, JP*
Gao Wen Ping
Leung Yuen Wing

AUDIT COMMITTEE

Leung Yuen Wing *(Chairman)*
Choy So Yuk, *BBS, JP*
Gao Wen Ping

REMUNERATION COMMITTEE

Choy So Yuk, *BBS, JP (Chairman)*
Gao Wen Ping
Leung Yuen Wing

NOMINATION COMMITTEE

Cai Sui Xin *(Chairman)*
Zhao Cheng Shu
Choy So Yuk, *BBS, JP*
Gao Wen Ping
Leung Yuen Wing

EXECUTIVE COMMITTEE

Lau Yu *(Chairman)*
Zhao Cheng Shu
Ng Tze For
Li Xiao Juan

AUTHORISED REPRESENTATIVES

Ng Tze For
Chiu Yuk Ching

COMPANY SECRETARY

Chiu Yuk Ching

AUDITORS

Ascenda Cachet CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

ADR DEPOSITARY

The Bank of New York Mellon Corporation
101 Barclay Street, 22nd Floor,
New York, NY 10286
USA

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch
Citic Bank International Limited
DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited
OCBC Wing Hang Bank Limited

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Loudong General Nice Resources (China) Holdings Limited (the "Company"), I present you the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014 (the "Review Year").

2014 was without doubt a difficult year for the Group as it reported a second year of loss, despite substantially lower than the huge loss posted in the preceding financial year. In the Review Year, the Group's revenue and gross profit amounted to approximately HK$5,825,864,000 and HK$639,089,000 respectively. Loss attributable to owners of the Company for the Review Year amounted to approximately HK$376,988,000. For the year ended 31 December 2014, basic loss per share for continuing operations has recorded HK$0.16.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

In 2014, China's economic development has entered a "New Normal" phase of slower but probably more sustainable growth stage, with a 7.4% GDP recorded for the year, which was robust by international standard but still the slowest in 24 years, according to the National Bureau of Statistics. Chinese steel output inched up a meagre 0.9% to 822.7 million tonnes in 2014, the slowest pace of growth since 1981, because of slumping property market, excess factory capacity and government suppression on pollution. As a result, China's coking industry was struggling with met coke prices stuck around historic lows and coke production inched up just 0.1% to 476 million tonnes in 2014, the smallest rate of increase since 2008.

To cope with the tough macroeconomic environment in coking industry, the Group continued to expand its trading business by extending from coke to other related commodities such as coal, iron ores and non-ferrous metals, as a key measure to diversify and broaden its business base.

In addition, in the Review Year, the Group completed the acquisition of oil wells in the State of Illinois and the State of Indiana in the United States. The total net proved and probable light and medium oil reserves of the oil wells amounted to 2.3 million barrels. The acquisition formed part of the Group's development strategy to diversify its investment in the resources industry other than coal and coke.

Meanwhile, the Group is constantly pursuing various new investment opportunities and co-operation with other strategic partners in order to maximize values for the shareholders. At present, the Group is actively studying potential prospects in China's logistics-warehousing business and other resources business. The recent acquisition of the oil business was in line with the diversification and sustainable development strategy of the Group, and the Board is optimistic that more mergers and acquisitions are in the horizon that will add to the Group a dynamic growth.

Chairman's Statement

Looking ahead, the business environment remains very challenging as deflation and downward pressure on China's economy is intensifying. Yet, the Group has been always alert on these business risks while stay focus on any opportunities with development potential to transform the Group into a sustainable growth engine. To achieve this goal, the Group is open in introducing new strategic investors or partners, both private and state-owned, in the long run.

On behalf of the Board, I would like to express our sincere appreciation to our shareholders, customers and business partners as well as the significant contribution of our committed staff members in the past year.

Chairman
Cai Sui Xin

30 March 2015

FINANCIAL RESULTS

For the year ended 31 December 2014, the Group recorded revenue from operations of approximately HK$5,825,864,000 (2013: approximately HK$3,105,949,000), representing a 87.6% increase from the previous year, thanks to the expansion of the Group's minerals trading business during the year. However, the Group's gross profit dropped slightly to approximately HK$639,089,000 for the year ended 31 December 2014 from approximately HK$648,004,000 recorded in 2013, with the gross profit margin decreased to 11% from 20% in prior year, as a result of falling coke prices and lower gross profit margin of the trading business segment.

The loss attributable to the owners of the Company for the year ended 31 December 2014 was approximately HK$376,988,000. The loss attributable to the owners of the Company in 2013 was HK$2,581,507,000. The loss was substantially decreased primarily due to the considerable reduction in impairment on the Company's existing plant facilities as compared to prior year.

BUSINESS REVIEW

In 2014, China's coking industry remained lukewarm and coke prices kept falling to its lowest level in 7 years as the industry was confronted with oversupply while the vast majority of coke producers continued suffering considerable losses. Further weakening of the steel market and tight credit also reduced purchasing from steel mills for the steelmaking material, forcing many plants to run at low level of capacity utilization. The National Bureau of Statistics data showed China's coke output reached 476.9 million tonnes in 2014, edging up a meagre 0.12% from a year ago, compared to a year-on-year growth of 8.1% in 2013, mainly due to sluggish demand and the government's environmental protection campaign.

The Group's coking business consisted of two major segments, the coke manufacturing and trading business. The manufacturing facilities, located in Shanxi province, composed of a coke manufacturing plant and an electricity-generating unit, which generated electricity for self-utilization with surplus power sold to third parties and local government. The trading business line used to focus on direct procurement and sales of metallurgical coke from other manufacturers in the past years. In 2014, with a view to expand its trading business, the Group extended the trading commodities from metallurgical coke to other related metals and minerals such as coal, iron ore and other non-ferrous metals.

During the year, the coke manufacturing and commodities trading segments generated turnover of approximately HK$1,592,555,000 and HK$4,232,798,000 respectively. For the first time, commodities trading business turnover surpassed coke manufacturing segment and indicated the Group's continued pursue to broaden business base to maximize value for the shareholders.

Yet, the increase in income tax expense, largely due to higher revenue and profits generated from the trading activities, continued to erode a large portion of the gross profit. As a handful of our suppliers did not provide sufficient valued-added tax invoices for the purchases by the Group, these purchases were not allowed to set off the purchases thus leading to higher income tax expense.

In addition, due to the adverse environment of the coking industry, the assessment on the recoverability of receivables was tightened for prudence sake. As a result, there were further substantial impairment in provision for receivables and prepayments in the year.

The debtor's turnover day of the Group in 2014 was 67 days compared with 85 days in 2013. In order to maintain long-term business relationship with some of the key customers, the Company has extended the credit period for those credit-worthy customers to cope with their trade cycle during a slowing economy and lukewarm downstream demand of the steel industry. In general, the management of the Group adopts a prudent credit policy to its customers by closely monitoring their repayment status and consistently reviews their credit terms. If there are any irregularities in repayment, credit terms granted to debtors will be adjusted accordingly. If the balance due from debtors becomes doubtful, appropriate doubtful debt provision will be provided for.

As of 31 December 2014, the Group's total equity further decreased by about 12% to approximately HK$987,139,000 from approximately HK$1,118,761,000 recorded in 2013, with gearing ratio stood at 68% (31 December 2013: 59%).

To follow the consolidation program in the coking industry initiated by the Shanxi provincial government, Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong") signed a memorandum of understanding in September 2013 (as supplemented by supplemental memoranda of understanding) for leasing a land of approximately 4,000 mou for the construction of the new coke manufacturing facilities. As the performance of Shanxi Loudong has not been satisfactory, coupled with the high cost for the construction of the new coking facilities, the Group intends to reallocate its resources with the aim to increase the shareholders' value through the disposal of Shanxi Loudong (the "Disposal"). Accordingly, no formal lease agreement for leasing of a land of 4,000 mou was signed and the memorandum of understanding (as supplemented by supplemental memoranda of understanding) lapsed on 30 June 2014. On 27 March 2014, the Group entered into two memoranda of understanding to dispose its entire interest in Shanxi Loudong. On the other hand, the Group entered into a memorandum of understanding to acquire a commercial building located in North Sydney, Australia (the "Acquisition"). These transactions were aimed to maximize the shareholders' wealth by restructuring its asset portfolio. Subsequently on 30 September 2014, all of the abovementioned memoranda of understanding for the Disposal and the Acquisition were lapsed.

On 30 June 2014, the Group and the vendor entered into a termination agreement to terminate the acquisition of 30% equity interest in Shanxi Loujun Group Taiye Coal Mining Company Limited, and the deposit would be refunded by 3 instalments, with the last payment ending no later than 31 March 2015. The entire amount of the deposit has been fully received by the Group as at the date of this announcement.

In order to diversify the business, on 18 December 2014 ("Completion Date"), the Group has completed the acquisition of a company principally engaged in exploration and production of oil as well as provision of oil well services in the States of Illinois and Indiana in the United State of America. Total consideration was HK$295,000,000, of which HK$60,000,000 was settled by the issue of the promissory note and the balance was settled by way of allotment and issue of 470,000,000 shares ("Consideration Shares"), credited as fully paid, at an issue price of HK$0.5 per share to the vendor on the Completion Date. The Consideration Shares represent approximately 16.44% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The acquisition represents an opportunity for the Group to enter into and invest in the oil and gas industry at a reasonable price, which would enable the Group to diversify its business and income base.

On 31 December 2014, the Group has entered into a memorandum of understanding to acquire Tianjin Wuchan Hao He International Logistics Co., Ltd, which is a Tianjin-based logistics and storage business. However, no binding agreement in relation to the possible acquisition has been signed.

OUTLOOK

Starting from 2014, Chinese economy has entered a "New Normal" phase of slower but probably more sustainable growth. Looking ahead, Chinese steel and coke manufacturing business would be hard to improve in any near future owing to shrinking investment in the property market, plunging products selling prices, government clampdown on pollution as well as weaknesses in various sectors of the global economy.

Against such challenging environment, the Group will continue to seek for new mergers and acquisitions opportunities while realigning its existing asset portfolio and cost structures, including certain asset disposals, to enhance sustainable profitability in the long run.

The Group has initiated to review the possibilities to diversify into logistics-warehousing business. Under the national policies of expanding domestic consumption, the logistics industry will undergo a rapid market integration and development. In 2014, the total social logistics value for the nation reached RMB210 trillion, increased by 8% from 2013. This rapid and stable growth of the logistics industry provides an optimum opportunity for the Group to diversify and broaden its business base.

Apart from that, the Group diversified to oil resources sector through the acquisition of a US oil company, which is principally engaged in exploration and production of oil as well as provision of oil well services by the end of 2014. Even though international oil price continued its falling streak in the first quarter of 2015, the management is optimistic that the oil price will return to a more reasonable normal level of US$70-90 in the long run that could benefit the Group in future.

In order to increase the shareholders' wealth, the Group will continuously look for potential investments in the resources and logistics-warehousing business in future as well as to introduce strategic private and state-owned investors to enhance the Group's strength and business development capabilities.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND DEBT MATURITY PROFILE

As at 31 December 2014, the Group had total interest bearing bank and other borrowings in the amount of approximately HK$1,824,476,000 (2013: HK$1,383,332,000), representing an increase of HK$441,144,000. The maturity profile of the Group's interest bearing bank and other borrowings of HK$1,824,476,000 was spread with approximately HK$1,468,038,000 repayable within 1 year and approximately HK$356,438,000 repayable in the second year to fifth year.

The Group's total interest bearing bank and other borrowings of approximately HK$1,824,476,000 were 100% denominated in Renminbi ("RMB") in which, as to 40% bears at fixed interest rate and as to 60% bears at a floating rate. The Group's cash and bank balances of approximately HK$22,521,000 were 27% denominated in RMB, 6% in USD and 67% in HK$.

TREASURY POLICY

The Group adopts a conservative approach towards its treasury policy. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial condition of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Pursuant to an agreement dated 5 December 2014 entered into between the Company as the purchaser, Wise Perfection Limited as the vendor and Mr. Adam Carter-Mackintosh as the warrantor, the Company has agreed to acquire 100% of the issued share capital of Earning Power Inc. ("EPI") at a total consideration of HK$295,000,000, of which HK$60,000,000 would be settled by the issue of a promissory note and the balance would be settled by way of allotment and issue of 470,000,000 shares of the Company at an issue price of HK$0.5 per share. EPI Group is principally engaged in exploration and production of oil as well as provision of oil well services in the States of Illinois and Indiana in the United State of America. The acquisition was completed on 18 December 2014. Fair values of promissory note issued and 470,000,000 Consideration Shares were HK$49,168,000 and HK$291,400,000 respectively.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was approximately 960 (2013: 1,250). Apart from the basic remuneration, discretionary bonus may be granted to eligible employees by reference to the Group's performance as well as the individual's performance. The Group also has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. As at 31 December 2014, there were 4,486,245 (2013: 4,486,245) outstanding share options granted under such scheme.

CHARGE OF GROUP ASSETS

As at 31 December 2014, the Group pledged deposits of approximately HK$256,447,000 (2013: HK$642,827,000) and a property with a carrying value of approximately HK$14,058,000 (2013: HK$14,401,000) as securities for the Group's banking facilities. Certain machineries with a net carrying amount before impairment of approximately HK$408,014,000 (2013: HK$370,578,000) were pledged to secure general banking facilities granted to the Group.

GEARING RATIO

As at 31 December 2014, the gearing ratio of the Group (being the ratio of net debt divided by total capital plus net debt) was approximately 68% (2013: 59%). Net debt represented the aggregate amount of the Group's interest-bearing bank and other borrowings, promissory notes the non-current portion of the loans from related parties less cash and cash equivalents of the Group. Total capital represented total equity attributable to owners of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's reporting currency is denominated in HK$. The Group's monetary assets, loans and transactions were principally denominated in RMB, USD and HK$. The Group had a net exchange exposure to RMB as the Group's assets were principally located in China and the revenues were in RMB.

The Group does not have any derivative financial instruments or hedging instruments. The Group will constantly review the economic situation and its foreign currency risk profile, and will consider appropriate hedging measures in future as may be necessary.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2014 (2013: Nil).

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cai Sui Xin, aged 53, was appointed an executive Director and the chairman of the Company with effect from 19 September 2008 and is the chairman of the nomination committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Cai is the founder and chairman of General Nice Development Limited, General Nice Resources (Hong Kong) Limited ("GNR") and General Nice (Tianjin) Industry Company Limited (collectively "General Nice Group"). General Nice Group has developed into two main segments of business, the first segment involves the mining of coal, coal washing, coke manufacturing, logistic business for coke and coal, and the sale of coal, coking coal and coke; the second segment involves the exploration of iron ore mines and the importing of iron ore into the People's Republic of China (the "PRC"). With Mr. Cai's well-established business relationship in Tianjin and Shanxi, General Nice Group has expanded to one of the PRC's biggest private producers and operators of metallurgical coke. Mr. Cai is the executive chairman and an executive director of both Abterra Ltd ("Abterra") and Digiland International Ltd ("Digiland"), both companies listed on the Singapore Exchange Securities Trading Limited, a non-executive director of IRC Limited, a company listed on The Exchange of Hong Kong Limited ("HKEX"). Mr. Cai is also a director of General Nice Investment (China) Limited ("GNI") and General Nice Group Holdings Limited, both have controlling interest in GNR, a substantial shareholder of the Company.

Mr. Zhao Cheng Shu, aged 51, was appointed an executive director of the Company on 2 April 2009. He is also the deputy chairman of the Company and a member of the executive committee and nomination committee of the Company. Mr. Zhao is an economist and a senior engineer and has accumulated over 20 years of experience in the management of sizeable enterprises in the PRC. He is a specialist in corporate management and an entrepreneur. Currently he is a director and the general manager of Shanxi Loudong-General Nice Coking & Gas Co., Ltd. ("Shanxi Loudong"), a major subsidiary of the Company, and a director of a subsidiary of the Company. He is responsible for overall management and operations of Shanxi Loudong. Besides, Mr. Zhao is the general manager of Shanxi Loudong Industry and Trading Group Company (formerly known as Xiaoyi Loudong Industry and Trading Group Company) ("Loudong Trading") and a director of Hing Lou Resources Limited ("Hing Lou"), which is a subsidiary of Loudong Trading and is a substantial shareholder of the Company. He is also the Vice President of the Federation of Young Entrepreneurs of Shanxi Province, Standing Committee of the Political Consultative Conference and Representative to the National People's Congress of Xiaoyi City of Shanxi Province, Deputy President of the Chamber of Industrial and Commerce of Xiaoyi City of Shanxi Province, Member of the Committee of the Political Consultative Conference of Luiliang City of Shanxi Province, etc. Mr. Zhao has contributed a lot to the society and thus been awarded many honourable titles and prizes, including "Advance Worker Assisting Economic Development of Private Enterprises of Luiliang City of Shanxi Province", "Outstanding Entrepreneur of Private Enterprise of Shanxi Province", "Young Leader of Special Technology of Luiliang City of Shanxi Province", "Outstanding Person in Pushing Relief from Poverty for the Society", "Role Model for Labour in Shanxi Province", "National Model for Labour ", "Ethical Role Model", "Medalist of Labour Day in Shanxi Province" etc. Mr. Zhao holds a Master degree in Enterprise Management specialising in Industrial Economics awarded by the Graduate School of China Institute of Social Science (中國社會科學院).

EXECUTIVE DIRECTORS (continued)

Mr. Lau Yu, aged 46, was appointed an executive Director of the Company with effect from 22 September 2008. He is also the chief executive officer, the chairman of the executive committee of the Company and director of certain subsidiaries of the Company. Mr. Lau has over 20 years of solid experience in international trading of mineral resources and metals, including coal, coke, iron ore and steel. With his extensive experience in the trading of coke and metallurgy, Mr. Lau has established strong relationships with customers in India, Australia, South Africa, Venezuela and Brazil. Mr. Lau is the chief executive officer and an executive director of Abterra, an executive director, vice chairman of the board of directors and member of audit committee, nominating committee and remuneration committee of Digiland, a non-executive director of Pluton Resources Limited, a company listed on the Australian Securities Exchange. He is also the chief executive officer and director of GNR, a substantial shareholder of the Company. Mr. Lau holds a Bachelor of Business Administration degree from the School of Finance in University of Hawaii in the United States of America.

Mr. Ng Tze For, aged 53, was appointed an executive Director of the Company with effect from 11 September 2008. He is also a member of the executive committee of the Company and director of certain subsidiaries of the Company. Besides, Mr. Ng is the finance director of GNR. He was an alternate director to a non-executive, non-independent director of Palabora Mining Company Limited ("Palabora") from July, 2013 to December 2014 and is currently a non-executive director of Palabora. Palabora has been de-listed from the Johannesburg Stock Exchange Limited since April 2014. He has more than 20 years experience in banking, corporate finance, business development and strategy planning for a number of international banks and listed companies in Hong Kong, Beijing and Shanghai. Mr. Ng graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree and obtained a Master Degree in Business Administration from City University of Hong Kong.

Ms. Li Xiao Juan, aged 34, was appointed an executive director of the Company on 30 March 2009. She is also a member of the executive committee of the Company, the deputy general manager of Shanxi Loudong and director of certain subsidiaries of the Company. Ms. Li is mainly responsible for the corporate finance of Shanxi Loudong. Besides, Ms. Li is currently a director of Hing Lou which is a substantial shareholders of the Company. Ms. Li graduated from Fu Dan University (復旦大學) in the PRC with a Bachelor's degree in Economics and subsequently obtained a Master of Science degree in Investments from the University of Birmingham in the United Kingdom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Choy So Yuk, ***BBS, JP***, aged 64, was appointed an independent non-executive director of the Company on 5 June 2009. She is also a member of the audit committee and the nomination committee and the chairman of remuneration committee of the Company. She obtained her Bachelor of Science and Master of Philosophy degrees from the University of Hong Kong in 1974 and 1980 respectively. Ms. Choy was the founding managing director of SHK International Services Limited (which was subsequently acquired by Ms. Choy and changed its name to Oriental-Western Promotions Limited). Ms. Choy holds a wide variety of political, social and academic positions, such as a deputy of the National People's Congress of China and a director of Fujian Middle School. Ms. Choy was a member of the Fujian Provincial Committee of the Chinese People's Political Consultative Conference and a member of the Legislative Council in Hong Kong from 1998 to 2008. Ms. Choy is currently an independent non-executive director of Ping Shan Tea Group Limited (stock code: 364) since its listing on HKEX on 30 August 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Gao Wen Ping, aged 52, was appointed an independent non-executive director of the Company on 18 October 2010. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Gao graduated from the Department of Chinese of HuaZhong Normal University in China with a Master of Arts degree. Mr. Gao had been an associate professor of Lvliang University and had served as the deputy county magistrate of Linxian, LvLiang City of Shanxi Province, the deputy secretary of Liulin County, Shanxi Province, the deputy officer of the Department of Commerce of Shanxi Province, a director of Foreign Investment Association and a professor of the Faculty of Law of University of Finance and Economics for over 20 years and has extensive experience in economics, trading, investment and enterprises management.

Mr. Leung Yuen Wing, aged 47, was appointed an independent non-executive Director on 1 November 2012. He is also the chairman of the audit committee, a member of the remuneration committee and the nomination committee of the Company. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants. He had held managerial positions in various renowned accounting firms, an investment bank and enterprises including listed companies. Mr. Leung is currently the chief financial officer of a renowned dessert chain stores. Mr. Leung had been the company secretary and authorized representative of the Company, the financial controller of General Nice Group (a group member of which is a substantial shareholder of the Company) and the chief financial officer of Abterra (a company listed on the Singapore Exchange Securities Trading Limited and in which General Nice Group has controlling interest) and he left the Group in February 2010. He was an independent non-executive director of PME Group Limited (stock code: 379), a company listed on the main board of HKEX from September 2004 to June 2013.

SENIOR MANAGEMENT

Mr. Kwok Kam Tim, aged 38, joined the Company in 2008 and is currently the financial controller of the Company. He was the company secretary and authorized representative of the Company from February 2010 to March 2013. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Engineering degree from The Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from The Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 12 years of experience in accounting, auditing and financial management. Currently, Mr. Kwok is an independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) and Newtree Group Holdings Limited (stock code: 1323), the shares of which are listed on the growth enterprise market and the main board of the HKEX respectively. He was also the independent non-executive director of Sky Forever Supply Chain Management Group Limited (a company listed on the growth enterprise market, stock code: 8047) from June 2014 to July 2014.

The board of directors of the Company (the "Board") is pleased to present the corporate governance report for the year ended 31 December 2014.

A. CORPORATE GOVERNANCE PRACTICES

The Board is committed to raising the standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group safeguard the interests of its shareholders and improve its performance.

In the opinion of the directors of the Company (the "Directors"), the Company has complied with the respective code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31 December 2014, except for the following deviations:

Code provision A.2.7

During the year ended 31 December 2014, Mr. Cai Sui Xin, the chairman of the Company (the "Chairman") held meetings with the non-executive Director ("NED") and one independent non-executive Director ("INED") without the executive Directors present. As the meetings were not scheduled in advance, the remaining two INEDs had not attended such meetings. The Chairman encourages the NED and INEDs meet with him any time when they think required and will schedule meetings at the times convenience to the NED and the INEDs.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the NED/INEDs was appointed for a specific term. However, all Directors are subject to the retirement provisions in the bye-laws of the Company (the "Bye-laws") which provides that one-third of the Directors for the time being shall retire from office by rotation and every Director shall be subject to retirement at least once every three years.

Code Provisions A.6.7 and E.1.2

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. In addition, code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

Mr. Gao Wen Ping and Mr. Leung Yuen Wing, both INED, Mr. Li Xiao Long (resigned on 6 February 2015), the NED were not in Hong Kong and had not attended the annual general meeting of the Company held on 30 May 2014 (the "2014 AGM"). Due to other commitments which must be attended to by the Chairman, the Chairman was unable to attend the 2014 AGM. However, Mr. Lau Yu, an executive Director and the chief executive officer of the Company, attended and took the chair of the 2014 AGM. Ms. Choy So Yuk, an INED, the chairman of the remuneration committee of the Company (the "Remuneration Committee") and a member of the audit committee of the Company (the "Audit Committee") and the nomination committee of the Company (the "Nomination Committee"), attended the 2014 AGM and answered questions from the shareholders of the Company.

B. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the "Model Code"). Following specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

C. BOARD OF DIRECTORS

During the year ended 31 December 2014, the Board comprised five executive Directors, namely Mr. Cai Sui Xin (the Chairman), Mr. Zhao Cheng Shu (the Deputy Chairman), Mr. Lau Yu (the Chief Executive Officer), Mr. Ng Tze For and Ms. Li Xiao Juan; one non-executive Director, namely Mr. Li Xiao Long; and three INEDs, namely Ms. Choy So Yuk, Mr. Gao Wen Ping and Mr. Leung Yuen Wing. Mr. Li Xiao Long resigned as a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee with effect from 6 February 2015.

The Board, led by the Chairman, is responsible for formulating the Group's overall strategy, sets the business directions and monitors the performance of the Group's businesses. The Board is accountable to the shareholders of the Company for its performance and activities and is the ultimate decision making body of the Group except for those matters that are reserved for approval by shareholders in accordance with the Bye-laws, the Listing Rules and other applicable laws and regulations.

The management has been delegated the authority and responsibility by the Board for the day-to-day operations and management of the Group. It works under the leadership and supervision of the chief executive officer to implement the Board's decisions, makes business proposals and is accountable to the Board. In addition, the Board has delegated various responsibilities to Board committees, further details of these committees are set out in this report. The Board reserves the authority to approve interim and annual financial statements, dividend policy, business plans and material investment decisions.

During the year, 15 Board meetings and the 2014 AGM were held. The attendance records of individual Director are as follows:

	Number of meetings attended/held	
Directors	**Board Meetings**	**2014 AGM**
Executive Directors		
Mr. Cai Sui Xin *(Chairman)*	7/15	0/1
Mr. Zhao Cheng Shu *(Deputy Chairman)*	14/15	0/1
Mr. Lau Yu *(Chief Executive Officer)*	15/15	1/1
Mr. Ng Tze For	13/15	1/1
Ms. Li Xiao Juan	2/15	0/1
Non-executive Director		
Mr. Li Xiao Long (resigned on 6 February 2015)	11/15	0/1
Independent Non-executive Directors		
Ms. Choy So Yuk	11/15	1/1
Mr. Gao Wen Ping	10/15	0/1
Mr. Leung Yuen Wing	12/15	0/1

Throughout the year ended 31 December 2014, the Company met at all times the requirements of the Listing Rules to have at least three INEDs representing at least one-third of the Board and with at least one INED possessing appropriate accounting and financial management expertise and professional qualifications.

The Company has received from its INEDs annual confirmation of independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs are independent.

Biographical details of all Directors are disclosed in the section headed "Biography of Directors and Senior Management" in this Annual Report. To the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

Pursuant to code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

An induction would be given to the newly appointed Director to provide information regarding the business and operation of the Company and as well as his responsibilities under the Listing Rules and relevant regulations.

During the year under review, the Company provided reading materials to all Directors to update them on the latest developments and changes to the Listing Rules, the applicable laws and regulations relating to directors' duties and responsibilities. The Company had arranged its solicitors to update the Directors on certain amendments to the Listing Rules. Mr. Lau Yu, Mr. Ng Tze For, Mr. Zhao Cheng Shu, Mr. Li Xiao Long and Mr. Leung Yuen Wing attended the seminar. In addition, Mr. Leung Yuen Wing also attended other seminars/training courses relevant to his profession and duties as a director.

Directors' training is an ongoing process, all Directors are encouraged to attend relevant training courses at the Company's expenses. Directors are requested to provide records of training they received to the company secretary of the Company (the "Company Secretary") for records.

D. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer should be separated and performed by different individuals.

Mr. Cai Sui Xin is the Chairman while Mr. Lau Yu acts as the chief executive officer of the Company. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role. The chief executive officer is responsible for the day-to-day management and operation of the Group's business. The roles of the Chairman and the chief executive officer are segregated to ensure their respective independence, accountability and responsibility.

E. NON-EXECUTIVE DIRECTORS

As mentioned in Paragraph A above, the existing INEDs are not appointed for a specific term but are subject to the retirement provisions in the Bye-laws which provides that every Director (including the INEDs) shall be subject to retirement at least once every three years.

F. BOARD COMMITTEES

The Board has established four committees, details of which are set out below.

Executive Committee

The executive committee (the "Executive Committee") currently comprises four executive Directors, namely Mr. Lau Yu (the chairman), Mr. Zhao Cheng Shu, Mr. Ng Tze For and Ms. Li Xiao Juan. It was established to assist the Board in execution of its duties and to facilitate effective management. The Executive Committee has a written terms of reference under which certain functions, including the daily operation and management functions have been delegated to it.

Remuneration Committee

During the year ended 31 December 2014, the Remuneration Committee comprised three INEDs, namely Ms. Choy So Yuk (as chairman), Mr. Gao Wen Ping and Mr. Leung Yuen Wing and one non-executive Director, namely Mr. Li Xiao Long. Mr. Li Xiao Long ceased to act as a member of the Remuneration Committee with effect from 6 February 2015. The terms of reference of the Remuneration Committee are available on the respective websites of the Company and the Stock Exchange.

The Remuneration Committee will meet at least once a year to discharge its responsibilities. The major roles of the Remuneration Committee are as follows:

(i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(iii) make recommendations with respect to the remuneration package of individual executive Directors and the senior management of the Company as well as the remuneration of the NED/INED for approval by the Board.

The Group's remuneration policy has been formulated with reference to the market practice and the qualification, duties, responsibilities and performance of Directors and employees. In order to attract, retain, and motivate personnel of the required quality to manage the Company successfully, the Company adopted a share option scheme in 2007 to reward those eligible participants who contribute to the success of the Group's operations.

During the year, the Remuneration Committee held one meeting and the attendance of individual members of the Remuneration Committee at the meeting is set out below:

Committee Members	**Number of meetings attended/held**
Ms. Choy So Yuk *(Chairman)*	1/1
Mr. Gao Wen Ping	1/1
Mr. Leung Yuen Wing	1/1
Mr. Li Xiao Long (ceased to act as a member on 6 February 2015)	1/1

During the year 2014, the Remuneration Committee considered the policy for the remuneration of the Directors, reviewed the remuneration of the NED and INED, reviewed and made recommendation to the Board on the remuneration packages of the executive Directors and senior management. Details of the remuneration of each of the Directors and the senior management for the year are set out in Note 8 (Directors' and Chief Executive's Remuneration) and Note 9 (Five Highest Paid Employees) of the consolidated financial statements.

In March 2015, the Board and the Remuneration Committee considered the unsatisfactory performance of the Company during the year and have approved the adjustment of monthly salary of Mr. Zhao Cheng Shu, the executive Director and deputy chairman, and Mr. Lau Yu, the executive Director and chief executive officer, down to HK$40,000 and Ms. Li Xiao Juan, an executive Director, down to HK$64,000 with effect from 1 May 2015.

Nomination Committee

The Nomination Committee currently comprises the Chairman, Mr. Cai Sui Xin, the deputy Chairman, Mr. Zhao Cheng Shu, and three INEDs, Ms. Choy So Yuk, Mr. Gao Wen Ping and Mr. Leung Yuen Wing. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The main duties and responsibilities of the Nomination Committee are as follows:

(i) review the structure, size, diversity and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) assess the independence of independent non-executive Directors;

(iv) make recommendations to the Board on the appointment or re-appointment of Directors; and

(v) review the Board Diversity Policy (as defined below) and the measurable objectives that the Board had set for implementing the Board Diversity Policy, and the progress on achieving the objectives.

During the year, the Nomination Committee held one meeting and the attendance of individual member of the Nomination Committee at the meeting is set out below:

Committee Members	**Number of meetings attended/held**
Mr. Cai Sui Xin *(Chairman)*	1/1
Mr. Zhao Cheng Shu	1/1
Ms. Choy So Yuk	1/1
Mr. Gao Wen Ping	0/1
Mr. Leung Yuen Wing	1/1

In 2014, the Nomination Committee reviewed the structure, size, composition and diversity (including the evaluation of skill, knowledge, cultural and education background, professional experience, age, gender and length of services of the Board members) of the Board and the Board Diversity Policy. The Nomination Committee considered the Board to possess a diversity of perspectives which is appropriate to the Group's requirement.

Board Diversity Policy

The Company recognizes the benefits of diversity in Board members. With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its sustainable development. The Board has adopted a board diversity policy in 2013 (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company seeks to achieve Board diversity through the consideration of a number of measurable objectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has set measurable objectives based on a range of diversity perspective, including but not limited to skills, knowledge, cultural and educational background, professional experience, age, gender and length of service for implementing the Board Diversity Policy. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The measurable objectives will be reviewed from time to time to ensure their appropriateness and the progress on achieving the objectives and make recommendations on any proposed changes to complement the Company's corporate strategy.

Audit Committee

During the year ended 31 December 2014, the Audit Committee comprised three INEDs, namely Mr. Leung Yuen Wing (as chairman), Ms. Choy So Yuk and Mr. Gao Wen Ping, and one NED, namely Mr. Li Xiao Long. Mr. Li Xiao Long ceased to act as a member of the Audit Committee on 6 February 2015. The terms of reference are available on the respective websites of the Company and the Stock Exchange.

The major roles of the Audit Committee are as follows:

(i) consider and recommend the remuneration, appointment, re-appointment and removal of external auditor;

(ii) review the independence and objectivity of the external auditor;

(iii) review the interim and annual report;

(iv) review financial and accounting policies and practices;

(v) oversee financial reporting system and internal control procedures; and

(vi) review connected party transactions.

During the year under review, the Audit Committee held three meetings to review, discuss and recommend on internal control, financial reporting matters and other areas of concerns during the audit. The attendance record of individual member of the Audit Committee at these meetings is set out in the following table:

Committee Members	Number of meetings attended/held
Mr. Leung Yuen Wing *(Chairman)*	3/3
Ms. Choy So Yuk	3/3
Mr. Gao Wen Ping	3/3
Mr. Li Xiao Long (ceased to act as a member on 6 February 2015)	2/3

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The audited financial statements and the annual report of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee before recommending it to the Board for approval.

G. CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which include developing, reviewing and implementing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements and the shareholders' communication policy. During the year, the Board reviewed the Company's policies on corporate governance, compliance with the CG Code, and disclosure in the corporate governance report.

H. AUDITORS' REMUNERATION

For the year under review, the fees in respect of audit services provided to the Company and its subsidiaries by the auditor of the Company amounted to HK$800,000 (2013: HK$700,000), other services in connection with the proposed disposal of certain subsidiaries of the Company rendered to the Company amounted to HK$150,000 (2013: Nil).

I. FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the year ended 31 December 2014, the Directors ensured that the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards and have applied them consistently; made judgments and estimates that are prudent, fair and reasonable; and have prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for the timely publication of the consolidated financial statements of the Group.

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

The statement made by Ascenda Cachet CPA Limited, the independent auditor of the Company, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditors' Report" in this Annual Report.

J. INTERNAL CONTROL

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31 December 2014 is effective to safeguard the interests of the shareholders' investments and the Company's assets.

The Board has also conducted an annual review on the effectiveness of the accounting and financial reporting function of the Company and takes the view that the Company possesses adequate resources and staff qualifications and experience in this regard. In order to enhance the effectiveness of the accounting and reporting function, the Company will identify the weaknesses and insufficiency and make improvements.

K. COMPANY SECRETARY

Ms. Chiu Yuk Ching, the Company Secretary, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the year under review, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

L. SHAREHOLDERS' RIGHTS

Convening a general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. The requisition must be signed by the requisitionists and deposit at the principal place of business of the Company in Hong Kong at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary and deposit at the Company's principal place of business in Hong Kong at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong or by e-mail to enquiry@ldgnr.com.

Putting forward proposal at general meeting

The shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to put forward proposals at an annual general meeting or special general meeting. The proposal must be made in writing and contain detail contact information and submit to the Company Secretary at the Company's principal place of business in Hong Kong at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong. The procedure for putting forward proposals at general meeting is available on the website of the Company.

M. COMMUNICATION WITH SHAREHOLDERS

The Company acknowledges the importance of communicating with shareholders and investors. A shareholders' communication policy was adopted in March 2012. The primary communication channel between the Company and its shareholders is through the publication of announcements, circulars, interim and annual reports. These publications can be obtained from the Company's website.

In addition, Shareholders are encouraged to attend the Company's annual general meeting which provides a useful forum for shareholders to exchange views with the Board. Notice of annual general meeting together with the meeting materials are dispatched to all shareholders not less than 20 clear business days prior to the meeting. The Directors and external auditor are available to answer questions of the Group's business at the meeting. Separate resolutions are proposed at general meeting on each substantially separate issue, including the election of individual directors.

The Company has also complied with the requirements of the Listing Rules and the Bye-laws in respect of voting by poll and other related matters.

N. INVESTOR RELATIONS

There was no change to the Company's Bye-laws during the financial year 2014. A copy of the latest Bye-laws are posted on the websites of the Company and the Stock Exchange.

The directors of Loudong General Nice Resources (China) Holdings Limited (the "Company") are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 22 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 4 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 35 to 132.

The board of directors of the Company (the "Board") does not recommend payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, is set out on pages 135 to 136, which does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on page 134.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 30 to the consolidated financial statements on pages 107 to 109.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 34 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted approximately to HK$773,088,000 (2013: HK$775,967,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 55.92% (2013: 67.88%) of the total sales for the year and sales to the largest customer included therein amounted for 37.83% (2013: 22.73%). Purchases from the Group's five largest suppliers accounted for 60.53% (2013: 81.50%) of the total purchases for the year and purchases from the largest supplier included therein amounted for 16.01% (2013: 26.14%).

To the best knowledge of the directors of the Company (the "Directors"), none of the Directors or any of their associates or any shareholders holding more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors who were in office during the year and those as at the date of this report are as follows:

Executive Directors:
Mr. Cai Sui Xin
Mr. Zhao Cheng Shu
Mr. Lau Yu
Mr. Ng Tze For
Ms. Li Xiao Juan

Non-executive Director:
Mr. Li Xiao Long (resigned on 6 February 2015)

Independent non-executive Directors:
Ms. Choy So Yuk
Mr. Gao Wen Ping
Mr. Leung Yuen Wing

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Zhao Cheng Shu, Mr. Ng Tze For and Ms. Choi So Yuk will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company still considers all of its independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

No contract for management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 12.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee of the Company and determined by the Board with reference to Directors' duties, qualification, responsibilities and performance of the Directors, the results of the Group and the market practice.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 31 December 2014, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares Personal interests	Number of ordinary shares Corporate interests	Number of underlying shares subject to the outstanding share options	Total	Approximate percentage of the issued share capital
Mr. Cai Sui Xin	7,205,545	334,051,660 (Note)	–	341,257,205	11.94%
Mr. Zhao Cheng Shu	5,438,150	–	–	5,438,150	0.19%
Mr. Lau Yu	21,448,550	–	–	21,448,550	0.75%
Mr. Ng Tze For	–	–	3,942,457	3,942,457	0.14%
Ms. Li Xiao Juan	5,514,380	–	–	5,514,380	0.19%
Ms. Choy So Yuk	271,908	–	–	271,908	0.01%
Mr. Leung Yuen Wing	224,213	–	–	224,213	0.01%
Mr. Li Xiao Long	–	–	271,894	271,894	0.01%

Note: These shares are beneficially owned by General Nice Resources (Hong Kong) Limited ("GNR") and Mr. Cai Sui Xin is deemed to be interested in such shares under the SFO by virtue of the fact that each of General Nice Development Limited ("GND") and General Nice Investment (China) Limited ("GNI") holds 40% equity interest in GNR while General Nice Group Holdings Limited ("GNG") and Mr. Cai Sui Xin hold 50% and 5% equity interests in each of GND and GNI respectively. GNG is in turn wholly owned by Mr. Cai Sui Xin.

Save as disclosed above, as at 31 December 2014, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Interests of Directors and chief executive" and "Share option scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 25 June 2007 for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole.

Details of the Scheme are set out in note 35 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

Save as disclosed under the section headed "Interests of Directors and chief executive" above, as at 31 December 2014, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares/underlying shares of the Company

Name	Capacity	Nature of Interest	No. of shares/ underlying shares	Approximate percentage of the issued share capital
GNR	Beneficial owner	Corporate interests	334,051,660	11.68%
GND	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	11.68%
GNI	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	11.68%
GNG	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	11.68%
Tsoi Ming Chi	Interest of controlled corporation	Corporate interests	334,051,660 (Note 1)	11.68%
Hing Lou Resources Limited ("Hing Lou")	Beneficial owner	Corporate interests	321,858,177	11.26%
Shanxi Loudong Industry & Trading Group Co. (formerly known as Xiaoyi Loudong Industry & Trading Group Company ("Loudong Trading")	Interest of controlled corporation	Corporate interests	321,858,177 (Note 2)	11.26%
Wise Perfection Limited	Beneficial owner	Corporate interests	470,000,000	16.44%
Carter-Mackintosh Adam	Interest of controlled corporation	Corporate interests	470,000,000 (Note 3)	16.44%

Notes:

1. These shares are beneficially owned by GNR. Each of GND and GNI holds 40% equity interest in GNR while GNG and Mr. Tsoi Ming Chi hold 50% and 35% equity interests in each of GND and GNI respectively. Accordingly, each of GND, GNI, GNG and Mr. Tsoi Ming Chi is deemed to be interested in such shares held by GNR under the SFO.

2. Loudong Trading is deemed to be interested in the shares held by Hing Lou by virtue of the fact that Hing Lou is its wholly owned subsidiary.

3. These shares are beneficially owned by Wise Perfection Limited which is wholly owned by Mr. Carter-Mackintosh Adam. Accordingly, Mr. Carter-Mackintosh Adam is deemed to be interested in the shares held by Wise Perfection Limited.

Save as disclosed above, the Directors are not aware of any other persons who, at 31 December 2014, had interests or short positions in the shares or underlying shares of the Company which are recorded in the register and required to be kept under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Cai Sui Xin is also a director and beneficial owner of GND and General Nice (Tianjin) Industry Co. Ltd. ("GNT") which are also involved in the trading of minerals.

As the Board is independent from the board of directors of GND and GNT and the above director does not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of GND and GNT.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 24 of this annual report.

AUDITORS

The financial statements have been audited by Ascenda Cachet CPA Limited who retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of Ascenda Cachet CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Cai Sui Xin
Chairman

Hong Kong
30 March 2015

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

Ascenda CACHET
天健德揚

To the shareholders of Loudong General Nice Resources (China) Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Loudong General Nice Resources (China) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practising Certificate Number P03723

Hong Kong
30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**5,825,864**	3,105,949
Cost of sales	6	**(5,186,775)**	(2,457,945)
Gross profit		**639,089**	648,004
Other income and gains	5	**65,874**	99,691
Selling and distribution expenses		**(170,015)**	(69,827)
Administrative expenses		**(70,155)**	(193,394)
Other operating expenses		**(39,965)**	(10,444)
Impairment of trade receivables	6	**(167,046)**	(116,907)
Impairment of prepayments and other receivables	6	**(177,336)**	(299,714)
Impairment of investment in an associate and amount due from an associate	6	**–**	(75,731)
Impairment of property, plant and equipment	6,14	**–**	(1,956,745)
Impairment of goodwill	6,19	**(56,400)**	(330,083)
Finance costs	7	**(88,411)**	(87,377)
LOSS BEFORE TAX	6	**(64,365)**	(2,392,527)
Income tax expense	10	**(332,478)**	(320,034)
LOSS FOR THE YEAR		**(396,843)**	(2,712,561)
OTHER COMPREHENSIVE INCOME			
To be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(26,179)**	(108,859)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(26,179)**	(108,859)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(423,022)**	(2,821,420)
Loss attributable to:			
Owners of the Company	11	**(376,988)**	(2,581,507)
Non-controlling interests		**(19,855)**	(131,054)
		(396,843)	(2,712,561)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Total comprehensive income attributable to:			
Owners of the Company		**(402,412)**	(2,682,584)
Non-controlling interests		**(20,610)**	(138,836)
		(423,022)	(2,821,420)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**(HK$0.16)**	(HK$1.08)
Diluted		**(HK$0.16)**	(HK$1.08)

Details of the dividends payable and proposed for the year are disclosed in note 12 to the consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**258,752**	142,958
Investment property	15	**11,992**	11,738
Prepaid land premiums	16	**34,633**	36,544
Interests in associates	17	**6,371**	6,532
Available-for-sale investments	18	**11,900**	12,200
Goodwill	19	**64,781**	–
Oil properties	20	**292,116**	–
Other long-term assets	21	**–**	481,581
Deferred tax assets	33	**–**	11,252
Due from an associate	41(b)	**–**	–
Total non-current assets		**680,545**	702,805
CURRENT ASSETS			
Inventories	23	**123,482**	145,268
Prepaid land premiums	16	**998**	1,008
Trade and bills receivables	24	**2,073,671**	1,490,263
Prepayments, deposits and other receivables	25	**1,139,025**	1,127,219
Equity investments at fair value through profit or loss	26	**14,892**	1,281
Due from related companies	41(b)	**30,201**	30,075
Pledged deposits	27	**256,447**	642,827
Cash and cash equivalents	27	**22,521**	7,630
Total current assets		**3,661,237**	3,445,571
CURRENT LIABILITIES			
Trade and bills payables	28	**686,812**	911,624
Other payables and accruals	29	**171,614**	214,206
Interest-bearing bank and other borrowings	30	**1,468,038**	1,249,294
Promissory notes	31	**9,305**	–
Due to related companies	41(b)	**18,254**	27,718
Tax payable		**256,262**	165,058
Total current liabilities		**2,610,285**	2,567,900
NET CURRENT ASSETS		**1,050,952**	877,671
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,731,497**	1,580,476

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**356,438**	134,038
Loans from related companies	41(b)	**219,827**	232,233
Assets retirement obligations	32	**1,384**	–
Promissory notes	31	**49,883**	25,520
Deferred tax liabilities	33	**116,826**	69,924
Total non-current liabilities		**744,358**	461,715
Net assets		**987,139**	1,118,761
EQUITY			
Equity attributable to owners of the Company			
Issued capital	34	**28,592**	23,892
Exchange fluctuation reserve		**93,101**	118,525
Reserves	36(a)	**851,617**	941,905
		973,310	1,084,322
Non-controlling interests		**13,829**	34,439
Total equity		**987,139**	1,118,761

Cai Sui Xin
Director

Zhao Cheng Shu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital HK$'000 Note 34	Share option reserves* HK$'000 Note 35	Exchange fluctuation reserve HK$'000	Share premium account* HK$'000	Capital reserve* HK$'000 Note 36 (a)(i)	Contribution surplus* HK$'000 Note 36 (a)(ii)	Retained earnings/ (Accumulated losses)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	23,892	1,534	219,602	626,634	677,593	1,742,526	475,125	3,766,906	173,275	3,940,181
Loss for the year	–	–	–	–	–	–	(2,581,507)	(2,581,507)	(131,054)	(2,712,561)
Other comprehensive income for the year:										
– Exchange differences on translation of foreign operations	–	–	(101,077)	–	–	–	–	(101,077)	(7,782)	(108,859)
Total comprehensive income for the year	–	–	(101,077)	–	–	–	(2,581,507)	(2,682,584)	(138,836)	(2,821,420)
Transfer to capital reserve	–	–	–	–	10,976	–	(10,976)	–	–	–
At 31 December 2013 and 1 January 2014	**23,892**	**1,534**	**118,525**	**626,634**	**688,569**	**1,742,526**	**(2,117,358)**	**1,084,322**	**34,439**	**1,118,761**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(376,988)**	**(376,988)**	**(19,855)**	**(396,843)**
Other comprehensive income for the year:										
– Exchange differences on translation of foreign operations	**–**	**–**	**(25,424)**	**–**	**–**	**–**	**–**	**(25,424)**	**(755)**	**(26,179)**
Total comprehensive income for the year	**–**	**–**	**(25,424)**	**–**	**–**	**–**	**(376,988)**	**(402,412)**	**(20,610)**	**(423,022)**
Fair value of new shares issued as partial consideration for the acquisition of EPI (note 37)	**4,700**	**–**	**–**	**286,700**	**–**	**–**	**–**	**291,400**	**–**	**291,400**
As 31 December 2014	**28,592**	**1,534**	**93,101**	**913,334**	**688,569**	**1,742,526**	**(2,494,346)**	**973,310**	**13,829**	**987,139**

* These reserve accounts comprise the consolidated reserves of HK$851,617,000 (2013: HK$941,905,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(64,365)**	(2,392,527)
Adjustments for:			
Finance costs excluding interest on promissory notes	7	**86,727**	85,388
Interest income	5	**(3,977)**	(54,926)
Reimbursement of depreciation charges	5	**(16,592)**	(19,120)
Depreciation of property, plant and equipment	14	**17,160**	132,055
Fair value gain on an investment property	15	**(254)**	(1,022)
Amortisation of prepaid land premiums	16	**1,004**	1,008
Amortisation of oil properties	20	**192**	–
Impairment of trade receivables		**167,046**	116,907
(Reversal)/impairment of investment in associate and the amount due to the associate		**(31,254)**	75,731
Impairment of prepayment, deposits and other receivables	6	**177,336**	299,714
Impairment of items of property, plant and equipment	6,14	**–**	1,956,745
Impairment of goodwill	6,19	**56,400**	330,083
(Gain)/loss on disposal of items of property, plant and equipment, net	6	**(5,516)**	43
Gain on modification of the terms of a promissory note	6	**–**	(5,151)
Interest on promissory notes	7	**1,684**	1,989
Write off of items of the property, plant and equipment	6,14	**–**	65,327
Write off of other receivables	6	**5,220**	–
Loss on disposal of a subsidiary	6	**–**	1,840
Loss on early redemption of a promissory note	6,31	**3,540**	–
		394,351	594,084
Decrease in inventories		**20,660**	62,184
Increase in equity investments at fair value through profit or loss		**(13,722)**	–
Increase in trade and bills receivables		**(786,792)**	(902,103)
Decrease/(increase) in prepayments, deposits and other receivables		**110,808**	(718,957)
(Increase)/decrease in amounts due from related parties		**(126)**	11,593
(Decrease)/increase in trade and bills payables		**(206,425)**	20,368
(Decrease)/increase in other payables and accruals		**(41,001)**	14,233
Cash used in operations		**(522,247)**	(918,598)
Interest received		**–**	–
Income tax paid		**(281,565)**	(312,589)
Net cash flows used in operating activities		**(803,812)**	(1,231,187)

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,977**	54,926
Acquisition of subsidiaries	37	**511**	–
Acquisition of available-for-sale investments		**–**	(240)
Disposal of a subsidiary		**–**	(10,402)
Proceeds from disposal of items of property, plant and equipment		**5,834**	2,227
Purchases of items of property, plant and equipment	14	**(102,230)**	(37,444)
Repayment from an associate		**31,254**	121,676
Refund of deposit paid for proposed acquisition of Linxian Taiye	21(i)	**162,409**	–
Decrease in other long-term assets		**–**	543,022
Decrease in pledged deposits		**372,738**	369,528
Net cash flows from investing activities		**474,493**	1,043,293
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**2,325,717**	1,955,004
Repayment of bank and other borrowings		**(1,850,780)**	(1,703,861)
(Repayment to)/advance from related companies		**(16,020)**	7,356
Early redemption of a promissory note		**(30,000)**	–
Interest paid		**(86,756)**	(102,738)
Net cash flow from financing activities		**342,161**	155,761
NET INCREASE/(DECREASE) FROM CASH AND CASH EQUIVALENTS		**12,842**	(32,133)
Cash and cash equivalents at beginning of year		**7,630**	32,395
Effect of foreign exchange rate changes, net		**2,049**	7,368
CASH AND CASH EQUIVALENTS AT END OF YEAR		**22,521**	7,630
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	27	**22,521**	7,630

Statement of Financial Position

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**–**	–
Investments in subsidiaries	22	**–**	–
Due from subsidiaries	22	**340,568**	–
Total non-current assets		**340,568**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables	25	**348**	348
Due from a related company	41(b)	**29,564**	29,564
Due from subsidiaries	22	**652,260**	977,937
Cash and cash equivalents	27	**10,239**	592
Total current assets		**692,411**	1,008,441
CURRENT LIABILITIES			
Other payables and accruals	29	**3,232**	2,771
Due to related companies	41(b)	**14,240**	16,347
Due to subsidiaries	22	**1,740**	1,740
Total current liabilities		**19,212**	20,858
NET CURRENT ASSETS		**673,199**	987,583
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,013,767**	987,583
NON-CURRENT LIABILITIES			
Promissory notes	31	**(49,883)**	(25,520)
Net assets		**963,884**	962,063
EQUITY			
Issued capital	34	**28,592**	23,892
Reserves	36(b)	**935,292**	938,171
TOTAL EQUITY		**963,884**	962,063

Cai Sui Xin
Director

Zhao Cheng Shu
Director

1. CORPORATE INFORMATION

Loudong General Nice Resources (China) Holdings Limited (the "Company", and together with its subsidiaries, collectively the "Group") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since January 1994.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is situated at Unit B, 12/F., Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the year, the principal activities of the Group are coal processing and production of metallurgical coke and by-products, and the trading of commodities. In addition, the Group is engaged in exploration and production of oil as well as the provision of well services through the acquisition of Earning Power Inc. ("EPI") and its subsidiaries ("EPI Group") during the year (note 37).

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The financial statements have been prepared under the historical cost convention, except for investment property and equity investments at fair value through profit and loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs and new interpretation, which are applicable to the Group, for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
HK(IFRIC) – Int 21	*Levies*
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(d) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27(2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvement to 2010-2012 cycle	Amendments to a number of HKFRSs[1]
Annual Improvements to 2011-2013 cycle	Amendments to a number of HKFRSs[1]
Annual Improvement to 2010-2014 cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

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

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about these HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The group expects to adopt the amendments from 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Group's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustment are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, investment property, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives of property, plant and equipment are as follows:

Freehold land	Not depreciated
Leasehold land	Over the lease term
Buildings	30 years
Plant facilities	30 years
Office equipment	10 years
Machinery	20 years
Motor vehicles	10 years
Plant infrastructure	20 years
Leasehold improvements, furniture and fixtures	5 years
Oil equipment	2-30 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Construction in progress represents production facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Oil properties

The successful efforts method of accounting is adopted. The Group capitalises the initial acquisition costs of oil properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement and charged to profit and loss. The cost of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities, such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The cost of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases including prepaid land premium under finance lease, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value present as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised as other income in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

Include other criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to/loans from related companies, interest-bearing bank and other borrowings and promissory notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Asset retirement obligation

Asset retirement obligation is recognised in full on the installation of oil properties. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related oil properties of an amount equivalent to the provision is also created. Changes in the estimated timing of the asset abandonment or asset abandonment cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil properties. The unwinding of the discount on the asset retirement obligation is included as a finance cost.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs which it is intended to compensate are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grant of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) sales of crude oil, when the customers accepts the goods and the significant risks and rewards of ownership have been transferred to the buyer.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

For the Company and its subsidiaries located in Hong Kong

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

For the subsidiaries located in PRC

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Medical benefit costs

The Group participates in government-organised defined contribution medical benefits plans, under which it pays contribution to the plans at a fixed percentage of wages and salaries of the existing full time employees in the PRC and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to profit or loss as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate 8% had been applied to the expenditure on the individual assets for the year ended 31 December 2013. No interest was capitalised for the year ended 31 December 2014.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units (the "CGU") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2013, the carrying amount of goodwill in relation to the Coke Manufacturing CGU arising from the acquisition of Shanxi Loudong of HK$330,083,000 was fully impaired during that year. As at 31 December 2014, goodwill of approximately HK$121,181,000 was related to the Oil CGU arising from the acquisition of EPI. A portion of the goodwill in connection with the Oil CGU of approximately HK$56,400,000, representing the difference between the contracted issued price of the consideration shares as stipulated under the acquisition and the closing market price of the shares of the Company on the completion date of the acquisition, was impaired immediately upon completion. Further details are given in note 19 to the consolidated financial statements.

Impairment of property, plant and equipment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its 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's management 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 value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to deductible temporary differences at 31 December 2014 was nil (2013: HK$11,252,000). Further details are contained in note 33 to the consolidated financial statements.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Estimation of oil reserves

Estimates of oil reserve are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved and probable oil reserves will affect unit-of-production depreciation and amortisation recorded in the Group's consolidated financial statements for oil properties.

Proved and probable reserve estimates are subject to revision, either upward or downward, as warranted by additional data. Revisions are necessary due to changes in assumptions based on, among other things, reservoir performance, prices, economic conditions and government restrictions.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation on asset retirement obligation

Asset abandonment costs will be incurred by the group at the end of the operating life of the oil wells and equipment. The abandonment cost estimates varies in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure would also change in response to changes in reserves or changes in laws and regulations or their interpretation. The present values of these estimated future abandonment costs are capitalised as oil properties with equivalent amounts recognised as assets retirement obligations.

4 OPERATING SEGMENT INFORMATION

The directors determine its operating segments based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business units and review of these units' performance.

The Group is organised into business units based on their products and services and has three reportable operating segments as follow:

(a) The coke manufacturing segment is engaged in the production and sales of metallurgical coke from the coke plant;

(b) The commodities trading segment is engaged in the trading of commodities purchased from external parties; and

(c) The oil segment is engaged in exploration and production of oil as well as the provision of well services.

The oil segment was commenced during the year by the acquisition of Earning Power Inc. and its subsidiaries by the Group (note 37).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude interests in associates, available-for-sale investments, other long term assets, amounts due from related companies, equity investments at fair value through profit and loss, deferred tax assets, pledged deposits, and other unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude amounts due to related companies, promissory notes, interest-bearing bank and other borrowings, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Coke manufacturing HK$'000	Commodities trading HK$'000	Oil HK$'000	Total HK$'000
Segment revenue				
Sales to external customers	1,592,555	4,232,798	511	5,825,864
Segment results	(254,716)	294,475	(56,778)	(17,019)
Reconciliation:				
Unallocated income				59,465
Unallocated expense				(18,400)
Finance costs				(88,411)
Loss before tax				(64,365)
Segment assets	2,210,357	1,367,663	392,329	3,970,349
Reconciliation:				
Unallocated assets				371,433
Total assets				4,341,782
Segment liabilities	663,529	182,100	108,727	954,356
Reconciliation:				
Unallocated liabilities				2,400,287
Total liabilities				3,354,643
Other segment information				
Capital expenditure	102,201	–	34,436	136,637
Depreciation and amortisation	17,377	–	578	17,955
Unallocated depreciation and amortisation				401
				18,356
Impairment loss recognised:				
Goodwill	–	–	(56,400)	(56,400)
Trade and bills receivables	(138,957)	(28,089)	–	(167,046)
Prepayments and other receivables	(177,336)	–	–	(177,336)

4 OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Coke manufacturing HK$'000	Commodities trading HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	1,942,326	1,163,623	3,105,949
Segment results	(2,362,433)	306,988	(2,055,445)
Reconciliation:			
Unallocated income			99,691
Unallocated expense			(349,396)
Finance costs			(87,377)
Loss before tax			(2,392,527)
Segment assets	2,341,587	611,835	2,953,422
Reconciliation:			
Unallocated assets			1,194,954
Total assets			4,148,376
Segment liabilities	1,117,597	8,233	1,125,830
Reconciliation:			
Unallocated liabilities			1,903,785
Total liabilities			3,029,615
Other segment information			
Capital expenditure	37,444	–	37,444
Depreciation and amortisation	132,936	–	132,936
Unallocated depreciation and amortisation			127
			133,063
Impairment loss recognised:			
Property, plant and equipment	(1,956,745)	–	(1,956,745)
Goodwill	(330,083)	–	(330,083)
Trade and bills receivables	(69,984)	(46,923)	(116,907)
Prepayments and other receivables	(299,714)	–	(299,714)

4 OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2014 HK$'000
PRC	**2,897,703**
Hong Kong	**2,643,777**
Other countries	**284,384**
	5,825,864

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2014 HK$'000
PRC	**275,295**
USA	**326,367**
Other countries	**14,102**
	615,764

The non-current asset information above is based on the location of the assets and exclude goodwill of approximately HK$64,781,000.

For the year ended 31 December 2013, the Group operated principally in the PRC. Over 90% of the Group's revenue were derived in the PRC and over 90% of the Group's non-current assets are located in the PRC. Accordingly, no further disclosures by reportable segment were made based on business segment for that year.

4 OPERATING SEGMENT INFORMATION (continued)

Information about a major customer

Revenue from major customers accounts for more than 10% of the revenue, including sales to a group of entities which are known to be under common control with that customer.

Detailed information was summarised as follows:

Year ended 31 December 2014

Customers	HK$'000
A – Commodities trading segment	**2,203,994**

Year ended 31 December 2013

Customers	HK$'000
B – Commodities trading segment	706,047
C – Coke manufacturing segment	513,481
D – Coke manufacturing segment	479,572
E – Coke manufacturing segment	330,180
	2,029,280

5 REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover. Revenue for coke manufacturing and commodities trading segments represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year. Revenue of the oil segment represents the invoiced value of sales of oil attributable to the interests of the Group, net of royalties, obligations to governments and other mineral interest owners.

Revenue, other income and gains recognised during the year are as follows:

	2014 HK$'000	2013 HK$'000
Revenue		
Sales of goods	**5,825,864**	3,105,949
Other income and gains		
Rental income	**125**	125
Bank interest income	**3,977**	54,926
Government grants*	**7,771**	6,952
Sundry income	**385**	3,478
Gain on disposal of items of property, plant and equipment, net	**5,516**	–
Fair value gain on an investment property (note 15)	**254**	1,022
Gain on modification of terms of a promissory note (note 31)	**–**	5,151
Reimbursement of depreciation charges	**16,592**	19,120
Reversal of impairment of amount due from an associate (note 17)	**31,254**	–
Overprovision of litigation cost	**–**	8,917
Total other income and gains	**65,874**	99,691
Total revenue, other income and gains	**5,891,738**	3,205,640

* Various government grants have been received for the Group's supply of electricity and heat in the PRC. There are no unfulfilled conditions or contingencies attached to these grants.

6 LOSS BEFORE TAX

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

	2014 HK$'000	2013 HK$'000
Cost of inventories sold*	**5,186,775**	2,457,945
Minimum lease payments under operating leases:		
Land and buildings	**–**	89
Auditors' remuneration	**800**	700
Staff costs (excluding directors' remuneration (note 8))		
Salaries and allowances	**39,260**	48,026
Retirement benefit costs	**1,934**	4,873
	41,194	52,899
Depreciation of property, plant and equipment (note 14)	**17,160**	132,055
(Gain)/loss on disposal of items of property, plant and equipment, net	**(5,516)**	43
Write off of items of the property, plant and equipment (note 14)	**–**	65,327
Write off of other receivables	**5,220**	–
Amortisation of prepaid land premiums	**1,004**	1,008
Amortisation of oil properties (note 20)	**192**	–
Impairment of trade receivables (note 24)	**167,046**	116,907
Impairment of prepayments and other receivables	**177,336**	299,714
Impairment of investment in an associate	**–**	18,564
(Reversal of)/impairment of amount due from an associate	**(31,254)**	57,167
Impairment of property, plant and equipment (note 14)	**–**	1,956,745
Impairment of goodwill (note 19)	**56,400**	330,083
Loss on early redemption of a promissory note (note 31)	**3,540**	–
Loss on disposal of a subsidiary (note 22)	**–**	1,840
Rental income, net	**(125)**	(125)
Bank interest income	**(3,977)**	(54,926)
Government grants	**(7,771)**	(6,952)
Fair value gain on an investment property (note 15)	**(254)**	(1,022)
Gain on modification of terms of a promissory note (note 31)	**–**	(5,151)

* Cost of inventories sold includes approximately HK$27,930,000 (2013: HK$35,316,000) and HK$8,465,575 (2013: HK$122,785,000) relating to staff costs and depreciation, respectively, which amounts are also included in the respective total amounts disclosed separately above.

7 FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses, net of reimbursement on borrowings wholly repayable within five years:		
Bank loans	**59,483**	58,094
Bills payable	**11,253**	37,057
Loans from local credit corporation	**15,772**	7,337
Promissory notes (note 31)	**1,684**	1,989
	88,192	104,477
Less: Interest capitalised to construction in progress (note 14)	**–**	(17,350)
	88,192	87,127
Interest on borrowings not wholly repayable within five years:		
Mortgage loan	**219**	250
	88,411	87,377

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 HK$'000	2013 HK$'000
Fees	**600**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**3,900**	3,900
Pension scheme contributions	**67**	64
	4,567	4,564

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014 HK$'000	2013 HK$'000
Choy So Yuk	**150**	150
Li Xiao Long*	**–**	145
Gao Wen Ping	**150**	150
Leung Yuen Wing	**150**	150
	450	595

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

b) Non-executive director

The fees paid to non-executive director during the year was as follows:

	2014 HK$'000	2013 HK$'000
Li Xiao Long*	**150**	5

* Mr. Li Xiao Long resigned as the non-executive director of the Company with effect from 6 February 2015. He has been re-designated from an independent non-executive director to a non-executive director with effect from 18 December 2013.

8 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

c) Executive directors

2014	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	–	–	–
Lau Yu**	650	17	667
Li Xiao Juan	1,040	17	1,057
Ng Tze For	1,560	17	1,577
Zhao Cheng Shu	650	16	666
	3,900	67	3,967

2013	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Cai Sui Xin	–	–	–
Lau Yu**	650	16	666
Li Xiao Juan	1,040	16	1,056
Ng Tze For	1,560	16	1,576
Zhao Cheng Shu	650	16	666
	3,900	64	3,964

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

There was no remuneration paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2013: Nil).

** Lau Yu was also the chief executive officer of the Company.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2013: one) highest paid employee who is a senior management of the Company is as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**939**	893
Retirement scheme contributions	**17**	15
	956	908

The remuneration of the highest paid employee for the years ended 31 December 2013 and 2014 were below HK$1,000,000.

10 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. For the year ended 31 December 2013, no Hong Kong profits tax had been provided as the Group did not generate any assessable profits arising in Hong Kong during that year. Under the Corporate Income Tax Law, the corporate income tax is calculated at a rate of 25% (2013: 25%) on the Group's estimated assessable profits arising in the PRC for the year ended 31 December 2014. Tax on the assessable profits arising in the USA is calculated at a rate of 34% for the year ended 31 December 2014, however, no income tax has been provided as the Group did not generate any assessable profits arising in the USA.

The major components of income tax expense for the year are as follows:

	2014 HK$'000	2013 HK$'000
Group		
Current – Hong Kong	**378**	–
Current – PRC	**410,992**	312,428
Overprovision in prior year	**(33,992)**	(2,149)
	377,378	310,279
Deferred tax (note 33)	**(44,900)**	9,755
Total tax charge for the year	**332,478**	320,034

10 INCOME TAX (continued)

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory rates) to the effective tax rates, are as follows:

2014

	Hong Kong		PRC		USA		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
(Loss)/profit before tax	(72,233)		8,293		(425)		(64,365)	
Tax at the statutory tax rate	(11,918)	16.5	2,073	25.0	(144)	34.0	(9,989)	15.5
Income not subject to tax	(1,453)	2.0	(11,831)	(142.7)	(63)	14.8	(13,347)	20.7
Over-provision in prior year	–	–	(33,992)	(409.9)	–	–	(33,992)	52.8
Expenses not deductible for tax	4,410	(6.1)	451,576	5,445.3	82	(19.3)	456,068	(708.5)
Temporary differences not recognised	9,253	(12.8)	(75,627)	(911.9)	–	–	(66,374)	103.1
Tax losses not recognised	112	(0.1)	–	–	–	–	112	(0.2)
Tax charge at effective tax rate	404	(0.5)	332,199	4,005.8	(125)	29.5	332,478	(516.6)

2013

	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(8,212)		(2,384,315)		(2,392,527)	
Tax at the statutory tax rate	(1,355)	16.5	(596,079)	25.0	(597,434)	25.0
Income not subject to tax	(92)	1.0	(11,871)	0.5	(11,963)	0.5
Over-provision in prior year	–	–	(2,149)	0.1	(2,149)	0.1
Expenses not deductible for tax	1,321	(16.0)	358,324	(15.0)	359,645	(15.1)
Temporary differences not recognised	1	(–)	571,707	(23.9)	571,708	(23.9)
Tax losses not recognised	227	(2.8)	–	–	227	(–)
Tax charge at effective tax rate	102	(1.3)	319,932	(13.3)	320,034	(13.4)

11 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$16,985,000 (2013: HK$7,462,000) which has been dealt with in the financial statements of the Company.

12 DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

13 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$376,988,000 (2013: HK$2,581,507,000) and the weighted average number of ordinary shares of 2,407,249,000 (2013: 2,389,222,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2014 by the effect of share options as it is reasonably presumed that no option holder will exercise the option when the market price per share is lower than the exercise price per share of the share option. Therefore, no dilution effect occurred for the years.

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Oil equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014										
At 1 January 2014										
Cost	18,723	1,057,427	34,069	–	1,172,883	23,170	311,128	1,101	97,789	2,716,290
Accumulated depreciation and impairment	(4,210)	(1,001,957)	(32,757)	–	(1,119,234)	(22,345)	(294,509)	(531)	(97,789)	(2,573,332)
Net carrying amount	14,513	55,470	1,312	–	53,649	825	16,619	570	–	142,958
At 1 January 2014, net of accumulated depreciation	14,513	55,470	1,312	–	53,649	825	16,619	570	–	142,958
Additions	–	100,571	54	29	1,576	–	–	–	–	102,230
Acquisition of subsidiaries	1,599	–	–	32,808	–	–	–	–	–	34,407
Disposals	–	–	–	–	(241)	(77)	–	–	–	(318)
Depreciation provided during the year	(349)	(5,874)	(186)	(175)	(9,006)	(150)	(1,385)	(35)	–	(17,160)
Exchange realignment	(3)	(1,913)	(31)	(8)	(976)	(19)	(401)	(14)	–	(3,365)
At 31 December 2014, net of accumulated depreciation and impairment	15,760	148,254	1,149	32,654	45,002	579	14,833	521	–	258,752
At 31 December 2014										
Cost	20,419	1,131,408	33,290	32,837	1,142,002	20,599	303,477	1,074	95,384	2,780,490
Accumulated depreciation and impairment	(4,659)	(983,154)	(32,141)	(183)	(1,097,000)	(20,020)	(288,644)	(553)	(95,384)	(2,521,738)
Net carrying amount	15,760	148,254	1,149	32,654	45,002	579	14,833	521	–	258,752

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings HK$'000	Plant facilities HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Plant infrastructure HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2013									
At 1 January 2013									
Cost	17,745	815,125	32,316	1,127,084	24,244	306,104	1,101	317,897	2,641,616
Accumulated depreciation	(1,902)	(61,299)	(7,960)	(158,676)	(7,738)	(16,438)	(493)	–	(254,506)
Net carrying amount	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110
At 1 January 2013, net of accumulated depreciation	15,843	753,826	24,356	968,408	16,506	289,666	608	317,897	2,387,110
Additions	–	387	503	248	2,993	–	–	33,313	37,444
Written off	–	–	(6)	–	(281)	–	–	(65,040)	(65,327)
Disposals	–	–	–	–	(2,270)	–	–	–	(2,270)
Capitalised interest (note 7)	–	–	–	–	–	–	–	17,350	17,350
Depreciation provided during the year	(324)	(40,349)	(3,864)	(76,821)	(3,026)	(7,633)	(38)	–	(132,055)
Transfer from construction in progress	–	211,956	–	–	–	–	–	(211,956)	–
Impairment	(1,628)	(806,597)	(18,331)	(780,114)	(11,996)	(241,661)	–	(96,418)	(1,956,745)
Exchange realignment	622	(63,753)	(1,346)	(58,072)	(1,101)	(23,753)	–	4,854	(142,549)
At 31 December 2013, net of accumulated depreciation	14,513	55,470	1,312	53,649	825	16,619	570	–	142,958
At 31 December 2013									
Cost	18,723	1,057,427	34,069	1,172,883	23,170	311,128	1,101	97,789	2,716,290
Accumulated depreciation and impairment	(4,210)	(1,001,957)	(32,757)	(1,119,234)	(22,345)	(294,509)	(531)	(97,789)	(2,573,332)
Net carrying amount	14,513	55,470	1,312	53,649	825	16,619	570	–	142,958

14 PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying value of the Group's land and buildings is analysed as follows:

Location	Notes	2014 HK$'000	2013 HK$'000
Hong Kong	a	**14,059**	14,401
PRC	b	**104**	112
USA	c	**1,597**	–
		15,760	14,513

Notes:

a) The land and building in Hong Kong are held under a medium term lease and are pledged to secure general banking facilities granted to the Group (note 30).

b) It is the building in the PRC, the related land portion is included in "Prepaid land premiums" in the consolidated statement of financial position.

c) It is the land and building in the USA in which the land is held freehold.

Certain machinery with a net carrying amount before impairment of approximately HK$408,014,000 (2013: HK$370,578,000) are pledged to secure general banking facilities granted to the Group (note 30).

Impairment test for the year ended 31 December 2013

As detailed in note 19 to the financial statements, the management carried out an impairment assessment of the Coke Manufacturing CGU (as defined in note 19 to the financial statements). The recoverable amount of the Coke Manufacturing CGU at 31 December 2013 is less than the aggregate carrying amount of the related identifiable assets of the Coke Manufacturing CGU, and impairment loss of approximately HK$1,956,745,000 is allocated to reduce the carrying amount of property, plant and equipment.

Impairment test for the year ended 31 December 2014

The recoverable amount of the Coke Manufacturing CGU has been determined by Greater China Appraisal Limited as at 31 December 2014 based on a value-in-use calculation using cash flow projection based on financial budgets covering a definite three-year period from 1 January 2015 which is prepared by senior management, with related estimated residual values of property, plant and equipment. In the opinion of directors, no provision or reversal or impairment loss is considered as necessary as at 31 December 2014.

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment HK$'000
31 December 2014	
At 1 January 2014 and 31 December 2014	
Cost	**65**
Accumulated depreciation	**(65)**
Net carrying amount	**–**
31 December 2013	
At 1 January 2013	
Cost	65
Accumulated depreciation	(52)
Net carrying amount	13
At 1 January 2013, net of accumulated depreciation	13
Depreciation provided during the year	(13)
At 31 December 2013, net of accumulated depreciation	–
At 31 December 2013	
Cost	65
Accumulated depreciation	(65)
Net carrying amount	–

15 INVESTMENT PROPERTY

	Group 2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	**11,738**	10,716
Gain from a fair value adjustment (note 5)	**254**	1,022
Carrying amount at 31 December	**11,992**	11,738

The Group's investment property is situated in the PRC and is held under a long term lease.

The Group's investment property located in the PRC was revalued on 31 December 2014 by RHL Appraisal Limited, independent professionally qualified valuer, at RMB9,610,000 (equivalent to approximately HK$11,992,000 (2013: RMB9,170,000 (equivalent to approximately HK$11,738,000)). A gain on fair value adjustment of HK$254,000 is recognised in the line item "other income and gain" in the statement of profit and loss.

Details of the Group's investment property and information about the fair value hierarchy are as follows:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Investment property:				
31 December 2014	**–**	**11,992**	**–**	**11,992**
31 December 2013	–	11,738	–	11,738

During the year, there were no transfers in the fair value hierarchy between Level 1 and Level 2, or transfers into or out of Level 3 during the year.

The fair value of investment property was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments and hence the investment property was classified as level 2 of the fair value hierarchy.

The investment property is leased to a third party under an operating lease, details of which are included in note 39 to the financial statements.

16 PREPAID LAND PREMIUMS

	Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
At 1 January	**42,958**	41,719
Exchange realignment	**(1,056)**	1,239
At 31 December	**41,902**	42,958
Accumulated amortisation:		
At 1 January	**5,406**	4,256
Charge for the year	**1,004**	1,008
Exchange realignment	**(139)**	142
At 31 December	**6,271**	5,406
Net carrying amount:		
At 31 December	**35,631**	37,552
Current portion	**(998)**	(1,008)
Non-current portion	**34,633**	36,544

The leasehold land premium is held under a medium term lease and is situated in the PRC.

17 INTERESTS IN ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**20,052**	20,676
Goodwill on acquisition	**4,684**	4,684
	24,736	25,360
Less: Impairment	**(18,365)**	(18,828)
	6,371	6,532

17 INTERESTS IN ASSOCIATES (continued)

Particulars of the associates of the Group at 31 December 2014 are as follows:

Name	Place of establishment/ registration	Paid up capital	Equity interest attributable to the Group	Principal activities
Nan Tie Lou Jun Coke Transportation Co., Ltd. ("Nan Tie") *^	Shanxi Province, the PRC	RMB10,000,000	19%#	Provision of loading storage and transportation service for coke, washed coals and raw coals
Shanxi Guo Xin Loujin New Resources Limited ("Guo Xin Loujun") *^ (note (i))	Shanxi Province, the PRC	RMB30,000,000	49%	Provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas

Note:

(i) On 24 May 2011, Shanxi Loudong General Nice Coking & Gas Co, Limited ("Shanxi Loudong"), a subsidiary of the Group and 山西省國新能源發展集團有限公司 (Shanxi Guo Xin Resources Development Group Limited^, "Guo Xin Resources", an independent third party) entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which, Shanxi Loudong and Guo Xin Resources would establish a joint venture namely Guo Xin Loujun, with the registered capital of RMB50 million to engage in the provision of coke oven gas compression, purification, methanation and separation process, and synthesizing coke oven gas into natural gas. Pursuant to the Cooperation Agreement, Guo Xin Loujun is owned as to 51% by Guo Xin Resources and as to 49% by Shanxi Loudong. Accordingly, Shanxi Loudong should contribute RMB24.5 million to Guo Xin Loujun as equity capital. Up to 31 December 2014, the paid-up capital of Guo Xin Loujun amounted to RMB30 million, of which Shanxi Loudong had contributed RMB14.7 million (equivalent to approximately HK$18 million) in proportion to the equity interest in Guo Xin Loujun.

17 INTERESTS IN ASSOCIATES (continued)

Note: (continued)

(i) (continued)

An application for the environmental impact assessment approval from the relevant governmental authorities had been rejected by the PRC Government in March 2014. In the opinion of the directors, it is difficult for Guo Xin Loujun to continue to operate without the relevant approval and, accordingly, full provision for impairment of the investment in Guo Xin Loujun of RMB14,700,000 (equivalent to approximately HK$18,365,000) and the amount due from Guo Xin Loujun of RMB45,397,000 (equivalent to approximately HK$57,167,000) had been made in the financial statements for the year ended 31 December 2013. During the year, RMB24,877,000 was received, therefore, a reversal of impairment of amount due from an associate of RMB24,877,000 (equivalent to approximately HK$31,254,000) was reversed to profit or loss (note 5).

* Not audited by Ascenda Cachet CPA Limited.

^ The English names of these companies are directly translated from their Chinese names as no English names have been registered.

\# Nan Tie is classified as an associate by virtue of the Group's significant influence over it.

A summary of financial information of the associates extracted from their management accounts is set out as follows:

	2014	2013
	HK$'000	HK$'000
Assets	**55,621**	44,242
Liabilities	**(21,271)**	(20,035)
Revenues	**25,850**	19,460
Profit	**10,800**	155

18 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**11,900**	12,200

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

18 AVAILABLE-FOR-SALE INVESTMENTS (continued)

As at 31 December 2014, all the unlisted equity investments with were stated at cost because the range of reasonable fair value estimates cannot be measured reliably. The Group does not intend to dispose of them in the near future.

19 GOODWILL

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January		
Cost	**901,222**	901,222
Accumulated impairment	**(901,222)**	(571,139)
Net carrying amount	**–**	330,083
Net carrying amount at 1 January, net of accumulated impairment	**–**	330,083
Acquisition of subsidiaries (note 37)	**121,181**	–
Impairment during the year (note 6)	**(56,400)**	(330,083)
Net carrying amount at 31 December	**64,781**	–
At 31 December		
Cost	**121,181**	901,222
Accumulated impairment	**(56,400)**	(901,222)
Net carrying amount	**64,781**	–

Goodwill acquired through the business combination during the year ended 31 December 2014 has been allocated to the oil cash generating unit (the "Oil CGU") (note 37). Goodwill acquired through the business combination in prior years had been allocated to the coke manufacturing cash generating unit (the "Coke Manufacturing CGU") and the balance of goodwill was fully impaired during the year ended 31 December 2013.

19 GOODWILL (continued)

Impairment test of goodwill for the year ended 31 December 2014

A portion of the goodwill (amounting to approximately HK$56,400,000) in connection with the Oil CGU arose from the acquisition of EPI (the "Acquisition"), representing the difference between the contracted issue price of the Company's consideration shares (the "Consideration Shares") as stipulated under the Acquisition and the closing market price of the shares of the Company on the completion date of the Acquisition (i.e. 18 December 2014, the "Completion Date"). The closing market price per share of the Company on the Completion Date (i.e. HK$0.62 per share) was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Consideration Shares issued for the Acquisition. The impairment loss of goodwill of approximately HK$56,400,000 was recognised immediately upon completion of the Acquisition according to the recoverable amount of the Oil CGU to which goodwill has been allocated with reference to the valuation performed by an independent professional valuer, Albeck Financial Services, Inc.. In the opinion of the Directors, the impairment loss was mainly attributable to the increase in the fair value of the Consideration Shares of the Company at the Completion Date. After recognition of impairment loss, the carrying amount of goodwill the Oil CGU was approximately HK$64,781,000, which arise mainly by the benefit of expected synergies, diversify of business and income base.

The recoverable amount of the Oil CGU has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is 10.01%. Key assumptions used in value-in-use calculation are as follows:

Revenues
Future revenues are estimated based on annual output taking into account the designed capacity and market demand at expected future commodity prices.

Commodity prices
Future commodity prices are estimated by management based on their industry experience, historic price trends and independent expert commentaries.

Discount rates
The discount rates used is based on a weighted average cost of capital, and is real rate, reflecting specific risks relating to the relevant cash generating units.

Impairment test of goodwill for the year ended 31 December 2013

In line with the continuing restructuring of the coke manufacturing facilities (the "New Facilities") in the Shanxi province, the management is in the process of planning for the construction of the New Facilities in a newly planned zone. The management considers that the operation of the existing coke manufacturing facilities of the Group will cease upon the completion of construction of and the commencement of commercial production of the New Facilities in or around the Year 2017.

19 GOODWILL (continued)

Impairment test of goodwill for the year ended 31 December 2013 (continued)

Accordingly, for the purpose of impairment testing, the recoverable amount of the Coke Manufacturing CGU has been determined by Greater China Appraisal Limited, an independent professional valuer, as at 31 December 2013 based on a value-in-use calculation using cash flow projections based on financial budgets covering a definite four-year period from 1 January 2014, which is approved by senior management, with related estimated residual values of property, plant and equipment. At 31 December 2013, the discount rate applied to cash flow projections was 18.1%. Key assumptions used in the value-in-use calculation for 31 December 2013 are as follows:

Revenues

Future revenues are estimated based on annual output taking into account the designed capacity and market demand at expected future commodity prices.

Commodity prices

Future commodity prices are estimated by management based on their industry experience, historic price trends and independent expert commentaries.

Discount rates

The discount rates used is based on a weighted average cost of capital, and is real rate, reflecting specific risks relating to the relevant cash generating units.

The recoverable amount of the Coke Manufacturing CGU as at 31 December 2013 was less than the aggregate carrying amount of the related identifiable assets of the Coke Manufacturing CGU, and impairment loss of approximately HK$2,286,828,000 was recognised in the consolidated statement of profit or loss and allocated to reduce the carrying amounts of the identifiable assets of the Coke Manufacturing CGU, representing impairment losses of approximately HK$330,083,000 and approximately HK$1,956,745,000, were made against the carrying amounts of goodwill and property, plant and equipment (note 14), respectively.

20 OIL PROPERTIES

Group

	HK$'000
At 1 January 2014	–
Acquisition of subsidiaries (note 37)	292,382
Amortisation	(192)
Exchange realignment	(74)
At 31 December 2014, net of accumulated amortisation and impairment	292,116
At 31 December 2014:	
Cost	292,382
Accumulated amortisation and impairment	(266)
Net carrying amount	292,116

The oil properties represent proved and probable oil reserves and the cost of successful exploratory wells in the States of Illinois and Indiana in the USA. The oil properties are amortised using the unit-of-production method based on the total proved and probable reserves.

21 OTHER LONG-TERM ASSETS

	Group	
	2014	2013
	HK$'000	HK$'000
Deposit paid for the proposed acquisition of Linxian Taiye (note (i))	**–**	481,581

21 OTHER LONG-TERM ASSETS (continued)

Note:

(i) On 16 September 2009, Shanxi Loudong entered into a memorandum of understanding with independent third parties to acquire 49% equity interests in Shanxi Linxian Taiye Coal Mining Company Limited, which is now known as Shanxi Loujun Group Taiye Coal Mining Company Limited ("Linxian Taiye"), a coal mining company. On 4 May 2010, Shanxi Loudong entered into an agreement with one of the independent third parties for the acquisition of 30% equity interest in Linxian Taiye at a total consideration of RMB700 million (equivalent to approximately HK$896,561,000) (the "30% Taiye Acquisition"). As at 31 December 2013, the aggregate amount of deposits (the "Shanxi Loudong Deposit") paid by the Group under the agreement amounted to RMB376 million (the "Deposit") (equivalent to approximately HK$481,581,000). Accordingly, Shanxi Loudong had capital commitments of RMB324 million (equivalent to approximately HK$414,980,000 (2012: approximately HK$403,007,000)) as at 31 December 2013.

On 30 June 2014, Shanxi Loudong and the vendor entered into a termination agreement to terminate the 30% Taiye Acquisition. The vendor agreed to return the Deposit to Shanxi Loudong in full. The deposit was therefore reclassified to other receivables. On 30 June 2014, Shanxi Loudong, the vendor and the Company entered into a deed of assignment, pursuant to which, Shanxi Loudong agreed to assign the rights (the "Deposit Assignment") to the Deposit to the Company and the vendor agreed to return the Deposit of RMB376 million to the Company in accordance to the payment terms in the following manner:

(a) as to RMB65 million shall be returned before 30 September 2014;
(b) as to RMB65 million shall be returned before 31 December 2014; and
(c) the remaining amount of RMB246 million shall be returned before 31 March 2015.

The two instalments totalling RMB130 million (approximately HK$162 million) were received during the year ended 31 December 2014, and the remaining amount of RMB246 million (equivalent to approximately HK$307 million) was received by the Group in March 2015.

22 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**–***	–*
Due from subsidiaries:		
Non-current portion	**1,690,573**	1,350,005
Less: Impairment	**(1,350,005)**	(1,350,005)
	340,568	–
Current portion	**1,225,732**	1,274,307
Less: Impairment	**(573,472)**	(296,370)
	652,260	977,937
	992,828	977,937
Due to subsidiaries:		
Current portion	**1,740**	1,740

* The investment at cost has been presented as nil as a result of rounding.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The classification of non-current amounts due from subsidiaries has been determined based on the amounts expected to be settled beyond one year from the end of the reporting period.

22 INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2014 are as follows:

Name	Place of incorporation and business	Issued/paid up capital	Percentage of equity interest attributable to the Company		Principal
			Direct	Indirect	
Kingfund Corporation Limited	Hong Kong	HK$1	–	100%	Property investment
Abterra Coal & Coke Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Shanxi Loudong*#	PRC	RMB446,000,000	–	94.48%	Coke processing and the manufacture of relevant chemicals
Super Energy Limited	Hong Kong	HK$1	100%	–	Administrative function
Earning Power Inc.*@	British Virgin Island ("BVI")	US$2	–	100%	Investment holding
Metro Winner Trading Limited^	Hong Kong	HK$1	–	100%	Trading of commodities
Northern Lynx Exploration*@	USA	US$300,000	–	100%	Investment holding
Mega Oil Inc.*@	USA	US$1,000	–	100%	Extraction and sales of oil
Sheen Day Limited^	HK	HK$1	–	100%	Property holding

* Ascenda Cachet CPA Limited are not the local statutory auditors.

\# The subsidiary is registered as a Sino-foreign investment enterprise under the PRC law.

@ These entities were newly acquired during the year.

^ These entities were newly incorporated during the year.

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

22 INVESTMENTS IN SUBSIDIARIES (continued)

On 27 March 2014, the Group entered into a memorandum of understanding (the "MOU") with Mega Smart Capital Investment Limited ("Mega Smart", an independent third party) (as supplemented by a supplemental MOU) (collectively, the "GNLC MOU"), pursuant to which, the Group would dispose of its equity interest in General Nice-Loudong Coal & Coke Limited ("GNLC"). GNLC is an investment holding company and directly owns 47.24% equity interest in Shanxi Loudong. The exclusively period for further negotiation of the terms of formal agreement expired on 30 September 2014.

On 27 March 2014, the Group further entered into another memorandum of understanding with Glory China Global Investment Limited ("Glory China", an independent third party) (as supplemented by a supplemental MOU) (collectively, the "Buddies Power MOU"), pursuant to which, the Group would dispose of its entire equity interest in Buddies Power Enterprises Limited ("Buddies Power"). Buddies Power is an investment holding company and indirectly owns 47.24% equity interest in Shanxi Loudong. The exclusively period for further negotiation of the terms of formal agreement expired on 30 September 2014.

On 27 March 2014, the Group further entered into a memorandum of understanding with Nice Link Pty Limited ("Nice Link") and General Nice Development Limited ("GND") (as supplemented by an extension letter) (collectively, the "Nice Link MOU"), both Nice Link and GND are connected persons of the Company, pursuant to which, the Group would acquire a commercial building which is situated in Australia. The exclusively period to negotiate in good faith for the terms of the proposed acquisition in order to enter into a formal agreement was on or before 30 September 2014.

As no formal agreements have been entered into between the parties, the GNLC MOU, the Buddies Power MOU and the Nice Link MOU lapsed on 30 September 2014, and the proposed disposals and the purposed acquisition would not proceed.

23 INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**41,880**	44,997
Work in progress	**18,768**	25,969
Finished goods	**62,834**	64,702
Spare parts and consumables	**–**	9,600
	123,482	145,268

As 31 December 2014, none of the Group's inventories (2013: HK$123,692,000) were pledged for general banking facilities (note 30).

24 TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**1,275,201**	854,439
Less: Impairment of trade receivables	**(313,411)**	(149,307)
	961,790	705,132
Bills receivables	**1,111,881**	785,131
	2,073,671	1,490,263

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months for the customers in the Manufacturing segment and Commodities Trading Segment; and one month for the customers in the Oil Segment. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Group's customers are concentrated in the steel making industry for customers in the Coke Manufacturing Segment and Commodities Trading Segment. Trade receivables are non-interest-bearing.

24 TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current	**240,392**	164,989
31-60 days	**120,019**	134,437
61-90 days	**104,536**	144,693
91-365 days	**679,448**	315,432
Over 1 year	**130,806**	94,888
	1,275,201	854,439

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**149,307**	29,851
Acquisition of subsidiaries (note 37)	**1,700**	–
Impairment losses recognised (note 6)	**167,046**	116,907
Exchange realignment	**(4,642)**	2,549
At 31 December	**313,411**	149,307

The above provision for impairment of trade receivables as at 31 December 2014 was in relation to individually impaired trade receivables with a carrying amount of HK$451,293,000 (2013: HK$190,945,000).

The Group does not hold any collateral or other credit enhancements over these balances.

24 TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**313,781**	409,108
Less than 1 month past due	**290,052**	144,315
1 to 3 months past due	**71,653**	94,296
3 to 12 months past due	**147,400**	8,474
1 year past due	**1,022**	7,301
	823,908	663,494

Receivables that were neither overdue nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and/or the balances are still considered fully recoverable.

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**612,949**	1,098,557	**312**	312
Other receivables and deposits	**218,747**	28,662	**36**	36
Shanxi Loudong Deposit (Note 21(i))	**307,329**	–	**–**	–
	1,139,025	1,127,219	**348**	348

25 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The aged analysis of the other receivables and deposits that are not considered to be impairment is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**526,076**	28,604	36	36

Receivables and deposits that were neither past due nor impaired relate to a number of debtors for whom there was no recent history of default.

26 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments, at market value:		
PRC	**14,892**	1,281

The above equity investments at 31 December 2013 and 2014 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**278,968**	650,457	**10,239**	592
Less: Pledged bank deposits with maturity period over three months	**(256,447)**	(642,827)	**–**	–
Cash and cash equivalents	**22,521**	7,630	**10,239**	592

27 CASH AND CASH EQUIVALENTS (continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$262,445,060 (2013: HK$649,331,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group was permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

28 TRADE AND BILLS PAYABLE

	Group	
	2014	2013
	HK$'000	HK$'000
Trade payables	**344,500**	98,315
Bills payable	**342,312**	813,309
	686,812	911,624

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current	**130,376**	12,208
31-60 days	**59,763**	8,394
61-90 days	**1,455**	2,157
91-365 days	**79,304**	17,424
Over 1 year	**73,602**	58,132
	344,500	98,315

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The bills payable are of original maturity term between 1 month to 1 year.

29 OTHER PAYABLES AND ACCRUALS

	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Customer advances	**72,833**	80,597	**–**	–
Other payables	**77,080**	102,699	**998**	998
Accruals	**21,701**	30,910	**2,234**	1,773
	171,614	214,206	**3,232**	2,771

Other payables are non-interest-bearing and have an average term of three months.

30 INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014			2013		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current:						
Bank loans – secured	**5.32%-9.00%**	**2015**	**1,411,668**	5.32%-9.00%	2014	1,166,609
Other borrowing:						
Loans from a local credit corporation - secured	**6.15%**	**2015**	**56,370**	6.15%	2014	82,685
			1,468,038			1,249,294
Non-current:						
Bank loans – secured	**6.15%**	**2016-2017**	**124,930**	–	–	–
Other borrowing:						
Loans from a local credit corporation - secured	**6.15%**	**2016**	**231,508**	6.15%	2015	134,038
			356,438			134,038
			1,824,476			1,383,332

30 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group	
	2014	2013
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,411,668**	1,166,609
In the second year to fifth year	**124,930**	–
	1,536,598	1,166,609
Other borrowings repayable:		
Within one year	**56,370**	82,685
In the second year to fifth year	**231,508**	134,038
	287,878	216,723
Total borrowings	**1,824,476**	1,383,332
Less: Classified as non-current portion	**(356,438)**	(134,038)
Current portion	**1,468,038**	1,249,294

The Group's banking facilities, bank loans and other borrowings from a local credit corporation are secured by:

(a) the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$14,075,000 (2013: HK$14,401,000) (note 14);

(b) the Group's machinery, which had an aggregate carrying value before impairment at the end of the reporting period of approximately HK$408,014,000 (2013: HK$370,578,000) (note 14);

(c) pledge of certain of the Group's bank deposits of approximately HK$256,447,000 (2013: HK$642,827,000) (note 27);

(d) personal guarantees from certain directors of the Company, directors of a subsidiary and a close family member of a director of a subsidiary;

30 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(e) corporate guarantees from related companies and independent third parties; and

(f) a related company's land and buildings.

31 PROMISSORY NOTES

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
At 1 January		**25,520**	28,682
Promissory note issued for the EPI Acquisition (note (b)):			
Face value		**60,000**	–
Fair value changes on issuance of promissory note		**(10,832)**	–
Acquisition of subsidiaries (note (c))		**9,307**	–
Interest expenses charged		**1,655**	1,989
Gain on the modification of the terms of a promissory note (note (a))	5	**–**	(5,151)
Early redemption of a promissory note (note (a))		**(26,460)**	–
Exchange realignment		**(2)**	–
At 31 December		**59,188**	25,520
Classified as current liabilities		**(9,305)**	–
Non-current liabilities		**49,883**	25,520

		Company	
		2014	2013
	Notes	**HK$'000**	HK$'000
At 1 January		**25,520**	28,682
Promissory note issued for EPI Acquisition (note (b)):			
Face value		**60,000**	–
Fair value changes on issuance of promissory note		**(10,832)**	–
Interest expenses charged		**1,655**	1,989
Gain on the modification of the terms of a promissory note (note (a))	5	**–**	(5,151)
Early redemption of a promissory note (note (a))		**(26,460)**	–
At 31 December – non-current liabilities		**49,883**	25,520

31 PROMISSORY NOTES (continued)

(a) On 27 July 2010, the Company issued to Hing Lou Resources Limited ("PN I holder"), a substantial shareholder of the Company, an unsecured promissory note with a principal value of HK$60,000,000 ("PN 1") as a partial consideration for the acquisition of a further 39.9% equity interest in Shanxi Loudong. In 2012, the Company had negotiated and agreed with Hing Lou Resources Limited to redeem part of PN 1 with a principal value of HK$30,000,000. The PN 1 bears no interest and was repayable in one lump sum on 26 July 2013. PN 1 was measured at amortised cost, using an effective rate of 7.735%.

On 26 July 2013, the terms of the remaining balance of PN 1 was modified (the "Modification") with its maturity date being further extended to 27 July 2016 ("Modified PN"). At the date of the Modification, the present value of the Modified PN was revalued by RHL Appraisal Limited ('RHL'), independent professionally qualified valuers, at HK$24,849,000, and accordingly, the Group has recognised a gain on the modification of PN 1 of approximately HK$5,151,000 during the year ended 31 December 2013.

On 31 December 2014, the Company has early redeemed the PN 1 and the Group has recognised a loss on early redemption of PN 1 of approximately HK$3,540,000 during the year ended 31 December 2014.

(b) On 18 December 2014, the Company issued to Wise Perfection Limited an unsecured promissory note with a principal value of HK$60,000,000 ("PN 2") as a partial consideration for the acquisition of 100% equity interest in Earning Power Inc. (the "EPI Acquisition") (note 36). PN 2 bears no interest and is repayable in one lump sum on 18 December 2017 (the "Maturity Date"). The Company may at its sole discretion elect to repay all or any part of the amount outstanding under PN 2 at any time prior to the Maturity Date. PN 2 is not transferable or assignable to any third party unless with the consent of the Company. At the issue date, the present value of PN 2 was revalued by RHL at approximately HK$49,168,000 and this amount is carried as a non-current liability on the amortised cost, using an effective rate of 6.86%.

(c) On 7 August 2014 (prior to becoming a subsidiary of the Group), M&L Leasing Services Inc. ("M&L Leasing"), a wholly-owned subsidiary of the Group, issued a secured promissory note ("PN 3") as partial consideration for the acquisition of certain property, plant and equipment and, termination of rights and interests in the working interest of the 6 wells to be drilled by or on behalf of M&L Leasing, including its subsidiaries. PN 3 bears interest at 4% per annum and is repayable on 31 July 2015.

32 ASSETS RETIREMENT OBLIGATIONS

Group

	HK$'000
At 1 January 2014	–
Acquisition of subsidiaries (note 37)	1,359
Exchange realignment	25
At 31 December 2014	1,384

33 DEFERRED TAX

Group
31 December 2014

Deferred tax assets

	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Total HK$'000
At 1 January 2014	**7,514**	**3,738**	**11,252**
Deferred tax charged to profit or loss	**(7,539)**	**(3,723)**	**(11,262)**
Exchange realignment	**25**	**(15)**	**10**
At 31 December 2014	**–**	**–**	**–**

Deferred tax liabilities

	Fair value adjustments arising from business combination HK$'000	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2014	–	42,544	3,635	16,539	7,206	69,924
Deferred tax credited to profit or loss	(75)	(39,728)	272	(10,035)	(6,596)	(56,162)
Acquisition of subsidiaries	94,385	–	–	–	9,181	103,566
Exchange realignment	(23)	191	(91)	(888)	309	(502)
31 December 2014	94,287	3,007	3,816	5,616	10,100	116,826

33 DEFERRED TAX (continued)

Group (continued)

31 December 2013

Deferred tax assets

	Impairment of trade receivables HK$'000	Impairment of other receivables HK$'000	Total HK$'000
At 1 January 2013	7,407	3,685	11,092
Exchange realignment	107	53	160
At 31 December 2013	7,514	3,738	11,252

Deferred tax liabilities

	Capitalised interest HK$'000	Book value in excess of tax base of prepaid land premiums HK$'000	Others HK$'000	Book value in excess of tax base of property, plant and equipment HK$'000	Total HK$'000
At 1 January 2013	38,045	3,261	553	18,310	60,169
Deferred tax charged to profit or loss	4,338	273	15,762	(10,618)	9,755
Exchange realignment	161	101	224	(486)	–
At 31 December 2013	42,544	3,635	16,539	7,206	69,924

The Group has accumulative tax losses arising in Hong Kong of HK$8,365,279 (2013: HK$6,648,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

33 DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement has become effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2013: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

34 SHARE CAPITAL

	2014 **HK$'000**	2013 HK$'000
Authorised:		
200,000,000,000 ordinary shares of HK$0.01 each	**2,000,000**	2,000,000
Issued and fully paid:		
2,859,222,370 (2013: 2,389,222,370) ordinary shares of HK$0.01 each	**28,592**	23,892

The movements in the issued share capital of the Company were as follows:

	Number of shares '000	**Issued capital** HK$'000	**Share premium account** HK$'000	**Total** HK$'000
At 1 January 2013, 31 December 2013 and 1 January 2014	2,389,223	23,892	626,634	650,526
New shares issued as partial consideration for the acquisition of EPI (note 37)	470,000	4,700	286,700	291,400
At 31 December 2014	**2,859,223**	**28,592**	**913,334**	**941,926**

35 SHARE OPTION SCHEME

On 25 June 2007 (the "Adoption Date"), the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives to Participants (as defined in the Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. The shareholders approved the refreshment of the scheme limit at a special general meeting held on 15 October 2010. Following the refreshment, the maximum number of shares in respect of which options may be granted under the Scheme is 182,509,081 shares, representing 10% of the total number of shares in issue as at the date of refreshment of the scheme limit on 15 October 2010 and representing approximately 6.4% of the issued share capital of the Company as at 31 December 2014 and the date of this annual report. The maximum number of shares to be issued under the share options granted to each Participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associated, in excess of 0.1% of the number of shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of share options may be accepted within 14 days from the date of offer, upon payment of a consideration of HK$10.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on the expiry of six months after the date of grant and ends on a date which is not later than the expiry date of the Scheme.

35 SHARE OPTION SCHEME (continued)

(d) The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The movements in the share options of the Company during the year were set out as follows:

Name or category of participants	At 1 January 2014 (Note 1)	Reclassification	At 31 December 2014	Exercise period of the outstanding share options	Exercise price per share HK$ (Note 1)
Directors					
Ng Tze For	3,942,457	–	3,942,457	From 9 January 2010 to 24 June 2017	0.6517
Li Xiao Long (note 2)	271,894	–	271,894	From 9 July 2010 to 24 June 2017	0.6517
Sub-total	4,214,351	–	4,214,351		
Other Employee	271,894	–	271,894	From 9 January 2010 to 24 June 2017	0.6517
Total	4,486,245	–	4,486,245		

Notes:

1. These share options were granted on 9 July 2009 at an exercise price of HK$0.886 per share. As a result of completion of the open offer by the Company in July 2009, the exercise price of the share options was adjusted from HK$0.886 to HK$0.782 per share and the number of share options was adjusted accordingly.

   Upon the completion of the bonus issue on 29 June 2012, the exercise price of the share options was further adjusted from HK$0.782 per share to HK$0.6517 per share and the number of outstanding share options was further adjusted.

2. Mr. Li Xiao Long resigned as the non-executive director of the Company with effect from 6 February 2015. Accordingly, the share options of Mr. Li Xiao Long have lapsed on the same date.

3. During the year, no share options were granted, exercised, cancelled or lapsed.

35 SHARE OPTION SCHEME (continued)

At the end of the reporting period and at the date of approval of these consolidated financial statements, the Company had 4,486,245 and 4,214,351 share options outstanding under the Scheme respectively, exercisable at a price of HK$0.6517 per share, which represented approximately 0.16% and 0.15% of the Company's shares in issue as at the end of the reporting period and the date of approval of these consolidated financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 4,214,351 additional ordinary shares of the Company and additional share capital of approximately HK$42,000 and share premium of approximately HK$2,704,000 (before issue expenses).

36 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 39 of the consolidated financial statements.

(i) Capital reserve

Capital reserve comprised of the followings:

Statutory surplus reserve ("SSR")

Pursuant to the relevant PRC laws and regulations for Sino-foreign joint venture enterprises, the profits of the Group's PRC subsidiary are available for distribution, in the form of cash dividends to each of the joint venture partners: (1) satisfies all tax liabilities; (2) provides for losses in previous years; and (3) makes appropriate to the three statutory reserves. These appropriations include the individual entity's reserve fund, expansion fund and funds for staff bonuses and welfare benefits.

All Sino-foreign enterprises are generally required to appropriate not less than 10% of their net profit after tax to the SSR as determined in the PRC subsidiary's statutory audited accounts prepared in accordance with Chinese Accounting Standards, until the balance of the fund reaches 50% of the registered capital. Appropriations of the expansion fund and funds for staff bonuses and welfare benefits are determined at the sole discretion of the board of directors.

Subject to certain restrictions set out in the Company law of the PRC, part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

36 RESERVES (continued)

(a) Group (continued)

(i) Capital reserve (continued)

Waiver of the increased consideration for the acquisition of 50.1% equity interest in Shanxi Loudong

Pursuant to the sale and purchase agreement dated 8 December 2007, as supplemented by supplemental agreements, entered into between GNR and Buddies Power, a subsidiary of the Company, the consideration for the acquisition of 50.1% equity interest in Shanxi Loudong shall be increased by HK$280 million in the event that the aggregate audited attributable net profits of 50.1% equity interest in Shanxi Loudong for the financial years ended 31 December 2008 and 2009 exceeds HK$230 million, such increased amount is to be satisfied by way of Buddies Power procuring the Company to issue a promissory note in the principal amount of the increased consideration of HK$280 million to GNR. The targeted profits for the above-mentioned financial years were made. The increased consideration was included in the consolidated financial statements for the year ended 31 December 2009 as goodwill and amount due to GNR of HK$280 million.

On 26 August 2010, GNR, Buddies Power and the Company entered into a deed of waiver, pursuant to which, GNR agreed to waive the obligations of the Group under the agreements to waive the liability due from the Group. Accordingly, the Group had classified the amount due to GNR as capital reserve with no adjustment to the goodwill previously recorded.

Capital reserve in respect of acquisition of the equity interest of the PRC subsidiary

During the year ended 31 December 2010, the Group had acquired further 39.9% equity interest in Shanxi Loudong from Hing Lou Resources Limited, a non-controlling equity holder of Shanxi Loudong and a shareholder of the Company. Pursuant to the acquisition of the 39.9% equity interest in Shanxi Loudong, an excess of the net assets acquired over the consideration amounting to approximately HK$224,238,000 was recorded. In accordance with HKFRS 3 Business Combination, the excess should be accounted for as equity movement as being acquisition of the non-controlling interests and included in the capital reserve of the Group.

During the year ended 31 December 2010, apart from the acquisition of the 39.9% equity interest in Shanxi Loudong, only the Group had further contributed to Shanxi Loudong. Accordingly, there was a deemed acquisition of the equity interest in Shanxi Loudong. In accordance with HKFRS 3, such deemed acquisition should be accounted for as equity movement and included in the capital reserve of the Group.

36 RESERVES (continued)

(a) Group (continued)

(ii) Contributed surplus

Pursuant to a special resolution passed at the special general meeting on 15 October 2010, the share premium of the Company of HK$2,269,538,000 as at 30 June 2010 had been cancelled and eliminated against the accumulated losses of the Company of HK$475,986,000 as at 30 June 2010 and the then remaining balance of HK$1,793,552,000 was transferred to the contributed surplus account of the Company.

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Share option reserve HK$'000 (Note 35)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	626,634	160,670	1,742,526	1,534	(510,495)	2,020,869
Loss for the year and total comprehensive income	–	–	–	–	(1,082,698)	(1,082,698)
At 31 December 2013 and at 1 January 2014	**626,634**	**160,670**	**1,742,526**	**1,534**	**(1,593,193)**	**938,171**
New shares issued as partial consideration for the acquisition of EPI	**286,700**	–	–	–	–	**286,700**
Loss for the year and total comprehensive income for the year	–	–	–	–	**(289,579)**	**(289,579)**
At 31 December 2014	**913,334**	**160,670**	**1,742,526**	**1,534**	**(1,882,772)**	**935,292**

37 BUSINESS COMBINATION

On 5 December 2014, the Company entered into a sale and purchase agreement (the "S&P Agreement") with Wise Perfection Limited (the "Vendor") and Mr. Adam Carter-Mackintosh (the "Warrantor"), both are independent third parties, pursuant to which, the Company acquired 100% of issued share capital of Earning Power Inc. from the Vendor. The EPI Acquisition was completed on 18 December 2014 (the "Completion Date"). The consideration for the EPI Acquisition was HK$295,000,000, among which, (i) as to HK$60,000,000 was settled by the Company by the issue of the PN 2 on the Completion Date; and (ii) the balance was settled by way of allotment and issue of 470,000,000 ordinary shares of HK$0.01 each (the "Consideration Share"), credited at fully paid, at an issue price of HK$0.50 per Consideration Share. The fair value of each Consideration Share was calculated at HK$0.62, being the closing market price of the Company's ordinary share on the Completion Date.

EPI and its subsidiaries (the "EPI Group") are principally engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA.

The fair values of the identifiable assets and liabilities of the EPI Group as at the Completion Date were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Oil properties	20	292,382
Property, plant and equipment	14	34,407
Cash and bank balances		511
Inventories		2,327
Trade receivables		3,002
Prepayments and other receivables		6,321
Trade payables		(1,979)
Accruals and other payables		(3,352)
Promissory note	31	(9,307)
Assets retirement obligations	32	(1,359)
Deferred tax liabilities	33	(103,566)
Total identifiable net assets at fair value		219,387
Goodwill on acquisition	19	121,181
		340,568
Satisfied by:		
Fair value of promissory note issue	31	49,168
Fair value of 470,000,000 Consideration Shares		291,400
		340,568

37 BUSINESS COMBINATION (continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$2,327,000 and HK$5,873,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$4,027,000 and HK$5,873,000, respectively, of which trade receivables of approximately HK$1,700,000 are expected to be uncollectible (note 24).

A portion of the goodwill arose from the increase in fair value of the Consideration Shares from the contracted issue price of HK$0.50 per consideration share as stipulated under the EPI Acquisition to the closing market price of the shares of the Company on the Completion Date. The impairment loss of goodwill of approximately HK$56,400,000 was recognised immediately upon completion of the EPI Acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. The remaining balance of goodwill of approximately HK$64,781,000 recognised above is the benefit of expected synergies, diversity in business and income base.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash and bank balances acquired and included in cash flows from investing activities	511
Net cash inflows in relation to the EPI Acquisition	511

Since the completion of the EPI Acquisition, the EPI Group contributed approximately HK$511,000 to the Group's turnover and approximately HK$301,000 to the consolidated loss for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been approximately HK$5,859,349,000 and approximately HK$398,437,000, respectively.

38 CONTINGENT LIABILITIES

There were no significant contingent liabilities of the Group and of the Company as at 31 December 2013 and 2014.

39 OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment property (note 15) under operating lease arrangements, with the lease negotiated for original terms of 10 years.

At the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease within its tenant falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within the first year	**126**	128
In the second to fifth years, inclusive	**468**	512
After the fifth years	**–**	96
	594	736

40 CAPITAL COMMITMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for, in respect of:		
Acquisition of 30% equity interest in Linxian Taiye (Note 21(i))	**–**	414,980
Capital expenditure in respect to the construction in progress	**7,558**	26,998
Capital expenditure in respect to the construction of production facilities	**–**	35,108
	7,558	477,086

41 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Director:			
Rental expenses	(i)	**–**	89
Related company:			
Public relation fee	(ii)	**380**	–

Notes:

(i) The rental expenses paid to a close family member of the director were determined with reference to the normal commercial terms of similar transactions.

(ii) The public relation fee was paid to China Times Corporate Advisory Limited, one of the Company's director is a shareholder of this company. The public relation fee was determined with reference to the normal commercial terms with similar transactions.

(b) Outstanding balances with related parties

The balances with related parties are unsecured, interest-free and have no fixed terms of repayment. These balances represented cash advances to or from those related parties and shareholders, and were non-trade in nature.

41 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

The detailed breakdown of amounts with related parties and shareholders is as follows:

Outstanding balances with related parties:

(i) Current portion

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from related companies:				
General Nice Resources (Hong Kong) Limited ("GNR") *	**637**	511	–	–
General Nice (Tianjin) Industry Company Limited ("GNT")	**29,564**	29,564	**29,564**	29,564
	30,201	30,075	**29,564**	29,564
Due to related companies:				
GNR *	**16,656**	16,656	**13,656**	13,656
General Nice Development Limited ("GND") ^	**584**	584	**584**	584
Hing Lou Resources Limited #	**17**	2,125	–	2,107
Tianjin General Nice Coke & Chemicals Co	**997**	997	–	–
Shanxi Loudong Industry & Trading Group Co (formerly known as Xiaoyi Loudong Industry & Trading Group Co) @	–	7,356	–	–
	18,254	27,718	**14,240**	16,347

41 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

(ii) Non-current portion

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due from an associate:				
Shanxi Guo Xin Loujun	**–**	–	**–**	–
Loans from related companies:				
GND ^	**138,795**	142,294	**–**	–
GNT	**80,118**	89,002	**–**	–
GNR *	**914**	937	**–**	–
	219,827	232,233	**–**	–

* GNR directly held the Company's equity interest of 11.68% as at 31 December 2014.

^ GND indirectly held the Company's equity interest of 11.68% as at 31 December 2014.

\# Hing Lou Resources Limited directly held the Company's equity interest of 11.26% as at 31 December 2014.

@ The English names of these companies are directly translated from their Chinese names as no English names have been registered

(c) Compensation of key management personnel of the Group

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**3,900**	3,900
Post-employment benefits	**67**	64
Total compensation paid to key management personnel	**3,967**	3,964

42 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group
31 December 2014
Financial assets

	Financial assets at fair value through profit or loss – Held for trading HK$'000	Loan and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	11,900	11,900
Trade and bills receivables	–	2,073,671	–	2,073,671
Financial assets included in prepayments, deposits and other receivables	–	526,076	–	526,076
Due from related companies	–	30,201	–	30,201
Equity investments at fair value through profit or loss	14,892	–	–	14,892
Pledged deposits	–	256,447	–	256,447
Cash and cash equivalents	–	22,521	–	22,521
	14,892	2,908,916	11,900	2,935,708

Group
31 December 2014
Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	98,781
Interest-bearing bank and other borrowings	1,824,476
Due to related companies	18,254
Loans from related companies	219,827
Trade and bills payables	686,812
Promissory notes	59,188
	2,907,338

42 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group
31 December 2013
Financial assets

	Financial assets at fair value or loss – Held for trading HK$'000	Loan and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	12,200	12,200
Trade and bills receivables	–	1,490,263	–	1,490,263
Financial assets included in prepayments, deposits and other receivables	–	28,662	–	28,662
Due from related companies	–	30,075	–	30,075
Equity investments at fair value through profit or loss	1,281	–	–	1,281
Pledged deposits	–	642,827	–	642,827
Cash and cash equivalents	–	7,630	–	7,630
	1,281	2,199,457	12,200	2,212,938

Group
31 December 2013
Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	133,609
Interest-bearing bank and other borrowings	1,383,332
Due to related companies	27,718
Loans from related companies	232,233
Trade and bills payables	911,624
Promissory note	25,520
	2,714,036

42 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Due from subsidiaries	**992,828**	977,937
Due from a related company	**29,564**	29,564
Financial assets included in prepayments, deposits and other receivables	**36**	36
Cash and cash equivalents	**10,239**	592
	1,032,667	1,008,129

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Other payables and accruals	**3,232**	2,771
Due to related companies	**14,240**	16,347
Due to subsidiaries	**1,740**	1,740
Promissory note	**49,883**	25,520
	69,095	46,378

43 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Group

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	HK$'000
Equity investments at fair value through profit or loss				
31 December 2014	**14,892**	**–**	**–**	**14,892**
31 December 2013	1,281	–	–	1,281

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise promissory notes, interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK$'000
2014		
Renminbi	**1%**	**10,874**
	(1%)	**(10,874)**
2013		
Renminbi	1%	2,689
	(1%)	(2,689)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the unit's functional currencies. 47% of the Group's sales (2013: nil) were denominated in currencies other than the functional currency of the operating units making the sale, whilst 53% of the cost of sales were denominated in currencies other than the functional currency (2013: nil).

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the respective reporting dates to a reasonable possible change in the exchange rate of RMB and USD with all other variables held constant, of Group's loss before tax.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK$'000
31 December 2014		
If HK$ weakens against RMB	**5%**	**(42)**
If HK$ strengthens against RMB	**(5%)**	**42**
If HK$ weakens against USD	**5%**	**(114)**
If HK$ strengthens against USD	**(5%)**	**114**

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, prepayment, deposit and other receivables, amounts due from associate and related companies, equity investments at fair value through profit or loss and trade and bills receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The credit risk on liquid funds is limited because majority of the counterparties are banks of high credit quality in Hong Kong and banks with good reputation in the PRC.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

Group

31 December 2014

	Within 1 year, on demand or no fixed repayment terms HK$'000	**1 to 2 years HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**1,468,038**	**356,438**	**1,824,476**
Due to related companies	**18,254**	**–**	**18,254**
Trade and bills payables	**686,812**	**–**	**686,812**
Loans from related companies	**–**	**219,827**	**219,827**
Financial liabilities included in other payables and accruals	**98,781**	**–**	**98,781**
Promissory notes	**9,305**	**49,883**	**59,188**
	2,281,190	**626,148**	**2,907,338**

31 December 2013

	Within 1 year, on demand or no fixed repayment terms HK$'000	1 to 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	1,249,294	134,038	1,383,332
Due to related companies	27,718	–	27,718
Trade and bills payables	911,624	–	911,624
Loans from related companies	–	232,233	232,233
Financial liabilities included in other payables and accruals	133,609	–	133,609
Promissory note	–	25,520	25,520
	2,322,245	391,791	2,714,036

44 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Oil price risk

Since the Group makes reference to international oil prices to determine the product price in the oil segment, the Group is exposed to commodity price risk related to price volatility of oil. The Group actively monitors and manages the oil price risk.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, promissory notes and the non-current portion of the loans from related companies, less cash and cash equivalents. Total capital represents total equity attributable to owners of the Company. The gearing ratios as at the ends of reporting periods were as follows:

	2014 **HK$'000**	2013 HK$'000
Interest-bearing bank and other borrowings, secured	**1,824,476**	1,383,332
Loan from related companies	**219,827**	232,233
Promissory notes	**59,188**	25,520
Less: Cash and bank balances	**(22,521)**	(7,630)
Net debt	**2,080,970**	1,633,455
Equity	**987,139**	1,118,761
Total equity and net debt	**3,068,109**	2,752,216
Gearing ratio	**68%**	59%

45 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

46 APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Company's board of directors on 30 March 2015.

On 18 December 2014, the Company completed to acquire a group engaged in exploration and production of oil as well as provision of well services in the States of Illinois and Indiana in the USA at a consideration of HK$295,000,000. The Group's estimated net oil reserves for the year ended 31 December 2014 are shown in the following table.

Proved oil reserves are those quantities of oil, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project with a reasonable time.

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Net reserves exclude royalties and interests owned by others.

Reserve summary

Location	2014 Light and Medium Oil MSTB
In the State of Illinois	
Proved	730
Probable	1,080
	1,810
In the State of Indiana	
Proved	80
Probable	439
	519
Total proved and probable	2,329

MSTB represents thousand of stock tank barrels of oil.

There has been no material change in the estimated oil reserves between the completion date of the acquisition and 31 December 2014.

Particulars of Properties

31 December 2014

INVESTMENT PROPERTY

Location	Intend use	Site area (sq m)	Lease term
Unit 601 together with its roof, Phase 1, Levels 6 and 7, Block 2, Court No. 4, Greenwich Garden, Yaojiayuan East Lane, Chaoyang District, Beijing City, the PRC	Lease	254.14	Long lease

Five Year Financial Summary

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

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**5,825,864**	3,105,949	2,233,316	2,559,575	2,358,250
Cost of sales	**(5,186,775)**	(2,457,945)	(1,786,160)	(1,776,024)	(1,639,963)
Gross profit	**639,089**	648,004	447,156	783,551	718,287
Other income	**65,874**	99,691	33,156	18,269	65,643
Selling and distribution costs	**(170,015)**	(69,827)	(69,279)	(131,566)	(148,985)
Administration expenses	**(70,155)**	(193,394)	(129,108)	(87,113)	(88,379)
Other operating expenses	**(39,965)**	(10,444)	(20,521)	(16,420)	(31,047)
Fair value changes on derivative component of convertible notes	**–**	–	–	–	(16,949)
Impairment of trade receivables	**(167,046)**	(116,907)	–	–	–
Impairment of prepayment and other receivables	**(177,336)**	(299,714)	–	–	–
Impairment of investment in an associate and amount due from an associate	**–**	(75,731)	–	–	–
Impairment of property, plant and equipment	**–**	(1,956,745)	–	–	–
Impairment of goodwill	**(56,400)**	(330,083)	–	–	–
Finance costs	**(88,411)**	(87,377)	(67,736)	(75,703)	(51,736)
(LOSS)/PROFIT BEFORE TAX	**(64,365)**	(2,392,527)	193,668	491,018	446,834
Income tax expense	**(332,478)**	(320,034)	(46,260)	(181,700)	(160,248)
(LOSS)/PROFIT FOR THE YEAR	**(396,843)**	(2,712,561)	147,408	309,318	286,586

Five Year Financial Summary

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(396,843)**	(2,712,561)	147,408	309,318	286,586
OTHER COMPREHENSIVE INCOME					
To reclassified to profit or less in subsequent periods:					
Exchange differences on translation of foreign operations	**(26,179)**	(108,859)	32,605	127,434	83,973
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX					
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(423,022)**	(2,821,420)	180,013	436,752	370,559
(Loss)/profit attributable to:					
Owners of the Company	**(376,988)**	(2,581,507)	138,478	291,152	187,236
Non-controlling interests	**(19,855)**	(131,054)	8,930	18,166	99,350
	(396,843)	(2,712,561)	147,408	309,318	286,586
Total comprehensive income attributable to:					
Owners of the Company	**(402,412)**	(2,682,584)	168,562	412,179	259,376
Non-controlling interests	**(20,610)**	(138,836)	11,451	24,573	111,183
	(423,022)	(2,821,420)	180,013	436,752	370,559
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**4,341,782**	4,148,376	6,603,433	5,883,736	5,795,750
TOTAL LIABILITIES	**(3,354,643)**	(3,029,615)	(2,663,252)	(2,146,213)	(2,565,709)
NON-CONTROLLING INTERESTS	**(13,829)**	(34,439)	(173,275)	(161,824)	(137,251)
	973,310	1,084,322	3,766,906	3,575,699	3,092,790