東方明珠石油有限公司
Pearl Oriental Oil Limited

Stock Code: 0632

2014
ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors:

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

Non-Executive Director:

Baiseitov Bakhytbek

Independent Non-Executive Directors:

Lam Kwan
Chan Kwan Pak
Yuen Sau Ying, Christine

SOLICITORS

Hastings & Co.
Reed Smith Richards Butler

PRINCIPAL BANKERS

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

COMPANY SECRETARY

Yeung Man Chit

AUDITOR

Cheng & Cheng Limited

AUTHORISED REPRESENTATIVES

Wong Kwan
Law Wing Tak, Jack

REGISTERED OFFICE:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE:

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

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE AND OTHER INFORMATION

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

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

Financial Highlights

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
For the year ended 31 December			
Revenue		**97,367**	408,413
Operating loss		**(34,374)**	(84,421)
Loss for the year		**(123,981)**	(162,614)
Net loss attributable to shareholders		**(123,125)**	(161,427)
Loss per share			
Basic (cents)			
— For loss for the year		**(3.80)**	(4.91)
Diluted (cents)			
— For loss for the year		**(3.80)**	(4.91)
Average shareholders' equity		**1,962,345**	2,134,153
Average capital employed		**2,505,234**	2,699,314
At 31 December			
Total indebtedness	1	**—**	—
Shareholders' equity		**1,900,604**	2,024,086
Capital employed	2	**2,432,610**	2,577,858
Ratio			
Return on average capital employed (%)	3	**(5.0%)**	(6.0%)
Return on average equity (%)	4	**(6.3%)**	(7.6%)
Total debt to total capital (%)	5	**0.2%**	N/A

Notes:

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

Chairman's Statement

Dear Shareholders,

For the year ended 31 December 2014, the consolidated revenue of Pearl Oriental Oil Limited ("Pearl Oriental" or the "Company") and its subsidiaries (the "Group") reached HK$99.1 million. After-tax loss of the Group was HK$124.3 million, HK$38.3 million or 23.6% less as compared with that of HK$162.6 million in 2013. Loss in year 2014 includes provision for loan and other receivables at around HK$87.3 million. The management is confident that it may recover part of the other receivables will recover and record as the income of this year.

The international oil market suffered severe fluctuation last year with a crash of crude oil price. It is fortunate that price of natural gas remained relatively stable. The oil gas field in Utah, U.S.A. which is wholly owned by the Group mainly produces natural gas. As of the end of December 2014, the oil gas field was valued by independent international surveyors at US$298 million, far higher than US$225 million when the Company acquired it in 2010, with the appreciation of US$73 million or 32.4%. This can serve as solid proof that the Board of directors (the "Board") has made right decision in such acquisition. As a stakeholder in the oil gas field deal, I feel deeply satisfied to see this investment brought values on the book after so many years even in the oil price crisis in the last year.

Pearl Oriental currently has a sound financial position and the net asset value was about HK$1.9 billion. The operations and development of the Group will be continually supported by my family as long as I still hold office of chairman and when necessary.

A consensus has been reached in the Board to broaden our shareholders group in order to fortify the Company's financial strength and accelerate development. We are currently consulting reputational potential investors and looking for new funds injection to boost the development and output of the oil gas field in Utah and seeking new business opportunities and projects that can bring better investment returns to Pearl Oriental.

I am still in overseas now for my medical treatment. I feel exceptionally thankful for the endeavor and assistance of the Board and management team that sustain and vitalize the Group. In facing severe challenge, I do not regret all I have done in the past, nor do I dread what may come forth ahead. I shall exert all my strength to act for the best interest of the Company and public shareholders. I want to express my sincere gratitude to all shareholders for your ceaseless love and support. I am convinced that through our united efforts we must bring Pearl Oriental to the brightest prospects!

Chairman
Wong Kwan

30 March 2015

Profiles of Directors and Senior Management

PROFILES OF DIRECTORS

Executive Directors

MR. WONG KWAN (CHAIRMAN)

Aged 67, is currently the Chairman and chief executive of the Company, Mr. Wong is a well known entrepreneur in Hong Kong. He is a veteran in the capital market, investment and property development fields and has over 30 years of experience in diversified investment, operation and management in Hong Kong, China and overseas. Mr. Wong is also well known in the Asian business world with extensive business connections in the Asia Pacific region. Mr. Wong is responsible for the overall strategic planning and business development of the Company.

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

Aged 60, graduated with a BA degree in Accounting and Economics with Newcastle University in 1982 and recently earned a MA degree in Philosophy with Chinese University of Hong Kong in 2012. He is a member of the Institute of Chartered Accountants in England and Wales, and also a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Law has over 30 years of experience in accounting, finance, banking and commerce, starting his career as an accountant and management consultant with Big 4 CPA firms in Hong Kong, he then worked as Account Manager with HSBC. Mr. Law has held senior executive positions (including directorship) in both private and public companies in Hong Kong, United Kingdom, Singapore, USA and China in a diverse range of activities. He took the position of independent non-executive director of Genvon Group Limited (stock code: 2389), a listed company on the Stock Exchange of Hong Kong Limited until May 2012. He was executive director of Ford Eagle Group Limited and LZYE Group plc both are listed companies in United Kingdom.

MR. WONG HIU TUNG

Aged 46, has over 10 years of extensive experience in various sectors of the financial industry, including venture capital, direct investment, mergers & acquisitions, share financing and capital markets with focus on the mainland China and Hong Kong. Mr. Wong was an executive director, chief financial officer and an authorized representative of China Billion Resources Limited (stock code: 0274) during the period from 25 September 2009 to 31 December 2010, and held various management positions in WI Harper Group and JP Morgan Chase Bank before. Mr. Wong holds a Bachelor Degree in Laws and a Master Degree of Business Administration (Financial Management) from University of Exeter, U.K.

Profiles of Directors and Senior Management

MR. ZHOU LI YANG

Aged 55, served as an executive director of the Company from 2004 to 2011. Prior to this, he also held managerial positions over ten years in several banks, investment fund and listed companies on stock exchanges of Hong Kong and U.S. involving in the businesses of energy, logistics, banking, infrastructure, e-commerce, and pharmaceutics, including CITIC Ka Wah Bank and Tianjin Development Holdings Ltd.

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

Non-executive Director ("NED")

MR. BAISEITOV BAKHYTBEK (DEPUTY CHAIRMAN)

Aged 56, Mr. Baiseitov is the present President of the Association of Kazakhstan Banks, founder, major shareholder and Chairman of Bank CenterCredit ("BCC"). Mr. Baiseitov is currently the Vice-chairman of the International Banking Council of Commonwealth of Independent States and Eastern Europe and used to be Co-chairman of Kazakhstan-US Business Council. Mr. Baiseitov is a very well known and highly respected member of the business community of Middle Asia. Mr. Baiseitov has over 20 years of significant and comprehensive experience in management, and development of major investment projects in financial, energy and natural resources sectors. Mr. Baiseitov represented BCC to sign the "Strategic Cooperation Agreement" with Pearl Oriental. Mr. Baiseitov will have great contribution for the future development of the Company's core business in oil and gas and energy resources.

Independent Non-executive Directors ("INEDs")

MR. LAM KWAN

Aged 46, obtained a bachelor degree in Accountancy from the Hong Kong Polytechnic University in 1991. He is a Certified Public Accountant (Practising) in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong.

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

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

MR. CHAN KWAN PAK

Aged 58, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators as well as the Hong Kong Institute of Chartered Secretaries. He holds a Master degree in business administration. Mr. Chan is currently a consultant to a number of companies listed on The Stock Exchange of Hong Kong Limited advising them on corporate governance issues. Mr. Chan was appointed by the Hong Kong SAR Government as an Adjudicator of the Registration of Persons Tribunal during the period from 2005 to 2011. He is the Honorary Secretary and a Council Member of the Energy Saving & Environment Concern Alliance. Mr. Chan is a non-executive director of Ruifeng Petroleum Chemical Holdings Limited, a company listed on GEM Board of The Stock Exchange of Hong Kong Limited (Stock Code: 8096).

MS. YUEN SAU YING, CHRISTINE

Aged 49, is a practising solicitor in Hong Kong. Ms. Yuen has over 20 years of extensive legal practice experience and is now the partner of Tse Yuen Ting Wong, Solicitors. Ms. Yuen graduated from the University of Hong Kong in 1989 with a Bachelor Degree in Laws, and was a part-time law lecturer for the City University of Hong Kong and the Open University of Hong Kong.

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

PROFILES OF SENIOR MANAGEMENT

MR. ZHANG JIAYOU, SENIOR GEOLOGIST

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

Profiles of Directors and Senior Management

MR. ZHANG KAI, PROJECT MANAGER

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

MR. YEUNG MAN CHIT, COMPANY SECRETARY

Mr. Yeung has over 18 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Yeung holds a Bachelor Degree in Accountancy from Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Prior to joining the Group, he has served financial positions in other Hong Kong listed companies for over 10 years.

Management Discussion and Analysis

RESULTS AND REVIEW OF OPERATIONS

For the year ended 31 December 2014 (the "Year"), the Company and its subsidiaries (the "Group") recorded a consolidated revenue of HK$99,057,000 (2013: HK$409,477,000) mainly contributed from the processing and sales of plastic recycling materials and the sales of oil and gas. Basic loss per share for the Year was HK$3.80 cents (2013: HK$4.91 cents). Loss per share was based on the weighted average of 3,242 million shares in issue in the Year.

The gross profit was HK$1,195,000 (2013: HK$10,623,000) for the Year, which represented an decrease of approximately 88.8% over last year and the gross profit margin has decreased from 2.6% to 1.2%.

The loss attributable to the owners of the Company for the Year was HK$123,482,000 (2013: HK$161,427,000), mainly attributable to the impairment of the initial consideration paid to Levant Energy Limited pursuant to the S&P Agreement dated 7 June 2013 amount to HK$69,929,000 and impairment on loan receivable amount to HK$17,356,000.

In March 2013, settlement agreements have been entered into between the Company and certain debtors (the "Settlement Agreements"). Pursuant to the Settlement Agreements, the debtors have agreed to irrevocably surrender and deliver the pledged Shares to the Company. During the Year, 100,000,000 pledged Shares have been sold and the net proceeds of HK$22.9 million have been applied towards the general working capital of the Group.

BUSINESS REVIEW

Oil and Gas Business

The Group owns 100% ownership interest of the Utah Gas and Oil Field.

There are three (3) shale gas producing wells in the Utah Gas and Oil Field with gas sale of around 12,846.92 thousand cubic feet in 2014 which is being sold to Anadarko's midstream operations and other purchasers. On the other hand, there are two (2) oil producing wells with oil sale of around 3,900 barrels during the Year. Plains All American Pipeline, L.P., USA is the purchaser to collect the Group's crude oil produced in the Utah Gas and Oil Field.

Plastic Recycling Industry

In view of the strict requirements for environmental protection in the People's Republic of China, a highly competitive plastic materials market and volatile price fluctuation, years of continuing loss making and to reduce its operational cost, the Group, has scaled down the operation, and now appointed an agent for trading business of plastic recycling materials instead.

As a sales agency agreement has been terminated in accordance with terms therein, the Group is prepared to engage another agent to conduct its existing recycling plastic business, it is anticipated that it would inevitably affect the volume of this business segment.

The turnover of sales of plastic recycling materials decreased to HK$94,638,000 during the Year from HK$403,753,000, representing a drop of 76.6%.

OPERATION REVIEW AND UPDATE ON RESERVES

During the Year, no exploration activity had taken place.

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

The expenditure incurred on the development and mining production activities during the Year were approximately US$449,500 (equivalent to approximately HK$3,506,000) in aggregate.

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

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

To the best of the Company's knowledge, as at 31 December 2014, there was no material difference on the reserves of the Utah Gas and Oil Field from those reported in the ITR.

PROSPECTS

The international oil market suffered severe fluctuation in 2014 with a crash of crude oil price. However, it is fortunate that the natural gas price remain relatively stable. Management will make appropriate adjustments to the development strategies in the future if there are favorable changes in natural gas price in U.S.

In order to enhance the operation efficiency, the Group has taken up operations of Utah Gas and Oil Field in April 2014. In other words, the oil and gas field is now directly operated by the operational and technical team of the Company, which is more favorable to control the operation costs, accumulate operation experience of the Utah Gas and Oil Field and possibly to increase return in future.

In addition, a petrophysical study relating to Utah Gas and Oil Field has been conducted in 2014 by independent professional engineers. The study shows that some new oil and gas pay zones have been identified in the Utah Gas and Oil Field, positively indicating certain new potentials of the field subject to further confirmation by perforating and fracturing on the existing wells.

The Company will continuously evaluate the situation and consider plans to cooperate with strategic partners to raise funds for properly expediting development progress of the Utah Gas and Oil Field.

According to the announcements of the Company dated 28 June 2013, 15 October 2013, 21 December 2013 and 8 August 2014 in relation to a very substantial acquisition of the Company of part of an oil and gas exploration and production company with oil reserves mainly located in Russia, the Group entered into a share purchase agreement (the "S&P Agreement") with Levant Energy Limited (the "Seller"), an independent third party, on 7 June 2013.

As the conditions precedent under the S&P Agreement had not been satisfied, the S&P Agreement was terminated in October 2013. To date, the Company has received US$500,000 out of the initial consideration paid to the Seller under the S&P Agreement, in the amount of US$10,000,000 less an amount equal to the costs and expenses of the Seller referred in the S&P Agreement. Management has been discussing with the Seller regarding the repayment of the remaining sum being US$9,500,000 less the said costs and expenses (the "Net Initial Consideration") but without success yet.

Therefore the Company has already engaged legal advisers to review the circumstances, and will consider to take legal and other actions to recover the Net Initial Consideration as it may think fit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with issue of news shares and internally generated resources. At the Year end date, the Group had HK$4 million other borrowings repayable within one year (2013: Nil). The Group's cash and bank balances as at 31 December 2014 have increased to approximately HK$2.5 million from HK$1 million as at 31 December 2013. The current ratio (calculated on the basis of the Group's current assets over current liabilities) has decreased to 2.74 as at 31 December 2014 (31 December 2013: 9.84).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the number of employees of the Group was about 30 (2013: above 60). The remuneration packages of employees are maintained at competitive levels and include monthly salaries, mandatory provident fund, medical insurance and share option schemes; other employee benefits include meal and travelling allowances and discretionary bonuses.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014 (the "Year").

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 26.

The board of directors (the "Board" or the "Directors") do not recommend the payment of final dividend for the Year (2013: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2014, HK$1,822,879,000 distributable reserves were available for distribution to the equity shareholders of the Company.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reason therefor are set out in note 25 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Wong Kwan
Law Wing Tak, Jack
Wong Hiu Tung
Zhou Li Yang

Non-Executive Director:

Baiseitov Bakhytbek

Independent Non-Executive Directors:

Lam Kwan
Chan Kwan Pak
Yuen Sau Ying, Christine

In accordance with Bye-law 87(1) of the Company's Bye-Laws, Messers Wong Hiu Tung, Zhou Li Yang and Chan Kwan Pak will retire as director by rotation at the forthcoming annual general meeting and being eligible, offer himself for re-election as Director. All other remaining Directors continue in office. Save as disclosed above, no Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, the interests of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Positions

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

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

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

(B) Share Options

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

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2014.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, as at 31 December 2014, other than the interests disclosed above in respect of certain Directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

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

Note: Charcon Assets Limited is wholly owned by Mr. Wong Kwan.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2014.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 26 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

PRE-EMPTIVE RIGHTS

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

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

During the Year, the Company has sold 100,000,000 share pledged to the Company at HK$0.25 per share.

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's largest customers and five largest customers taken together accounted for 12% and 53% respectively of the Group's total sales for the year. The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 33% and 62% respectively of the Group's total purchases for the year.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Cheng & Cheng Limited acted as auditor of the Group's consolidated financial statements for the financial year ended 31 December 2014.

The consolidated financial statements for the year ended 31 December 2014 have been audited by Cheng & Cheng Limited who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board

Zhou Li Yang
Executive Director

30 March 2015

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

The procedures for sending enquiries to the Board

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

The procedures for making proposals at Shareholders' Meetings

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

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

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

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

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

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

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied throughout the year ended 31 December 2014 (the "Year") with the Corporate Governance Code as contained in Appendix 14 to the Listing Rules, save for the following:

i) Code Provision A.1.1 requires that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, two regular Board meetings and one irregular Board meeting were held. Although the Board meetings held during the Year were not convened on a quarterly basis, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group provided to the Directors the information on the activities and development in the business of the Group from time to time and, when required, ad hoc Board meetings will be held;

ii) Code provision A.2.7 of the Corporate Governance Code stipulates that the Chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Nevertheless, from time to time, non-executive director of the Company express his view directly to the Chairman via other means including correspondences and emails. The Company is of the view that there is efficient communication between non-executive directors and the Chairman; and

iii) Under code provision A.5.2, the nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy; and make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive. During the Year, no nomination committee meeting was held while the nomination committee dealt with matters by way of circulation. In 2014 the nomination committee performed work as summarised below:

    (i) reviewed the structure, size and diversity of the Board;

    (ii) reviewed and confirmed the independence of the independent non-executive directors;

    (iii) reviewed and recommended to the Board the retiring Directors to stand for re-election by the Shareholders at the 2014 annual general meeting; and

    (iv) reviewed and recommended to the Board the re-designation of Directors, and appointment of alternate Directors and Director.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

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

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

DIRECTORS' TRAINING

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

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

COMPANY SECRETARY

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

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

BOARD MEETINGS

During the Year, 3 board meetings have been held, the attendance of each director, on named basis and by category at Board meetings, Audit Committee meetings, Remuneration Committee meetings and Nomination Committee meetings is set out below:

	Meetings attended/held			
	Board Meetings	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**
Executive Directors:				
Wong Kwan *(Chairman of the Board and Nomination Committee)*	3/3	—	—	—
Law Wing Tak, Jack	2/3	—	—	—
Wong Hiu Tung	3/3	2/2	1/1	—
Zhou Li Yang	3/3	—	—	—
Non-executive Directors:				
Baiseitov Bakhytbek	0/3	—	—	—
Independent Non-executive Directors:				
Lam Kwan (Chairman of Audit Committee and Remuneration Committee; member of Nomination Committee)	3/3	2/2	1/1	—
Chan Kwan Pak (member of Audit Committee, Remuneration Committee and Nomination Committee)	3/3	2/2	1/1	—
Yuen Sau Ying, Christine (member of Audit Committee, Remuneration Committee and Nomination Committee)	3/3	2/2	1/1	—

To the best knowledge of the Board, there is no relationship (including financial, business, family or other relationship) among members of the Board as at 31 December 2014. All of them are free to exercise their individual judgments.

REMUNERATION OF DIRECTORS

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

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

NOMINATION OF DIRECTORS

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

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

INTERNAL CONTROL

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, Cheng & Cheng Limited, the existing external auditors provided the following services to the Group:

	HK$'000
Annual audit services	1,080
Other assurance services	100
	1,180

AUDIT COMMITTEE

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

The Audit Committee held two (2) meetings during the Year. The Audit Committee is provided with sufficient resources to discharge its duties. The Audit Committee has clear terms of reference and its principal duties include the review of the financial reporting and internal control system of the Group, review of half-yearly and annual reports and accounts review and monitoring of the appointment of the auditors and their independence.

The Audit Committee has reviewed and is satisfied with the audited consolidated financial statements for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Independent Auditor's Report

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

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

We have audited the consolidated financial statements of Pearl Oriental Oil Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated and company statements of financial position as at 31 December 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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2.1 which indicates that the Group incurred a loss of approximately HK$123,981,000 during the year ended 31 December 2014. This condition indicates the existence of uncertainty which may cast doubt about the Group's ability to continue as a going concern.

As described in Note 2.1, the directors are taking steps to improve the Group's liquidity and financial performance, they have also obtained financial support from a director's wife. The consolidated financial statements do not include any adjustments that would result should the Group be unable to continue to operate as a going concern.

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

30 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue			
Sales of oil and natural gas	5	**2,729**	4,660
Sales of plastic recycling materials	5	**94,638**	403,753
Other income	6	**1,690**	1,064
		99,057	409,477
Expenses			
Cost of sales of plastic recycling materials		**93,691**	394,048
Exploration, repair and maintenance expenses of oil and natural gas		**1,855**	2,770
Depreciation, depletion and amortisation of oil and natural gas		**626**	972
Selling and distribution costs		**208**	1,085
Other operating expenses		**1,526**	8,310
Administrative expenses		**35,525**	60,146
Equity-settled share option expenses	26	**—**	26,567
		133,431	493,898
Loss from operations		**(34,374)**	(84,421)
Gain on deconsolidation of a subsidiary	28	**423**	—
Gain on disposal of property, plant and equipment		**37**	—
Impairment loss on goodwill		**—**	(5,101)
Impairment loss on loan receivables		**(17,356)**	(1,752)
Impairment loss on other receivables		**(69,929)**	—
Unrealised loss on financial assets at fair value through profit or loss		**(4,761)**	(75,323)
Loss before tax	7	**(125,960)**	(166,597)
Income tax credit	8	**1,979**	3,983
Loss for the year		**(123,981)**	(162,614)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange difference upon deconsolidation of a subsidiary		**(357)**	—
Total comprehensive loss for the year		**(124,338)**	(162,614)
Loss attributable to:			
Owners of the Company	9	**(123,125)**	(161,427)
Non-controlling interests		**(856)**	(1,187)
		(123,981)	(162,614)
Total comprehensive loss attributable to:			
Owners of the Company		**(123,482)**	(161,427)
Non-controlling interests		**(856)**	(1,187)
		(124,338)	(162,614)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	11		
Basic		**(3.80)**	(4.91)
Diluted		**(3.80)**	(4.91)

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	**89,201**	89,955
Intangible assets	15	**2,307,664**	2,308,064
Goodwill	16	**—**	—
Loan receivables	19	**—**	5,756
		2,396,865	2,403,775
Current assets			
Financial assets at fair value through profit or loss	17	**19,997**	47,669
Prepayments, deposits and other receivables	19	**33,736**	144,931
Bank balances and cash	20	**2,489**	1,180
		56,222	193,780
Current liabilities			
Trade payables	21	**—**	5
Other payables and accruals	22	**16,477**	19,692
Other unsecured loan	31(b)	**4,000**	—
		20,477	19,697
Net current assets		**35,745**	174,083
Total assets less current liabilities		**2,432,610**	2,577,858
Non-current liabilities			
Deferred tax liabilities	23	**552,152**	554,131
Asset retirement obligations	24	**3,579**	3,579
		555,731	557,710
Net assets		**1,876,879**	2,020,148
Equity			
Share capital	25	**324,152**	324,152
Reserves		**1,576,452**	1,699,934
Equity attributable to owners of the Company		**1,900,604**	2,024,086
Non-controlling interests		**(23,725)**	(3,938)
Total equity		**1,876,879**	2,020,148

The consolidated financial statements on page 26 to 79 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

Wong Kwan
Chairman

Zhou Li Yang
Executive Director

Statement of Financial Position

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	18	**2,245,826**	2,227,498
Loan receivables	19	**—**	5,756
		2,245,826	2,233,254
Current assets			
Financial assets at fair value through profit or loss	17	**19,997**	47,669
Prepayment, deposits and other receivables	19	**—**	89,306
Bank balances and cash	20	**35**	80
		20,032	137,055
Current liabilities			
Other payables and accruals	22	**3,284**	9,386
Other unsecured loan	31(b)	**4,000**	—
		7,284	9,386
Net current assets		**12,748**	127,669
Total assets less current liabilities		**2,258,574**	2,360,923
Non-current liabilities			
Amounts due to subsidiaries		**55,668**	55,668
Net assets		**2,202,906**	2,305,255
Equity			
Share capital	25	**324,152**	324,152
Reserves	27	**1,878,754**	1,981,103
Total equity		**2,202,906**	2,305,255

Wong Kwan
Chairman

Zhou Li Yang
Executive Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss before tax		**(125,960)**	(166,597)
Adjustments for:			
Gain on deconsolidation of a subsidiary		**(423)**	—
Gain on disposal of property, plant and equipment		**(37)**	—
Interest income		**(32)**	(75)
Depreciation, depletion and amortisation		**1,176**	1,578
Impairment loss on goodwill		**—**	5,101
Impairment loss on loan receivables		**17,356**	1,752
Impairment loss on other receivables		**69,929**	—
Unrealised loss on financial assets at fair value through profit or loss		**4,761**	75,323
Equity-settled share option expenses		**—**	26,567
Operating loss before working capital changes		**(33,230)**	(56,351)
Decrease in trade receivables		**—**	6,589
Decrease in prepayments, deposits and other receivables		**10,732**	4,003
Decrease in trade payables		**(5)**	(157)
(Decrease)/increase in other payables and accruals		**(3,146)**	4,889
Cash used in operations		**(25,649)**	(41,027)
Income tax refund		**—**	47
Net cash used in operating activities		**(25,649)**	(40,980)
Cash flows from investing activities			
Interest received		**32**	75
Purchase of property, plant and equipment		**(22)**	(239)
Purchase of exploration and evaluation assets		**—**	(2,513)
Deposit paid for acquiring Russia oil fields		**—**	(77,706)
Proceeds from disposal of financial assets at fair value through profit or loss		**22,911**	—
Proceeds from disposal of property, plant and equipment		**37**	—
Net cash generated from/(used in) investing activities		**22,958**	(80,383)
Cash flows from financing activities			
Proceeds from other unsecured loan		**4,000**	—
Repurchase of shares		**—**	(85,273)
Net cash generated from/(used in) financing activities		**4,000**	(85,273)
Net increase/(decrease) in cash and cash equivalents		**1,309**	(206,636)
Cash and cash equivalents at beginning of year		**1,180**	207,816
Cash and cash equivalents at end of year, represented by bank balances and cash	20	**2,489**	1,180

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Treasury shares reserve HK$'000 (note 27)	Capital reserve HK$'000 (note 27)	Exchange reserve HK$'000 (note 27)	Share option reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	340,826	2,288,522	(10,556)	403,851	357	42,216	3,263	(824,260)	2,244,219	(2,751)	2,241,468
Total comprehensive loss for the year	—	—	—	—	—	—	—	(161,427)	(161,427)	(1,187)	(162,614)
Reclassify warrants reserve	—	—	—	—	—	—	(3,263)	3,263	—	—	—
Repurchase of shares	(16,674)	(68,599)	—	—	—	—	—	—	(85,273)	—	(85,273)
Share options lapsed	—	—	—	—	—	(10,450)	—	10,450	—	—	—
Equity-settled share options arrangements	—	—	—	—	—	26,567	—	—	26,567	—	26,567
	324,152	2,219,923	(10,556)	403,851	357	58,333	—	(971,974)	2,024,086	(3,938)	2,020,148
At 31 December 2013 and 1 January 2014	**324,152**	**2,219,923**	**(10,556)**	**403,851**	**357**	**58,333**	**—**	**(971,974)**	**2,024,086**	**(3,938)**	**2,020,148**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(357)**	**—**	**—**	**(123,125)**	**(123,482)**	**(856)**	**(124,338)**
Share options lapsed	**—**	**—**	**—**	**—**	**—**	**(2,458)**	**—**	**2,458**	**—**	**—**	**—**
Distribution of assets to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(18,931)**	**(18,931)**
At 31 December 2014	**324,152**	**2,219,923**	**(10,556)**	**403,851**	**—**	**55,875**	**—**	**(1,092,641)**	**1,900,604**	**(23,725)**	**1,876,879**

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2014 were approved for issue by the board of directors on 30 March 2015.

2.1 BASIS OF PREPARATION

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

The Group incurred a loss of approximately HK$123,981,000 for the year ended 31 December 2014 (2013: HK$162,614,000). The directors are taking step to improve the Group's liquidity and financial performance, they have also obtained financial support from a director's wife.

On the basis that the Group's operating results and cash flows will be improved through the implementation of the measures described above, the directors are satisfied that the Group will be able to meet in full its financial obligation when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

2.2 ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied a number of new and revised HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities
HK (IFRIC) – Interpretation 21	Levies

The application of these new and revised HKFRSs and new interpretation of HK (IFRIC) has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early adopted the following new and revised HKFRSs that have been issued but not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle [1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle [2]
Amendments to HKAS 1	Disclosure Initiative [2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions [1]
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 27	Equity Method in Separate Financial Statements [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exemption [2]
Amendments HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations [2]
HKFRS 9	Financial Instruments [4]
HKFRS 14	Regulatory Deferral Accounts [2]
HKFRS 15	Revenue from Contracts with Customers [3]

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

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

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

Foreign currency translation

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Oil and gas properties

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

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

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

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

Other property, plant and equipment

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

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

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

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

Goodwill

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

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

Financial assets

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

– loans and receivables

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

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

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

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

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

(i) Loans and receivables

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(ii) Financial assets at FVTPL

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

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

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

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

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

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

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

Impairment of financial assets

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

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

– Significant financial difficulty of the debtor;

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

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

(i) Financial assets carried at amortised cost

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

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

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Cash and cash equivalents

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

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

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

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

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

Trade and other payables

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

Leases

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges as the lessee

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

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

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

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

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

Share capital

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

The Directors consider that the Group is the principal party of the above agency arrangement and that all the economic risks and benefits of the transactions belong to the Group. Therefore, the recognition policy stated above is commercially justified.

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

Other income is recognized whenever it is received or receivable.

Impairment of non-financial assets

The following assets are subject to impairment testing:

– Goodwill arising on acquisition of subsidiaries;

– Intangible assets;

– Property, plant and equipment; and

– The Company's interests in subsidiaries

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

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

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

Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Share-based employee compensation

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based employee compensation *(Continued)*

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

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

Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounting for income taxes *(Continued)*

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

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

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

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

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

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

  (i) the same taxable entity; or

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

Segment reporting

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(b) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimation of impairment of goodwill

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

Estimation of oil and natural gas reserves

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

Estimation of impairment of oil and gas assets and intangible assets

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

Estimation of asset retirement obligations

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

4. SEGMENT INFORMATION

The Group has identified the following reportable segments:

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

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

2014

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000*
Segment revenue	94,638	2,729	97,367
Segment loss	(3,171)	(4,868)	(8,039)
Unrealised loss on financial assets at fair value through profit or loss			(4,761)
Gain on deconsolidation of a subsidiary			423
Unallocated income			1,690
Unallocated expenses			(115,273)
Loss before tax			(125,960)
Income tax credit			1,979
Loss for the year			(123,981)
Segment assets	29,611	2,401,045	2,430,656
Unallocated assets			22,431
Total assets			2,453,087
Segment liabilities	8,928	5,703	14,631
Deferred tax liabilities			552,152
Unallocated liabilities			9,425
Total liabilities			576,208
Capital expenditure	—	12	
Depreciation, depletion and amortisation	63	626	

4. SEGMENT INFORMATION *(Continued)*

2013

	Plastic recycling materials *HK$'000*	Oil and gas sales *HK$'000*	Total *HK$'000* *(Restated)*
Segment revenue	403,753	4,660	408,413
Segment loss	(6,168)	(9,914)	(16,082)
Unrealised loss on financial assets at fair value through profit or loss			(75,323)
Equity-settled share option expenses			(26,567)
Unallocated income			75
Unallocated expenses			(48,700)
Loss before tax			(166,597)
Income tax credit			3,983
Loss for the year			(162,614)
Segment assets	49,516	2,402,290	2,451,806
Unallocated assets			145,749
Total assets			2,597,555
Segment liabilities	6,731	3,584	10,315
Deferred tax liabilities			554,131
Unallocated liabilities			12,961
Total liabilities			577,407
Capital expenditure	85	3,791	
Depreciation, depletion and amortisation	63	972	
Impairment loss on goodwill	5,101	—	

4. SEGMENT INFORMATION *(Continued)*

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

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**94,638**	403,753	**649**	6,944
United States of America ("USA")	**2,729**	4,660	**2,396,216**	2,396,831
	97,367	408,413	**2,396,865**	2,403,775

The geographical location of customers is based on the location at which the goods delivered. The geographical location of the non-current assets is based on physical location of the asset in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets.

The Group's customer base includes three (2013: two) customers with whom transactions have exceeded 10% of the Group's total revenue. Revenue from sales to these customers amounted to approximately HK$34,431,000 (2013: HK$197,813,000) which related to plastic recycling materials segment.

5. REVENUE

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

	2014	2013
	HK$'000	*HK$'000*
Sales of oil and natural gas	**2,729**	4,660
Sales of plastic recycling materials	**94,638**	403,753
Total revenue	**97,367**	408,413

6. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**32**	75
Others	**1,658**	989
Total other income	**1,690**	1,064

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2014	2013
	HK$'000	*HK$'000*
Cost of sales of plastic recycling materials	**93,691**	394,048
Depreciation, depletion and amortisation	**1,176**	1,578
Operating lease charges in respect of land and buildings	**4,643**	5,625
Auditor's remuneration:		
— Annual audit	**1,080**	1,050
— Other assurance services	**100**	650
Exchange losses, net	**—**	1,350
Impairment loss on goodwill	**—**	5,101
Impairment loss on loan receivables	**17,356**	1,752
Impairment loss on other receivables *(note)*	**69,929**	—
Unrealised loss on financial assets at fair value through profit or loss	**4,761**	75,323
Employee benefit expense, including director emoluments:		
— Salaries and allowances	**16,914**	25,600
— Equity settled share-based payments	**—**	26,567
— Retirement scheme contributions	**350**	646

Note: The amount related to deposits paid for Russia's Project, details are set out in note 19(a).

8. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for the year (2013: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014	2013
	HK$'000	*HK$'000*
Deferred tax – current year	**(1,979)**	(3,983)

8. INCOME TAX CREDIT *(Continued)*

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

	2014 *HK$'000*	2013 *HK$'000*
Loss before tax	**(125,960)**	(166,597)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(21,614)**	(29,322)
Tax effect of non-taxable revenue	**(407)**	(513)
Tax effect of origination and reversal of temporary differences	**—**	(10)
Tax effect of non-deductible expenses	**19,519**	25,690
Tax effect of tax losses not recognised	**523**	172
Income tax credit	**(1,979)**	(3,983)

9. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year attributable to the owners of the Company of HK$123,125,000 (2013: loss of HK$161,427,000), a loss of HK$102,349,000 (2013: loss of HK$133,327,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

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

11. LOSS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(123,125)**	(161,427)

	2014	2013
Number of shares		
Weighted average number of ordinary shares in issue used in basic loss per share calculation *(in thousands)*	**3,241,520**	3,289,487
Basic loss per share *(HK cents)*	**(3.80)**	(4.91)

During the year ended 31 December 2014, diluted loss per share equals to basic loss per share as the potential ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2014	2013
	HK$'000	*HK$'000*
Salaries and allowances	**16,914**	25,600
Equity settled share-based payments	—	26,567
Retirement scheme contributions	**350**	646
	17,264	52,813

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

2014

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Equity-settled share option expenses *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:					
Wong Kwan	2,592	—	—	—	2,592
Law Wing Tak, Jack	—	1,800	—	17	1,817
Wong Hiu Tung	—	1,200	—	17	1,217
Zhou Li Yang	—	1,560	—	17	1,577
Non-executive directors:					
Baiseitov Bakhytbek	—	—	—	—	—
Independent non-executive directors:					
Lam Kwan	300	—	—	—	300
Chan Kwan Pak	300	—	—	—	300
Yuen Sau Ying, Christine	300	—	—	—	300
	3,492	4,560	—	51	8,103

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

(a) Directors' emoluments *(Continued)*

2013

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

Note:

No emoluments were paid by the Group to any directors as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

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

(b) Five highest paid individuals

Out of the five individuals with the highest emoluments in the Group, four (2013: five) were directors of the Company whose emoluments, details are set out in note (a) above.

The emoluments of the remaining one (2013: Nil) individual for the year ended 31 December 2014 were as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries and other benefits	**816**	—
Retirement benefits scheme contributions	**17**	—
	833	—

	Number of individuals	
	2014	2013
Emoluments bands		
HK$Nil – HK$1,000,000	**1**	—

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Oil and gas properties *HK$'000*	Leasehold improvement *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1 January 2013	85,728	913	12,210	2,086	100,937
Additions	3,791	—	239	—	4,030
At 31 December 2013 and 1 January 2014	89,519	913	12,449	2,086	104,967
Additions	—	—	22	—	22
Disposal/written off	—	—	—	(262)	(262)
At 31 December 2014	**89,519**	**913**	**12,471**	**1,824**	**104,727**
Accumulated depreciation					
At 1 January 2013	517	909	11,937	807	14,170
Charge for the year	235	2	132	473	842
At 31 December 2013 and 1 January 2014	752	911	12,069	1,280	15,012
Charge for the year	226	2	134	414	776
Eliminated on disposal and written off	—	—	—	(262)	(262)
At 31 December 2014	**978**	**913**	**12,203**	**1,432**	**15,526**
Net book value					
At 31 December 2014	**88,541**	**—**	**268**	**392**	**89,201**
At 31 December 2013	88,767	2	380	806	89,955

15. INTANGIBLE ASSETS

Group

	Oil and gas processing rights *HK$'000*
Cost	
At 1 January 2013, at 31 December 2013, at 1 January 2014 and at 31 December 2014	2,818,920
Accumulated amortisation and impairment	
At 1 January 2013	510,120
Amortisation for the year	736
At 31 December 2013 and at 1 January 2014	510,856
Amortisation for the year	400
At 31 December 2014	**511,256**
Net carrying amount	
At 31 December 2014	**2,307,664**
At 31 December 2013	2,308,064

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

The management performed impairment testing on the Group's oil and gas processing rights as at 31 December 2014 and considered no indication of impairment on the net carrying amount of oil and gas processing rights. Accordingly, no provision for impairment in relation to oil and gas processing rights was made during the year (2013: Nil).

16. GOODWILL

Group

	HK$'000
Cost	
At 1 January 2013, at 31 December 2013, at 1 January 2014 and at 31 December 2014	62,039
Accumulated impairment	
At 1 January 2013	56,938
Impairment	5,101
At 31 December 2013, at 1 January 2014 and at 31 December 2014	62,039
Net carrying amount	
At 31 December 2014	—
At 31 December 2013	—

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

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

Key assumptions used for value-in-use calculations:

	2014	2013
Growth rate	**N/A**	3%
Discount rate	**N/A**	13%

No impairment loss on goodwill has been recognised for the year ended 31 December 2014. For the year ended 31 December 2013, the Group has recognised an impairment loss on goodwill of HK$5,101,000 primarily due to an expected decrease in the gross margin resulting in lower recoverable amounts.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group and Company

	2014	2013
	HK$'000	*HK$'000*
At fair value:		
Listed securities held for trading		
— Listed in Hong Kong	**19,997**	47,669

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

18. INTERESTS IN SUBSIDIARIES

Company

	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	**11,126**	11,126
Amounts due from subsidiaries	**2,234,700**	2,216,372
	2,245,826	2,227,498

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

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

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

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interest	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
China Environmental Resources Limited	Hong Kong	**40%**	40%	**(1,269)**	(426)	**(27,499)**	(7,299)
Individually immaterial subsidiaries with non-controlling interests						**3,774**	3,361
						(23,725)	(3,938)

18. INTERESTS IN SUBSIDIARIES *(Continued)*

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

China Environmental Resources Limited	**2014** *HK$'000*	2013 *HK$'000*
Non-current assets	**98**	161
Current assets	**29,513**	49,358
Current liabilities	**(8,936)**	(6,742)
Revenue	**94,638**	403,753
Cost of income	**(93,691)**	(394,048)
Other income	**—**	989
Expenses	**(4,118)**	(11,759)
Loss for the year	**(3,171)**	(1,065)
Loss attributable to owners of the Company	**(1,902)**	(639)
Loss attributable to non-controlling interests	**(1,269)**	(426)
	(3,171)	(1,065)
Total comprehensive loss for the year	**(3,171)**	(1,065)
Total comprehensive loss attributable to owners of the Company	**(1,902)**	(639)
Total comprehensive loss attributable to non-controlling interests	**(1,269)**	(426)
	(3,171)	(1,065)
Dividends paid to non-controlling interests	**18,931**	—
Net cash outflow from operating activities	**(212)**	(2,780)
Net cash outflow from investing activities	**—**	(85)
Net cash inflow from financing activities	**—**	—
Net cash outflow	**(212)**	(2,865)

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**3,082**	5,208	**—**	—
Rental and other deposits paid	**1,469**	1,608	**—**	—
Deposit paid for acquiring Russia oil fields *(note (a))*	**69,929**	77,706	**69,929**	77,706
Trade deposits paid	**28,396**	48,020	**—**	—
Other receivables	**789**	789	**—**	—
Loan receivables *(note (b))*	**17,356**	19,108	**17,356**	19,108
	121,021	152,439	**87,285**	96,814
Less: impairment loss on loan receivables *(note (b))*	**(17,356)**	(1,752)	**(17,356)**	(1,752)
impairment loss on other receivables *(note (a))*	**(69,929)**	—	**(69,929)**	—
	33,736	150,687	**—**	95,062
Less: shown under current assets	**(33,736)**	(144,931)	**—**	(89,306)
Shown under non-current assets	**—**	5,756	**—**	5,756

Notes:

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

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

To date, the Company has received US$500,000 out of the initial consideration paid under the S&P Agreement. The Company consider the remaining balance should be fully impaired for the year ended 31 December 2014.

(b) According to the settlement agreement signed in March 2013, the pledged listed securities of these debtors were taken over to set-off their loan receivables. As at 31 December 2014, the loan receivables mainly represented short term loans of HK$17,356,000 (2013: HK$17,356,000) receivable from one (2013: one) independent third party. As the loan was expired during the year, the Company consider full impairment on the balance for the year ended 31 December 2014.

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair values. All of the prepayments, deposits and other receivables are expected to be recovered, or recognized as expenses within one year.

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

2014		2013	
US$'000	***HK$'000***	*US$'000*	*HK$'000*
383	**2,986**	10,616	82,804

20. BANK BALANCES AND CASH

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances and cash	**2,489**	1,180	**35**	80
Cash and cash equivalents	**2,489**	1,180	**35**	80

Cash and cash equivalents in the consolidated statement of cash flows as at 31 December 2014 and 2013 were HK$2,489,000 and HK$1,180,000 respectively.

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

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

Group	
2014	2013
'000	*'000*
US$236	US$63
—	EUR10

21. TRADE PAYABLES

Group

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

	2014	2013
	HK$'000	*HK$'000*
0-90 days	—	5

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

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

2014		2013	
US$'000	***HK$'000***	*US$'000*	*HK$'000*
—	—	1	5

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables	**2,918**	1,257	**—**	—
Accruals	**7,535**	12,350	**3,284**	9,386
Amount due to a former shareholder of subsidiaries *(note)*	**6,012**	6,012	**—**	—
Trade deposit received	**12**	73	**—**	—
	16,477	19,692	**3,284**	9,386

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

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

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

2014		2013	
US$'000	***HK$'000***	*US$'000*	*HK$'000*
272	**2,122**	500	3,900

23. DEFERRED TAX

Group

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

	Fair value adjustment on intangible assets *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 January 2013	565,656	(7,542)	558,114
Recognised in profit or loss	(180)	(3,803)	(3,983)
At 31 December 2013	565,476	(11,345)	554,131
Recognised in profit or loss	(279)	(1,700)	(1,979)
At 31 December 2014	**565,197**	**(13,045)**	**552,152**

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

	2014 *HK$'000*	2013 *HK$'000*
Deferred tax assets	**(13,045)**	(11,345)
Deferred tax liabilities	**565,197**	565,476
Net deferred tax liabilities	**552,152**	554,131

At the end of the reporting period, the Group has unused tax losses of approximately HK$5,013,000 (2013: HK$1,958,000) available for offset against future profits. However, no deferred tax asset in respect of them had been recognized due to the unpredictability of future profit streams even through those tax losses may be carried forward indefinitely.

24. ASSET RETIREMENT OBLIGATIONS

Group

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**3,579**	2,301
Capitalised in oil and gas properties	**—**	1,278
At 31 December	**3,579**	3,579

25. SHARE CAPITAL

Group and Company

	2014		2013	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**200,000,000**	**20,000,000**	200,000,000	20,000,000
Issued and fully paid:				
At 1 January	**3,241,520**	**324,152**	3,408,263	340,826
Repurchase of shares *(note)*	**—**	**—**	(166,743)	(16,674)
At 31 December	**3,241,520**	**324,152**	3,241,520	324,152

Note:

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

26. SHARE OPTION SCHEME

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

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

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

Share options and weighted average price are as follows:

	2014		2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 January	**199,970**	**0.7417**	122,070	0.9640
Granted	**—**	**—**	108,100	0.5200
Lapsed	**(10,000)**	**0.5200**	(30,200)	0.9258
Outstanding at 31 December	**189,970**	**0.7533**	199,970	0.7417
Exercisable at 31 December	**189,970**	**0.7533**	199,970	0.7417

No share options were exercised during the year (2013: Nil).

26. SHARE OPTION SCHEME *(Continued)*

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

Grantee	Date of grant	Period during which options are exercisable	Outstanding as at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2014	Exercise price per share option *HK$*
Directors								
Wong Kwan	5 August 2009	5 August 2009– 14 July 2019	3,600,000	—	—	—	3,600,000	0.4666
	9 June 2010	9 June 2010– 14 July 2019	6,000,000	—	—	—	6,000,000	0.9416
	10 April 2013	1 September 2013– 14 July 2019	9,500,000	—	—	—	9,500,000	0.52
Zhou Li Yang	10 April 2013	1 September 2013– 14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Baiseitov Bakhytbek	5 October 2010	5 October 2010– 14 July 2019	18,000,000	—	—	—	18,000,000	1.3366
Mohamad Ajami	10 April 2013	1 September 2013– 14 July 2019	10,000,000	—	—	(10,000,000)	—	0.52
Law Wing Tak Jack	10 April 2013	1 September 2013– 14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Wong Hiu Tung	10 April 2013	1 September 2013– 14 July 2019	10,000,000	—	—	—	10,000,000	0.52
Lam Kwan	10 April 2013	1 September 2013– 14 July 2019	7,000,000	—	—	—	7,000,000	0.52
Chan Kwan Pak	10 April 2013	1 September 2013– 14 July 2019	5,000,000	—	—	—	5,000,000	0.52
Yuen Sau Ying Christine	10 April 2013	1 September 2013– 14 July 2019	5,000,000	—	—	—	5,000,000	0.52
			94,100,000	—	—	(10,000,000)	84,100,000	
Consultants	9 June 2010	9 June 2010– 14 July 2019	22,200,000	—	—	—	22,200,000	0.9416
	10 April 2013	1 September 2013– 14 July 2019	6,000,000	—	—	—	6,000,000	0.52
Employees	9 June 2010	9 June 2010– 14 July 2019	33,870,000	—	—	—	33,870,000	0.9416
	27 June 2011	27 June 2011– 14 July 2019	6,000,000	—	—	—	6,000,000	0.9
	1 September 2011	1 September 2011– 14 July 2019	2,200,000	—	—	—	2,200,000	1.03
	10 April 2013	1 September 2013– 14 July 2019	35,600,000	—	—	—	35,600,000	0.52
			105,870,000	—	—	—	105,870,000	
			199,970,000	—	—	(10,000,000)	189,970,000	

26. SHARE OPTION SCHEME *(Continued)*

The share options outstanding at 31 December 2014 had a weighted average remaining contractual life of 4.56 years (2013: 5.56 years).

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

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

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

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

27. RESERVES

Group

Capital reserve

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

Exchange reserve

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

Treasury shares reserve

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2014 the Group held 4,060,000 ordinary shares of the Company (31 December 2013: 4,060,000 ordinary shares).

27. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013	2,289,422	45,348	42,216	3,263	(223,787)	2,156,462
Total comprehensive loss for the year	—	—	—	—	(133,327)	(133,327)
Reclassify warrants reserve	—	—	—	(3,263)	3,263	—
Repurchase of shares	(68,599)	—	—	—	—	(68,599)
Share options lapsed	—	—	(10,450)	—	10,450	—
Equity-settled share options arrangements	—	—	26,567	—	—	26,567
At 31 December 2013	2,220,823	45,348	58,333	—	(343,401)	1,981,103
Total comprehensive loss for the year	—	—	—	—	(102,349)	(102,349)
Share options lapsed	—	—	(2,458)	—	2,458	—
At 31 December 2014	**2,220,823**	**45,348**	**55,875**	**—**	**(443,292)**	**1,878,754**

Notes:

Contributed surplus

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

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

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

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

Share premium

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2014 are HK$1,822,879,000 (2013: HK$1,922,770,000).

28. DECONSOLIDATION OF A SUBSIDIARY

During the year ended 31 December 2014, a subsidiary, Wuhan Pearl Oriental Logistics Limited had been strike off.

The Directors considered the Group's control over the aforementioned subsidiary has been lost. For the purpose of appropriate presentation and in order to allow the public to evaluate the performance of the Group, the aforementioned subsidiary was excluded from the Group's consolidation.

The details of gain on deconsolidation of a subsidiary are as follow:

	2014
	HK$'000
Other receivables	3
Other payables	(69)
Net liabilities	(66)
Release of exchange reserve	(357)
Gain on deconsolidation	(423)

The subsidiary deconsolidated during the year ended 31 December 2014 did not have any contribution to the Group's revenue and operating results.

29. OPERATING LEASE COMMITMENT

Group

The Group leases certain office properties under operating leases. The leases are negotiated for terms of one to three years. At 31 December 2014, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of land and buildings are as follows:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**119**	5,039
In the second to fifth years	**—**	119
	119	5,158

30. CAPITAL COMMITMENT

Group

	2014	2013
	HK$'000	*HK$'000*
Authorised but not contracted for:		
— Proposed acquisition of a subsidiary *(note)*	**—**	9,512

Note:

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

The directors of the Company resolved not to proceed with the negotiation for a conclusive agreement and were of the opinion that the amounts paid may not be recoverable. Accordingly, the total amount of RMB1,650,000 (equivalent to HK$1,725,000) had been written off in full during the year ended 31 December 2010.

31. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	2014	2013
	HK$'000	*HK$'000*
Key management personnel:		
— Short term employee benefits	**7,203**	11,554
— Equity-settled share option expenses	**—**	12,166
	7,203	23,720

(b) Financing arrangement

	2014	2013
	HK$'000	*HK$'000*
Loan from a related party *(note)*	**4,000**	—

Note: The loan was unsecured, interest rate at Hong Kong Prime Lending Rate quoted by Hong Kong and Shanghai Bank Corporation time to time (rate as at 31 December 2014 is 5.25% per annum) and repayable on 28 June 2015.

32. LITIGATION

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

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

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

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

33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

33.1 Categories of financial assets and liabilities

(i) Financial assets

	Group	
	2014	2013
	HK$'000	*HK$'000*
Financial assets at FVTPL	**19,997**	47,669
Loans and receivables:		
— Deposits and other receivables	**30,654**	145,479
— Bank balances and cash	**2,489**	1,180
	53,140	194,328

	Company	
	2014	2013
	HK$'000	*HK$'000*
Financial assets at FVTPL	**19,997**	47,669
Loans and receivables:		
— Deposits and other receivables	**—**	95,062
— Bank balances and cash	**35**	80
	20,032	142,811

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

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

(ii) Financial liabilities

	Group	
	2014	2013
	HK$'000	*HK$'000*
At amortised cost:		
— Trade payables	**—**	5
— Other payables and accruals	**16,477**	19,692
— Other unsecured loan	**4,000**	—
	20,477	19,697

	Company	
	2014	2013
	HK$'000	*HK$'000*
At amortised cost:		
— Accruals	**3,284**	9,386
— Other unsecured loan	**4,000**	—
— Amounts due to subsidiaries	**55,668**	55,668
	62,952	65,054

33.2 Foreign currency risk

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

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

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

33.3 Interest rate risk

The Company has interest-bearing assets and liabilities in the form of cash and cash equivalent and other unsecured loans. Management considers the exposure to the changes in market interest rate should not be materially enough to cause adverse financial effect on the Company's position.

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

33.4 Price risk

The Group is exposed to price risk of oil and gas products. Prices of oil and gas products are affected by a wide range of global and economic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable and unfavourable impacts on the Group. The Group did not enter into any material hedging arrangements of its price risk during the year ended 31 December 2014 and 2013.

33.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

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

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

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

Significant concentration of credit risk primarily arises when the Group has significant exposure to individual customers. At the reporting date, there was no trade receivable (2013: Nil).

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

33.6 Liquidity risk

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

As at 31 December 2014 and 2013, the Group and the Company's remaining contractual maturities for their financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flow.

33.7 Fair value measurements

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

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

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

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

	Fair value measurements categorised into			
	Level 1 ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Recurring fair value measurements				
Year ended 2014				
Financial assets at FVTPL				
— Listed securities	19,997	—	—	19,997
	19,997	—	—	19,997

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

33.7 Fair value measurements *(Continued)*

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

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

34. CAPITAL MANAGEMENT

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

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

	2014 *HK$'000*	2013 *HK$'000*
Other unsecured loan	**4,000**	—
Less: Cash and cash equivalents	**(2,489)**	(1,180)
Net debt	**1,511**	(1,180)
Total equity	**1,876,879**	2,020,148
Net debt to equity ratio	**0.1%**	N/A

35. COMPARATIVE FIGURES

In previous year, the Group's deferred tax assets of approximately HK$11,345,000 was presented in the part of the consolidated statement of financial position. In current year, the comparative amount of such deferred tax assets has been net off against the deferred tax liabilities to conform with the current year's presentation.

Five Year Financial Summary

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

RESULTS

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
	HK$'000	*HK$'000* *(Restated)*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
Turnover	**97,367**	408,413	444,176	495,401	555,242
(Loss)/Profit before tax from continuing operations	**(125,960)**	(166,597)	(401,447)	(91,272)	386,771
Income tax credit	**1,979**	3,983	97,576	25,109	4,703
(Loss)/Profit for the year from continuing operations	**(123,981)**	(162,614)	(303,871)	(66,163)	391,474
DISCONTINUED OPERATION					
Profit for the year from discontinued operation	**—**	—	—	—	36
(Loss)/Profit for the year	**(123,981)**	(162,614)	(303,871)	(66,163)	391,510
(Loss)/Profit for the year attributable to:					
Owners of the Company	**(123,125)**	(161,427)	(303,321)	(59,204)	423,195
Non-controlling interests	**(856)**	(1,187)	(550)	(6,959)	(31,685)
	(123,981)	(162,614)	(303,871)	(66,163)	391,510
Total assets	**2,453,087**	2,597,555	2,824,390	3,218,109	3,357,888
Total liabilities	**(576,208)**	(577,407)	(582,922)	(679,054)	(707,435)
Net assets	**1,876,879**	2,020,148	2,241,468	2,539,055	2,650,453