金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

2014 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Zhendong *(Chairman)*
Mr. Zong Hao *(Chief Executive Officer)*
Mr. Zhang Wanzhong
Mr. Xu Zhuliang
Mr. Benjamin Clark Danielson

Independent Non-Executive Directors

Mr. Chiu Sui Keung
Mr. Lu Binghui
Mr. Lee Ping
Mr. Liu Shengming

AUDIT COMMITTEE

Mr. Chiu Sui Keung *(Chairman)*
Mr. Lu Binghui
Mr. Lee Ping

REMUNERATION COMMITTEE

Mr. Chiu Sui Keung *(Chairman)*
Mr. Xu Zhuliang
Mr. Lu Binghui

NOMINATION COMMITTEE

Mr. Zhang Wanzhong *(Chairman)*
Mr. Chiu Sui Keung
Mr. Lu Binghui

AUTHORISED REPRESENTATIVES

Mr. Xu Zhendong
Mr. Zong Hao

COMPANY SECRETARY

Mr. Lee Tao Wai

AUDITORS

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISER

Michael Li & Co.
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 7603, 76/F, The Center
99 Queen's Road Central
Hong Kong

SHARE REGISTRAR

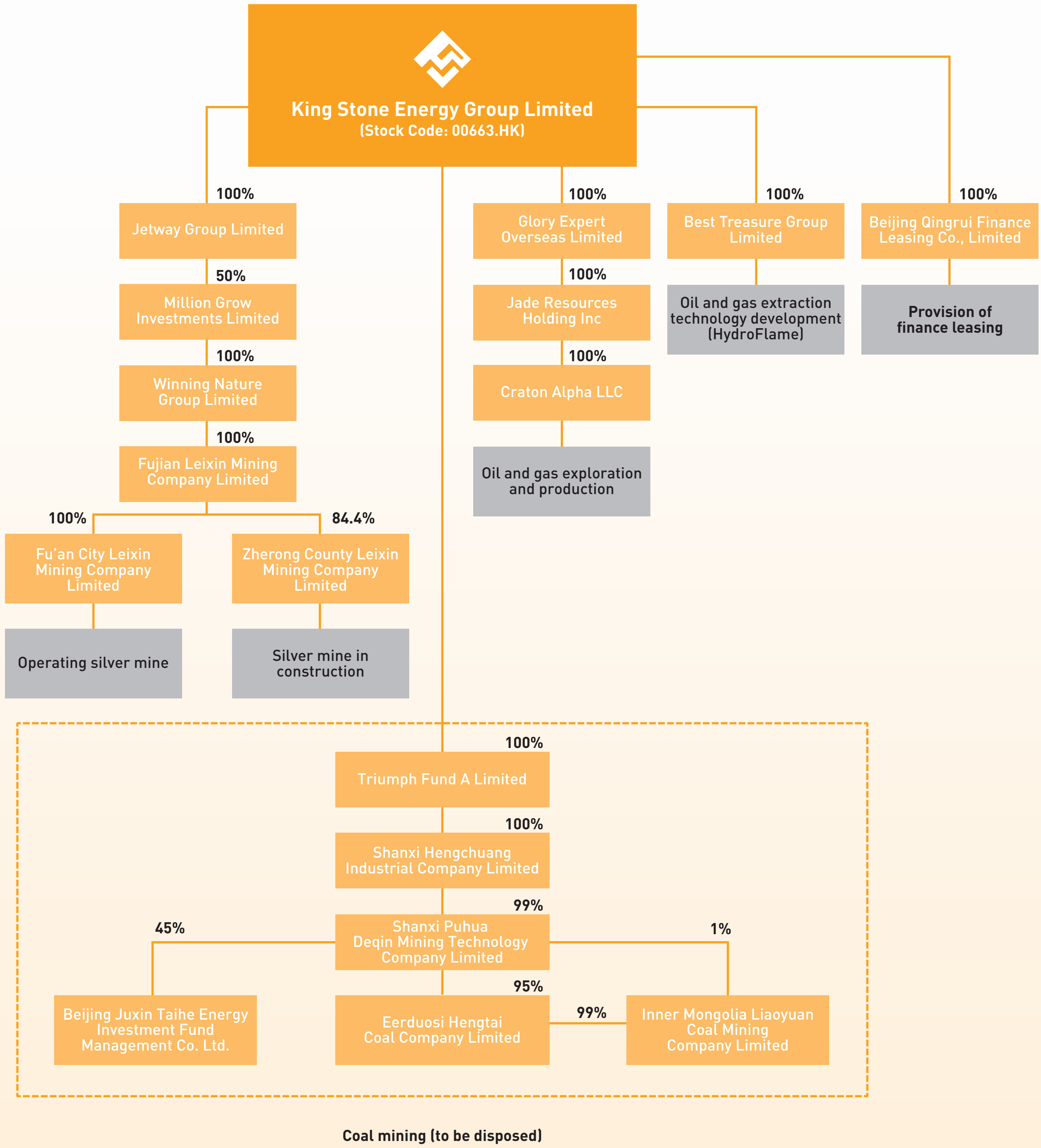
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

COMPANY WEBSITE

http://www.663hk.com

STOCK CODE

00663


King Stone Energy Group Limited
(Stock Code: 00663.HK)
100%
Jetway Group Limited
50%
Million Grow Investments Limited
100%
Winning Nature Group Limited
100%
Fujian Leixin Mining Company Limited
100%
Fu'an City Leixin Mining Company Limited
Operating silver mine
84.4%
Zherong County Leixin Mining Company Limited
Silver mine in construction
100%
Glory Expert Overseas Limited
100%
Jade Resources Holding Inc
100%
Craton Alpha LLC
Oil and gas exploration and production
100%
Best Treasure Group Limited
Oil and gas extraction technology development (HydroFlame)
100%
Beijing Qingrui Finance Leasing Co., Limited
Provision of finance leasing
100%
Triumph Fund A Limited
100%
Shanxi Hengchuang Industrial Company Limited
99%
Shanxi Puhua Deqin Mining Technology Company Limited
45%
Beijing Juxin Taihe Energy Investment Fund Management Co. Ltd.
95%
Eerduosi Hengtai Coal Company Limited
1%
99%
Inner Mongolia Liaoyuan Coal Mining Company Limited
Coal mining (to be disposed)

CAPITAL EXPENDITURE

The capital expenditure for development and mining production activities was approximately HK$96.6 million (2013: HK$196 million) during the year.

HENGTAI COAL MINE

Name	Eerduosi Hengtai Coal Company Limited ("Hengtai")
Location	Dongshen Coalfield of Inner Mongolia
Licensed area	~7 km^2
Mining rights validity	2007–2022
Mining Method	Underground
Coal type	Thermal
Designed capacity	6.6 million tons per annum
Status	Operating

	Resources (million tons)	Reserves (million tons)
Total resources/reserves (JORC compliant)	203.9	71.9
Actual output in 2010	(4.0)	(4.0)
Actual output in 2011	(3.6)	(3.6)
Actual output in 2012	(2.5)	(2.5)
Actual output in 2013	(0.9)	(0.9)
Actual output in 2014	(0.2)	(0.2)
Resources/reserves as at 31 December 2014	192.7	60.7

Note: The resources/reserves as at 31 December 2014 are derived from total resources/reserves extracted from technical report issued by John T. Boyd Company dated 18 November 2009 after deduction of actual output up to 31 December 2014 based on Hengtai's record.

LIAOYUAN COAL MINE

Name	Inner Mongolia Liaoyuan Coal Mining Company Limited ("Liaoyuan")
Location	YijinhuoLuoqi, Eerduosi, Inner Mongolia
Licensed area	8.396 km^2
Mining rights validity	2013–2016
Mining Method	Underground
Coal type	Thermal
Designed capacity	0.9 million tons per annum
Status	Operating

	Resources (million tons)
Resources as at 31 December 2011 (JORC equivalent)	15.8
Actual output in 2012	(0.5)
Actual output in 2013	(0.2)
Actual output in 2014	(0.1)
Resources as at 31 December 2014	15.0

Note: The resources as at 31 December 2014 are derived from the resources extracted from technical report issued by Roma Oil and Mining Associated Limited dated 30 March 2012 after deduction of actual output up to 31 December 2014 based on Liaoyuan's record.

FUJIAN LEIXIN SILVER MINES

Fu'an Silver Mine (the West Mine)

Name	Fu'an City Leixin Mining Company Limited
Location	Fu'an City, Fujian
Licensed area	2.1 km^2
Mining rights validity	2010–2020
Designed capacity	198,000 tons per annum
Status	Operating

Zherong Silver Mine (the East Mine)

Name	Zherong County Leixin Mining Company Limited
Location	Zherong County, Fujian
Licensed area	4.97 km^2
Exploration rights validity	2013–2015
Designed capacity	660,000 tons per annum
Status	Under construction

	The West Mine	**The East Mine**
As at 30 November 2013		
Inferred resources (million tons)	1.71	1.73
Indicated resources (million tons)	0.87	6.35
Probable ore reserves (million tons)	0.82	5.95
Ore grade (g/t)	211.4	128.6
Silver metal (tons)	173	765

Note: The above information are extracted from technical report issued by SRK Consulting China Limited dated 10 March 2014.

CRATON OIL AND GAS FIELDS

	Natural gas (million cubic feet)	**Natural gas liquid** (thousand bbl)	**Oil** (thousand bbl)
As at 1 January 2015			
Proved reserves	16,986.89	449.67	191.67
Probable reserves	19,621.22	519.40	225.02
Possible reserves	31,342.41	829.67	359.46
	67,950.52	1,798.74	776.15

Note: The above information are extracted from reserve report issued by Cawley, Gillespie & Associates Inc. on 3 March 2015.

CHAIRMAN STATEMENT

Dear shareholders:

On behalf of the board of directors (the "Board") of King Stone Energy Group Limited (the "Company" or "King Stone Energy", together with its subsidiaries, the "Group"), I am delighted to present the annual results for the year ended 31 December 2014.

To King Stone Energy, 2014 was a year of enhancement and vigour. The projects acquired by the Group following the shareholding restructuring achieved breakthroughs in the year, including the natural gas project in Texas, U.S. which is now in commercial production phase, Fujian Leixin silver mine project which is in trial production phase, and HydroFlame heavy oil extraction technology which has recorded satisfactory site testing results. In the year, the Group started to engage in finance leasing business through its wholly-owned subsidiary –Beijing Qingrui Finance Leasing Co., Ltd.

From the fourth quarter of 2013, the Group started to invest in an oil and gas project located in Eastern Texas, U.S. in hope of entering into the oil and gas plot with rich reserve and well-developed pipeline infrastructure by virtue of competitive operating cost. The Group completed drilling work of the first well during the year which has been put into commercial production in July 2014. Drilling of the second well has been conducted in January 2015 and the well is expected to enter into commercial production at the beginning of April. On the basis of operational data of the two wells, the Group will further clarify reserve volume of the plot and work out future exploration and production plans. In the meantime, the Group will speed up research and development of the heavy oil extraction technology –HydroFlame including research activities to be conducted in Mainland China, and will obtain relevant patents to secure protection in the same region. The Group holds strong confidence with the prospects of the said oil and gas projects which are expected to bring enormous profits to the company in a prolonged period.

As to mining business, Fujian Leixin silver mine project production was approaching its scheduled production capacity, of which trial production has been ongoing for two months at the West Mine during the year, whereas mining permit of the East Mine is expected to be obtained by the end of 2015. However, performance of the coal business in Inner Mongolia continue to worsen under which the Group is now discussing with a potential buyer on possible transfer of the coal business, and the decision is to be made soon. Sales of the coal business, if successful, will significantly improve financial performance of the Group.

In 2015, the management and I will strive to implement the said strategies and plans to maximize financial gains of the existing projects. Meanwhile, attention will be paid to curb risks brought by price fluctuation under variable economic situations. I strongly believe that the management's time-proven experience in energy and mining sectors will help to create higher return to the shareholders. Finally, I give my sincerest thanks to our shareholders, my fellow directors and colleagues for their unwavering dedications and significant contributions rendered to the Group.

Xu Zhendong
Chairman

31 March 2015

BUSINESS REVIEW

The Group is principally engaged in exploring and drilling natural gas and oil in the United States, mining and selling of coal and silver and provision of finance leasing in China. The management team of the Company possesses strong and comprehensive oil and gas plus metal mining background. As such, the Company has been actively seeking opportunity to pursue upstream oil and gas exploration and production ("E&P") projects in North America and other mining projects all around the world to further strengthen the asset portfolio of the Group.

Oil and Gas E&P

Leveraging on the strong and comprehensive oil and gas expertise and investment background of the management team, the Company has been actively developing an upstream oil and gas E&P project in North America since the fourth quarter of 2013. By 31 December 2014, the Company has secured leases over 7,000 acres in East Texas, the United States, and targets to ultimately lease 12,500 acres which can sustain drilling of up to 80 wells. During the year, the Company started drilling the first well, production of which began in July 2014 and it generated revenue of approximately HK$9.2 million during production for six months in 2014. The Company started drilling the second well in January 2015 with its expected production commencing in first half 2015. The Company will monitor the output of the first two wells and will be prepared to launch full development of the project should the results and commodity prices warrant.

HydroFlame Technology

HydroFlame, which was acquired by the Group in 2013, is a new heavy oil extraction technology that burns a fuel directly inside a rotating stream of water. The HydroFlame technology has yet to be commercialized, but has several new engineering process applications including hot water heaters, compact steam generators, produced water treatment processes and efficient power generation systems.

During the year of 2014, the Company completed two tests of HydroFlame at Louisiana and Texas in the United States, respectively, and concluded with a meaningful list of improvements and modifications. The Company also collated the patent rights of HydroFlame obtained in the United States, Canada, Mexico, Brazil, India and Ecuador in order to safeguard the Company's interest in this advance technology. Further patent applications may be made in China and other countries. The Company will endeavor to develop and commercialize the HydroFlame technology both for oil extraction as well as other applications in near future.

Silver Mining

The Company operates two quality silver mines via subsidiary — Fujian Leixin Mining Company Limited, in Fujian Province, China, namely the West Mine and the East Mine. The West Mine has a valid mining permit with approved production capacity of 100,000 ton per annum ("tpa") and a processing plant with daily ore processing capacity of 300 tons per day is already in place. According to the JORC Standard, the indicated and inferred mineral resources of the West Mine are approximately 0.87 million tons ("Mt") and 1.71 Mt respectively and its probable reserve is approximately 0.82 Mt with ore grade of silver averaging 211.4 g/t. With replacement of engineering team and technical upgrade of certain equipments and facilities, the Group carried out production for around two months and approximately 17,000 tons of ores were processed during the year of 2014.

The East Mine is an advanced development project with an exploration permit valid until October 2015. During the year of 2014, the Group continued to conduct more in-depth exploration work with increased drilling coverage and density in the East Mine. According to the JORC Standard, the indicated and inferred mineral resources of the East Mine are approximately 6.35 Mt and 1.73 Mt respectively and its probable reserve is approximately 5.95 Mt with ore grade of silver averaging 128.6 g/t. The Group was carrying out further exploration work at the East Mine during the year of 2014. It is expected that its mining permit can be obtained by the end of 2015.

Coal Mining

The coal mining business of the Group has remained in a straitened condition in past few years. Gloomy market demand, tightened government policies plus increasing cost of capital all casted severe challenges to the mine operations. Outputs and average selling prices ("ASPs") of coal mines in Hengtai and Liaoyuan both slumped and the Group has been suffering from significant losses from its mining business. Considering the continuous uncertain market outlook, the Company has been negotiating with a potential buyer to dispose of its coal mining business. It is believed that by offloading the below-par coal mining business, financial situation of the Group will significantly improve.

Provision of finance leasing

The Group has also commenced provision of finance leasing business through its wholly owned subsidiary, Beijing Qingrui Finance Leasing Co., Ltd (北京青瑞融資租賃有限公司), during the year.

FINANCIAL REVIEW

Revenue and cost of inventories sold

The Group recorded total revenue of approximately HK$28 million from coal mining and selling (2013: HK$135.8 million) during the year, representing a significant decrease of 80% compared with last year. With persistent weak demand in coal market, ASPs and sales volumes of coal both decreased significantly to approximately RMB81 (2013: RMB92) and approximately 0.27 Mt (2013: 1.17 Mt), respectively.

Due to reasons as stated above, the Group recorded revenue of approximately HK$1.8 million from selling 126 tons of silver concentrates in the second half of this year. In 2013, revenue of approximately HK$14.5 million was generated from selling by-product ores in the West Mine.

For the oil and gas extraction and production business which commenced operation in July 2014, the Group, net to its ownership interests, has produced approximately 2,200 Bbl of oil, and approximately 240 million cubic feet of natural gas (which includes approximately 8,400 Bbl of natural gas liquids). All of which in aggregate generated revenue of approximately HK$9.2 million during the year.

The Group also recorded revenue of approximately HK$0.8 million from provision of finance leasing business during the year (2013: nil).

Cost of inventories sold primarily consists of depreciation and amortisation of property, plant and equipment and mining rights, related labour cost and subcontracting fee for the production, taxes, supplies, utilities and other incidental expenses in relation to our production. Cost of inventories sold for coal mining, silver mining and oil and gas extraction and production was approximately HK$161.9 million (2013: HK$365.5 million), HK$3.8 million (2013: HK$10.9 million) and HK$7.1 million (2013: Nil), respectively during the year. There was no cost of provision of finance leasing recognised during the year (2013: nil).

For the year ended 31 December 2014, coal mining and silver mining recorded gross loss margins of 479% (2013: 169%) and 109% (2013: profit margin of 25%), respectively. Oil and gas extraction and production business recorded a profit margin of 22% during the year.

Other income and gains

Other income and gains mainly represented gain on disposal of property, plant and equipment of HK$2.0 million (2013: nil), interest income of approximately HK$2.0 million (2013: HK$2.9 million) and commission income of approximately HK$1.9 million (2013: nil) during the year.

Selling and distribution expenses and administrative expenses

Selling and distribution costs and administrative expenses were HK$5.5 million (2013: HK$6.8 million) and HK$109.2 million (2013: HK$105.2 million) respectively during the year. Administrative expenses mainly comprised staff cost for administrative functions, legal and professional fee incurred for operation, depreciation and other administrative expenses.

Other expenses

Other expenses mainly comprised impairments of property, plant and equipment, mining and exploration rights, goodwill, and trade and other receivables in aggregate of approximately HK$1,290.6 million (2013: HK$983.6 million), HK$14.2 million (2013:nil) and HK$16.1 million (2013: HK$54.5 million), respectively, during the year. The Group also recorded one-off costs associated with drilling prior to moving the drilling rig for oil and gas E&P of the first well of approximately HK$20.5 million during the year (2013: nil).

In view of indications of impairment including: (1) decline of coal and silver prices and sales volumes during the year as mentioned above; (2) that the coal mine exchange as disclosed in the previous annual reports of the Company has not been formally approved by the local government as at 31 December 2014 and up to date of this report; and (3) delay in completion of technical upgrade at the West Mine, the management had estimated the recoverable amounts of the assets (the "Mining Assets") of the coal mining business (the "Coal Mining Assets") and silver mining business (the "Silver Mining Assets") of the Group for impairment testing.

In this connection, the Company had engaged an independent professional valuer to assess the fair value less cost of disposal of the cash-generating units (the "CGU") and the management has derived the fair value less cost of disposal of the Mining Assets from the fair value less cost of disposal of the cash-generating units. In assessing the fair value less cost of disposal of the cash-generating units, the future cash flows of the coal and silver mining businesses, respectively, which cover the periods to utilise the remaining reserves of the mines, are discounted to the related present values using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to such businesses. Parameters used in the projected cash flows included but were not limited to selling prices and sales volumes of coal and silver, production cost and other expenses, capital expenditure, production plan and discount rate, respectively, which reflected the current conditions of the market and the Group and estimated trend in the future.

When evaluating the appropriate discount rate for each of the CGUs, the Capital Assets Pricing Model (the "CAPM") had been used. Under CAPM, the appropriate expected rate of return was the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of the CGUs was expected to be affected by other firm specific risk factors that are independent of the general market. The cost of equity was determined by the risk-free rate, market return, and estimated beta of the CGUs and firm specific risk factors.

There was no material change in the valuation methodology adopted by the Group during the year.

Coal Mining Assets assessment

The key assumptions, which were used and materially changed in valuation of the CGUs of the Coal Mining Assets as compared with last year, included but not limited to:

(i) Forecast gross margin, which represented sales net of tax minus production cost and before depreciation and amortisation, in the first subsequent year after 31 December 2014 was RMB19/ton – RMB48/ton (2013: RMB74/ton), because during the year, coal prices further decreased and subcontracting of a coal mine to a third party for a subcontracting fee which was lower than the gross margin earned by the output of such coal mine.

(ii) Forecast sales volume in the first subsequent year after 31 December 2014 was 1.5 Mt (2013: 2.5 Mt). The decrease in forecast sales volume assumption was made reference with decrease in sales volume during the year and continued downturn of the coal market.

(iii) At 31 December 2013, production of the No. 2 coal mine of Hengtai ("No. 2 Coal Mine") is forecasted to commence in the second quarter of 2016. Due to significant delay and uncertainty on the timing of the completion of the coal mine exchange, the relevant mining rights of the No. 2 Coal Mine were fully impaired at 31 December 2014.

(iv) Forecast total capital expenditure including relocation compensation was approximately RMB61 million (2013: RMB1.24 billion). The significant decrease was mainly due to no forecast capital expenditure has been included in valuation upon full impairment of No. 2 Coal Mine this year.

(v) The discount rate of 10.5% (2013: 12.5%) was used in the valuation.

Based on the Coal Mining Assets assessment, an additional impairment loss of the Coal Mining Assets totaling HK$1,242 million was recognised and allocated to property, plant and equipment and mining rights based on their relative carrying amounts amongst the Mining Assets. Impairment of property, plant and equipment of approximately HK$416 million (2013: HK$361.2 million) and impairment of mining rights of approximately HK$826 million (2013: HK$622.4 million) were recognised during the year.

Silver Mining Assets assessment

The key assumptions, which were used and materially changed in valuation of the CGUs of the Silver Mining Assets as compared with last year, included but not limited to:

(i) Forecast gross margin, which represented sales net of tax minus production cost and before depreciation and amortisation, in the first subsequent year after 31 December 2014 was RMB2.5/g (31 December 2013: RMB3.6/g), because of the decrease in forecast silver prices and the mining activity expected to be performed at area with lower ore grade content.

(ii) Production for the East Mine is forecasted to commence in 2018 (2013: 2016).

(iii) The discount rate of 13% (2013: 17.3% – 18.3%) was used in the valuation.

Based on the Silver Mining Assets assessment, an impairment loss of the Silver Mining Assets totaling HK$62.8 million was recognised during the year, in which approximately HK$14.2 million was allocated to goodwill and approximately HK$48.6 million was allocated to property, plant and equipment and mining and exploration rights based on their relative carrying amounts amongst the Silver Mining Assets. Impairment of property, plant and equipment of approximately HK$1.6 million and impairment of mining and exploration right of approximately HK$47 million were recognised during the year. No impairment for the Silver Mining Assets was made in 2013.

Finance costs

Finance costs were approximately HK$112.1 million (2013: HK$172.7 million) during the year, which represented mainly interest expenses for bank and other borrowings incurred for the coal mining business and silver mining business amounting to approximately HK$103.5 million (2013: HK$124.9 million) and HK$0.3 million (2013: HK$3.5 million) respectively. Imputed interest expenses for convertible notes which were fully redeemed in January 2014 amounting to approximately HK$0.2 million (2013: HK$10.3 million) were recognised during the year. As the convertible notes with principal amount of HK39.2 million (2013: HK$250 million) were early redeemed, a loss of approximately HK$3.0 million (2013: HK$34 million) was also recognised during the year.

Share of loss of a joint venture

Share of loss of a joint venture represented share of loss from the fund management company set up with CITIC Trust Co. Ltd. in 2011.

Income tax

Income tax credit was approximately HK$43.1 million (2013: HK$95.8 million) during the year. It represented write-back of deferred taxation mainly arising from impairment of Mining Assets during the year. No provision for profit tax in Hong Kong, the PRC and the United States has been made during the current and prior years.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly financed its day to day operations and acquisitions by internally generated cash flow, equity fund raising and other financing activities during the year.

As at 31 December 2014, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.09:1 (2013: 0.17:1).

On 24 October 2014, the Company entered into a subscription agreement with the controlling shareholder, Belton Light Limited, for subscription of 330,000,000 new shares of the Company at the subscription price of HK$0.25 per share with 330,000,000 bonus warrant shares entitling Belton Light Limited to subscribe for up to 330,000,000 bonus warrants shares at HK$0.35 each. The subscription was completed in December 2014, raising a net proceed of approximately HK$82 million (representing net subscription price of HK$0.248 per share) to the Group. No bonus warrant was exercised up to the date of this report.

As at 31 December 2014, the cash and cash equivalents of the Group were approximately HK$156.1 million (2013: HK$292.6 million). The Group recorded a net cash outflow from its operating activities of approximately HK$220.5 million (2013: HK$260.5 million) during the year.

As at 31 December 2014, the Group had outstanding interest-bearing borrowings, all of which were denominated in Renminbi, amounting to approximately HK$1,614.1 million (2013: HK$1,633.1 million). Of the Group's interest-bearing borrowings, 98%, and 2% were repayable on demand or within one year and in the second year respectively (2013: 70%, 24%, in the third to the fifth year, inclusive 6%). Borrowings of approximately HK$1,251.0 million (2013: HK$1,291.8 million) and HK$363.1 million (2013: HK$371.3 million) were interest-bearing with floating interest rates and at fixed rates of 6.44% to 42% (2013: 7.2% to 36%) respectively. As at 31 December 2014, certain bank loans of approximately HK$669 million and other payables of approximately HK$275 million have been overdue and were not yet repaid up to date of this report. The Group has been at its best effort trying to negotiate with the banks and lenders to extend the maturity dates of such loans.

The outstanding zero coupon redeemable convertible notes with principal amount of approximately HK$39.2 million as at 31 December 2013 have been fully redeemed at par in January 2014. There were no outstanding convertible notes as at 31 December 2014.

The Group conducted its continuing operational business transactions mainly in Renminbi, Hong Kong dollars and United States dollars. The Group did not arrange any forward currency contracts for hedging purposes.

GEARING RATIO

The gearing ratio of the Group, measured as total debt (which represented trade and bills payables, other payables and accruals, interest-bearing borrowings and convertible notes) in a ratio to the total assets, was 1.42 as at 31 December 2014, as compared to 0.80 as at 31 December 2013.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material significant investments, acquisition and disposal during the year.

CAPITAL COMMITMENTS, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2014, the capital commitments of the Group were approximately HK$29.5 million (2013: HK$56.4 million), which were mainly related to purchase of plant and machineries.

As at 31 December 2014, bank and other borrowings of approximately HK$1,614.1 million (2013: HK$1,663.1 million) and other payables of approximately HK$275 million (2013: HK$276.8 million) were secured by certain of the Group's coal mining rights, property, plant and equipment and prepayments, deposits and other receivables and guarantees given by a former shareholder of Triumph Fund A Limited, a former director of Hengtai, certain independent third parties and equity interests of subsidiaries.

As at 31 December 2014, time deposits of approximately HK$4.0 million (2013: HK$3.6 million) were pledged for general bank facilities.

Save as disclosed above and the freezing order as mentioned in note 35(b) to the financial statements, the Group had no other pledge of assets as at 31 December 2014 (2013: Nil).

As at 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2014, the Group had 400 employees. The total staff costs (including directors' remuneration) for the year ended 31 December 2014 were approximately HK$52.4 million (2013: HK$48.5 million). The Group's remuneration policy is primarily based on the individual performance and experience of employees including directors, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for employees' better personal development and growth.

Pursuant to the Company's share option scheme, the Company may offer to any eligible participants including employee of the Group options to subscribe for shares in the Company. No share option was granted nor exercised during the year. There were no outstanding share options as at 31 December 2014.

FUTURE OUTLOOK

The year of 2014 has been full of ups and downs. Prices of coal, metals, oil and gas were all in a downward trend. Profit margins of the Group's operations were unavoidably affected. It is anticipated that commodity prices will continue to fluctuate in 2015. On the other hand, the newly-acquired oil and gas E&P business and silver mining business of the Company have respectively started to operate and deliver economic contributions to the Group since 2014. The Company will overcome the adverse price environment by technically adjusting its exploration plans, production schedules and marketing strategies. It is believed that the above new businesses will provide stable revenue and cash flow to the Group in 2015.

Looking ahead, the Company will monitor closely the development of the new businesses and, depending on their performances, continue to devote further capital resources in order to maximize the return of assets. The Company will continue to review and optimize its internal control, organization structure and capital base. In the meantime, the Company will speed up the disposal of its coal mining business by negotiating with the potential buyer and consulting with the regulatory bodies in this regard. Overall, the management of the Company is of full confidence and determination to overturning the Group's business performance in the year of 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Zhendong, aged 51, graduated from the Computer Science and Technology Department of Peking University in 1987. Currently, Mr. Xu is an executive director and chairman of board of directors of Beijing Beida Jade Bird Universal Sci-Tech Company Limited ("Jade Bird Universal") (a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8095)). He is a director of each of Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited and Beida Jade Bird Universal Investments (USA) Limited respectively, which are subsidiaries of Jade Bird Universal. Mr. Xu is also the chairman of each of boards of directors of Beijing Aptech Beida Jade Bird Information Technology Co., Ltd. and Beijing Beida Jade Bird Software System Co., Ltd. and a director of Shenzhen Beida Jade Bird Sci-Tech Co., Ltd. and Hang Zhou Beida Jade Bird Sci-Tech Co., Ltd.. He was appointed as the executive director and Chairman of the Company on 12 March 2013.

Mr. Zhang Wanzhong, aged 52, graduated from Peking University with a Master's degree in science. He worked in several administrative departments of Peking University including the vice president of the Remote Sensing and Geographic Information System Department of Peking University, which was responsible for the State's focal science and technological project. Mr. Zhang is the executive director, president and compliance officer of Jade Bird Universal. He is also a director of Beida Jade Bird Universal Sci-Tech (Cayman) Development Company Limited, Beida Jade Bird Universal Investments (USA) Limited, Beida Jade Bird Universal Fire Alarm Device Company Limited and Chuanqi Tourism Investment Co., Ltd., which are subsidiaries of Jade Bird Universal, a director of Beijing Beida Jade Bird International Education Investment Management Co., Ltd. and vice president and supervisor of Beijing Beida Jade Bird Limited. He was appointed as the executive director of the Company on 1 February 2013 and is the chairman of the nomination committee of the Company.

Mr. Zong Hao, aged 45, obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong is currently an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300215). Mr. Zong was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010. He was also the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013. He was appointed as the executive director and chief executive officer of the Company on 1 February 2013.

Mr. Xu Zhuliang, aged 45, obtained a diploma from Taiyuan University of Technology in 1991. Mr. Xu holds the Safety Qualification Certificate issued by the State Administration of Work Safety. Since 2009, Mr. Xu has been the Assistant to President and Vice President of Beida Jade Bird Group, and is primarily responsible for the management of the company's coal mine and chemical projects. During the period from 2006 to 2008, Mr. Xu was the manager of Shanxi Tianchengdayang Energy Chemical Industry Co. Ltd., a company specialized in the development, production and processing of energy chemical products. Prior to that, Mr. Xu was the manager of Shanxi Glamour Science & Technology Co. Ltd. During the period from 2002 to 2006, he was responsible for the research and development, investment, construction and operation of the coal mine and chemical projects of that company. He was appointed as the executive director of the Company on 12 March 2013 and is a member of the remuneration committee of the Company.

Mr. Benjamin Clark Danielson, aged 44, obtained a Bachelor of Science degree from the United States Military Academy at West Point and a Master of Business Administration degree from the University of Texas at Austin. Mr. Danielson has significant experience in sourcing, evaluating and executing investments for private equity funds, as well as managing and monitoring the activities of portfolio companies. During the period from 2006 to 2012, Mr. Danielson worked at Quintana Capital Group, a United States-based private equity fund focused in energy-related industries, most recently acting as Chief Investment Offer, China. He was appointed as the executive director and chief investment officer of the Company on 12 March 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sui Keung, aged 48, has over 15 years experience in the strategic management in various listed companies, financial industry and accounting field. He has possessed extensive experience in corporate finance including initial public offerings, takeovers, mergers and acquisitions, fund raising and corporate advisory. Mr. Chiu graduated with a Bachelor's Degree in Commerce from the University of Melbourne, Australia and has obtained a Master's Degree in Applied Finance from Macquarie University in Sydney, Australia. He has also obtained a Diploma in Practices in Chinese Laws and Regulations Affecting Foreign Businesses jointly organized by Southwest University of Political Science and Law, the PRC and the Hong Kong Management Association. He is a member of the American Institute of Certified Public Accountants. He is currently the executive director and chief executive officer of Sino Resources Group Limited (stock code: 223) and was the non-executive director of China New Energy Power Group Limited (stock code: 1041) during the period from September 2008 to July 2009, both of the companies are listed on the Stock Exchange. He was appointed as the independent non-executive director of the Company on 18 January 2010. Mr. Chiu is the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company.

Mr. Lu Binghui, aged 39, graduated from Beijing University with a Bachelor Degree in Philosophy and a Master Degree in Economics. He has extensive experience of investment management in investment banks and private equity. From 2010 to 2012, he was the principal of Kohlberg Kravis Roberts & Co, a private equity, where he was mainly responsible for proprietary deal sourcing, transaction execution and post-investment management focusing on energy and natural resources sectors. Prior to that, he worked in Goldman Sachs Gaohua Securities Company Limited and Goldman Sachs China Business as executive director and A-share Sponsorship Representative from 2005 to 2010. From 2000 to 2005, he worked in investment banking department of Bank of China International. He was appointed as the independent non-executive director of the Company on 22 March 2013. Mr. Lu is a member of the audit committee, nomination committee and remuneration committee of the Company.

Mr. Lee Ping, aged 54, holds a Bachelor's Degree in Mathematics and Computer Science from State University of New York at Buffalo, a Master's Degree in Computer Science and a Doctor of Philosophy in Mathematics from Cornell University. He has over 20 years' experience in energy and petroleum industry. Currently, Mr. Lee is the President and General Manager of BG Group China, a world leader in natural gas industry. He has responsibility in managing BG Group's overall portfolio in relation with China, domestic and international. Prior to joining BG Group, Mr. Lee served as President of Schlumberger China, the world largest oilfield services company, responsible for oilfield operations, technology development, engineering and manufacturing, global sourcing, and developing and implementing long term growth strategy. He also spent ten years in Schlumberger-Doll Research and Austin Research as senior and principal research scientist, and is a holder of over twenty scientific publications and two patents. He was appointed as the independent non-executive director of the Company on 8 April 2013 and is a member of the audit committee of the Company.

Mr. Liu Shengming, aged 60, graduated from Sichuan University with a Bachelor Degree in Analytical Chemistry and Sydney University with a Master Degree in Business Administration. He is a senior engineer and has over 20 years of solid knowledge and experience in inspection and certification sector. Currently, Mr. Liu is the president of China Certification & Inspection (Group) Co., Ltd ("CCIC"), an independent third party certification and inspection organisation providing inspection, verification, certification and testing services. Prior to joining CCIC, he worked in China Commodity Inspection Institute for over 10 years. He also worked in China Inspection Company Limited (Hong Kong) and Certification and Accreditation Administration of the People's Republic of China. He was appointed as the independent non-executive director of the Company on 7 August 2013.

SENIOR MANAGEMENT

Mr. Lee Tao Wai, aged 36, is the company secretary of the Company. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and has over 14 years of experience in auditing, accounting and corporate field. Prior to joining the Company, Mr. Lee worked in an international accounting firm and a listed company in Hong Kong as senior executive. Mr. Lee holds a Bachelor Degree in Business Administration in Accounting from the Chinese University of Hong Kong and a Master Degree in Investment Management from The Hong Kong University of Science and Technology. He joined the Group in April 2010.

INTRODUCTION

The Company is committed to maintaining a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of its Code on Corporate Governance Practices (the "Code") which adopted practices that meet the requirements set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year, except for provisions A.4.1 and E.1.2 of the Code as explained on this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the directors of the Company (the "Directors"). Having made specific enquiry of all Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") is principally accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the management.

The Board, with balance of skills and experience, meets regularly throughout the year to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the management for the day-to-day management of the Group's operation.

The Directors have no financial, business, family or other material/relevant relationship among themselves.

The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each Director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

		Attended/Eligible to attend				
		Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors:						
Mr. Xu Zhendong *(Chairman)*		2/4	N/A	N/A	N/A	1/2*
Mr. Zong Hao		4/4	N/A	N/A	N/A	0/2
Mr. Zhang Wanzhong		4/4	N/A	N/A	1/1	1/2
Mr. Tian Wenwei	(retired on 6 June 2014)	2/2	N/A	0/0	N/A	0/1
Mr. Xu Zhuliang		3/4	N/A	0/0	N/A	0/2
Mr. Benjamin Clark Danielson		3/4	N/A	N/A	N/A	1/2
Mr. Zhang Yongli	(redesignated from non-executive director on 6 June 2014 and passed away on 24 January 2015)	4/4	N/A	1/1	N/A	2/2
Independent non-executive Directors:						
Mr. Chiu Sui Keung		4/4	2/2	1/1	1/1	0/2
Mr. Li Peiming	(resigned on 22 April 2014)	2/2	1/1	0/0	0/0	0/0
Mr. Lu Binghui		4/4	2/2	1/1	1/1	0/2
Mr. Lee Ping		2/4	0/1	N/A	N/A	1/2
Mr. Liu Shengming		3/4	N/A	N/A	N/A	0/2

* Under provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting. However, the chairman of the Board was unable to attend the annual general meeting held on 6 June 2014 due to his personal engagement.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	1
HK$1,000,001 and above	—

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Mr. Xu Zhendong is the chairman while Mr. Zong Hao is the chief executive officer.

TERM OF NON-EXECUTIVE DIRECTORS

Under provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, and subject to re-election in accordance with the articles of association of the Company (the "Articles of Association"). All of the existing independent non-executive Directors are not appointed for specific terms, however, all of them are subject to retirement by rotation in accordance with the Articles of Association.

According to the Articles of Association, one third of the Directors shall retire from office by rotation at the annual general meeting of the Company and every Director shall be subject to retirement by rotation at least once every three years. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference which are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for, among other matters, reviewing the reporting of annual and interim results and other information to the shareholders, the effectiveness and objectivity of the audit process and the Company's policy and practices on corporate governance. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The external auditors of the Company may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors. The terms of reference of the Audit Committee are disclosed on the websites of the Company and the Stock Exchange. As at the date of this report, the Audit Committee consisted of Mr. Chiu Sui Keung as chairman and Mr. Lu Binghui and Mr. Lee Ping as members. All of them are independent non-executive Directors.

The Audit Committee is also responsible for performing the functions set out in the provision D.3.1 of the Code. The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual (if any) applicable to employees and Directors, the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

During the year, the Audit Committee held two meetings and reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters including the annual results for the year ended 31 December 2013 and interim results for the six months ended 30 June 2014 and reviewed the Company's compliance with the Code.

REMUNERATION COMMITTEE

The remuneration committee ("Remuneration Committee") of the Group was established in September 2005 with written terms of reference in line with the Code. The responsibilities of the Remuneration Committee include, among other matters, considering and recommending to the Board the Group's remuneration policy and structure and reviewing and determining the remuneration packages of the individual executive Directors and senior management. The Directors were remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The terms of reference of the Remuneration Committee are disclosed on the websites of the Company and the Stock Exchange. Details of remunerations of the Directors for the year are disclosed in note 9 to the financial statements.

The Remuneration Committee held one meeting to review the existing remuneration policy and structure of the Company during the year. As at the date of this report, the Remuneration Committee comprised two independent non-executive Directors, Mr. Chiu Sui Keung (Chairman) and Mr. Lu Binghui, and one executive Director, Mr. Xu Zhuliang.

NOMINATION COMMITTEE

The nomination committee ("Nomination Committee") was established in March 2012 with written terms of reference to (i) review and recommend the structure, size, composition and skills mix of the Board at least annually; (ii) identify and nominate candidates to fill casual vacancies of Directors for the Board's approval; (iii) assess the independence of independent non-executive Directors; (iv) regularly review the time required from a Director to perform his responsibilities; (v) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive. According to the board diversity policy, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are disclosed on the websites of the Company and the Stock Exchange.

The Nomination Committee held one meeting to review the board composition during the year. As at the date of this report, the Nomination Committee comprised one executive Director, Mr. Zhang Wanzhong (Chairman), and two independent non-executive Directors, Mr. Chiu Sui Keung and Mr. Lu Binghui.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that period. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Save as disclosed in note 2 to the financial statements, there are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

Auditors' Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the auditors, Ernst & Young, of the Group is as follows:

	HK$'000
Audit services	3,300
Non-audit services — agreed-upon procedures on interim report	600
	3,900

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on pages 30 to 31.

Internal Control

During the year, the Company has adopted and reviewed the effectiveness of the Group's internal control procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the shareholders of the Company. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure when business objectives are being sought.

Based on its assessment which covers all material controls including financial, operational and compliance controls and risk management functions, the Board believes that for the year ended 31 December 2014, the Company's internal control is effective. The Board is satisfied that there are adequate resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

DIRECTORS' TRAINING

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

During the year, all Directors, namely Mr. Xu Zhendong, Mr. Zong Hao, Mr. Zhang Wanzhong, Mr. Xu Zhuliang, Mr. Benjamin Clark Danielson, Mr. Chiu Sui Keung, Mr. Lu Binghui, Mr. Lee Ping and Mr. Liu Shengming, were provided with regular updates on the Group's business and operations. An in house briefing was organised for Directors during the year to update the Directors on the Listing Rules.

COMPANY SECRETARY

During the year ended 31 December 2014, Mr. Lee Tao Wai, the Company Secretary, has taken no less than 15 hours of relevant professional training. Biographical details of Mr. Lee are set out in the section headed "Biographical details of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board endeavours to maintain an on-going dialogue with shareholders. The Company encourages the shareholders to attend the general meetings and the Chairmen of the Board and the board committees should attend the annual general meeting to answer questions.

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Secretaries Limited. For other enquiries, shareholders may send written enquiries to the Company, for the attention of company secretary, by email to king.stone@663hk.com, fax to (852) 2530 5663, mail to Unit 7603, 76/F, The Center, 99 Queen's Road Central, Hong Kong or by submitting enquiry form at www.663hk.com.

The shareholders representing at least 5% of the total voting rights at general meeting may requisition to convene an extraordinary general meeting. The requisitionists must submit their requisition in writing, in which it must state the objects of the meeting, and be duly signed by the requisitionists, mailed and deposited at Unit 7603, 76/F, The Center, 99 Queen's Road Central, Hong Kong (attention of company secretary); and may consist of several documents in like form, each signed by one or more requisitionists. The requisition will be verified with the Company's share registrar and upon its confirmation that the requisition is proper and in order, the company secretary will arrange the Board to convene an extraordinary general meeting by serving sufficient notice in accordance with the statutory requirements to all registered shareholders.

If within 21 days from the date of the deposit of the requisition the Directors do not convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors in accordance to the Articles of Association of the Company and the Listing Rules. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be reimbursed to the requisitionists by the Company.

The following shareholders namely: (a) any members representing not less than 2.5% of the total voting rights of the Company; or (b) not less than 50 members entitling to vote at annual general meeting are entitled to submit a requisition in writing requesting the Company: (a) to give to members of the Company entitled to receive notice of the next annual general meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or (b) to circulate to members entitled to have notice of any general meeting sent to them with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited at the registered office of the Company at Unit 7603, 76th Floor, The Center, 99 Queen's Road Central, Hong Kong for the attention of the Company Secretary not less than 6 weeks before an annual general meeting in the case of a requisition requiring notice of a resolution or if later, the time at which notice is given of that meeting.

The procedures for proposing a person for election as a Director are made available at the Company's website (www.663hk.com).

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (www.663hk.com) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 December 2014.

The directors (the "Directors") of King Stone Energy Group Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 115.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and convertible notes during the year are set out in notes 31 and 29 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company had no retained profits calculated in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), available for distribution. However, the Company's share capital included an amount previously included in the Company's share premium account and transferred to share capital during the year, in the amount of HK$1,724,472,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 48% of the total sales for the year and sales to the largest customer included therein amounted to 20% of the total sales. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the Directors or any of their respective close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

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

Executive Directors:

Mr. Xu Zhendong *(Chairman)*
Mr. Zong Hao *(Chief Executive Officer)*
Mr. Zhang Wanzhong
Mr. Xu Zhuliang
Mr. Benjamin Clark Danielson

Mr. Zhang Yongli	(re-designated from non-executive director on 6 June 2014 and passed away on 24 January 2015)
Mr. Tian Wenwei	(retired on 6 June 2014)

Independent non-executive Directors:

Mr. Chiu Sui Keung
Mr. Liu Shengming
Mr. Lee Ping
Mr. Lu Binghui

Mr. Li Peiming	(resigned on 22 April 2014)

In accordance with the Company's articles of association, (i) Directors appointed during the year shall hold office until the forthcoming annual general meeting and eligible for re-election and (ii) at each annual general meeting, one-third of the Directors shall retire from office by rotation. Mr. Zhang Wanzhong, Mr. Xu Zhuliang and Mr. Benjamin Clark Danielson will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors holding office during the year, and as at the date of this report, Messrs. Chiu Sui Keung, Liu Shengming, Lee Ping and Lu Binghui, are still considered to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Directors 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.

DIRECTORS' REMUNERATION

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Further details of the Company's remuneration committee are set out in the corporate governance report on pages 17 to 23 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests in the long or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests in the long or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

SHARE OPTION SCHEME

The Company operated a share option scheme which was effective from 30 May 2012 (the "Scheme"). The Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in the circular of the Company dated 26 April 2012 and note 32 to the financial statements. No share options was granted to any parties during the years end 31 December 2014 and 2013. There were no outstanding share options as at 31 December 2014 and 2013.

No time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company or any of its 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.

PERSON WHO HAVE AN INTEREST IN SHARES AND UNDERLYING SHARES DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2014, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Total interests in shares/underlying shares	Approximate percentage of the Company's share capital
Belton Light Limited (note 1)	Beneficial owner	2,215,555,000	66.29%
Wang Da Yong (note 2)	Beneficial owner/Interest in controlled corporations/ Interest of spouse	238,460,500	7.14%

Notes:

1. Belton Light Limited, which is wholly-owned by Jade Bird Energy Fund II, L.P, holds 1,885,555,000 shares and 330,000,000 bonus warrants which each entitling the holder to subscribe for one ordinary share at a subscription price of HK$0.35 per share, subject to adjustment and payable in cash, within 24 months from the date of issue on 19 December 2014.

2. The shares are held by Mr. Wang Da Yong under the below capacities:

   (a) 109,758,000 shares are held by Join Ascent Limited which is held as to 80% and 20% by Mr. Wang Da Yong and Mr. Tian Wenwei (a former Director who retired on 6 June 2014), respectively.

   (b) 5,838,500 shares are held by China Coal and Coke Investment Holding Company Limited which is wholly-owned by Sino Bridge Investments Limited, a company wholly owned by Mr. Wang Da Yong.

   (c) 113,885,000 shares are held by Sky Circle International Limited which is wholly owned by Mr. Wang Da Yong.

   (d) 2,671,000 shares are held by Ms. Yuan Hong, the spouse of Mr. Wang Da Yong.

   (e) 6,308,000 shares are held directly by Mr. Wang Da Yong.

Save as disclosed above, as at 31 December 2014, the Directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

CONNECTED TRANSACTION

On 24 October 2014, the Company and Belton Light Limited entered into the subscription agreement pursuant to which the Company has conditionally agreed to allot and issue, and Belton Light Limited has conditionally agreed to subscribe for 330,000,000 new shares at the subscription price of HK$0.25 per share, with bonus warrants to be issued entitling it to subscribe for up to 330,000,000 shares at the initial subscription price of HK$0.35 per share.

As Belton Light Limited is a substantial shareholder interested in approximately 51.6% of the issued share capital of the Company as at the date of the subscription agreement, it is a connected person of the Company and thus the subscription agreement constitutes a non-exempted connected transaction on the part of the Company under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Xu Zhendong
Chairman

Hong Kong
31 March 2015

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話 : +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of King Stone Energy Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of King Stone Energy Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 115, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER ON GOING CONCERN

Without qualifying our opinion, we draw attention to note 2 in the financial statements which indicates that as at 31 December 2014, the Group's current liabilities exceeded its current assets by HK$3,172 million. Such condition, along with other matters as set forth in note 2, indicates the existence of a significant uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	6	**39,838**	150,306
Cost of inventories sold		**(172,865)**	(376,423)
Gross loss		**(133,027)**	(226,117)
Other income and gains	6	**5,871**	3,132
Selling and distribution expenses		**(5,488)**	(6,779)
Administrative expenses		**(109,163)**	(105,150)
Other expenses		**(1,489,902)**	(1,045,800)
Finance costs	7	**(112,098)**	(172,688)
Share of loss of a joint venture	20	**(2,563)**	(10,415)
LOSS BEFORE TAX	8	**(1,846,370)**	(1,563,817)
Income tax credit	11	**43,111**	95,778
LOSS FOR THE YEAR		**(1,803,259)**	(1,468,039)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(5,144)**	31,943
Fair value change of available-for-sale equity investments		**7,850**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**2,706**	31,943
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,800,553)**	(1,436,096)
Loss for the year attributable to:			
Owners of the Company	12	**(1,723,508)**	(1,373,711)
Non-controlling interests		**(79,751)**	(94,328)
		(1,803,259)	(1,468,039)

	Notes	2014 HK$'000	2013 HK$'000
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(1,714,126)**	(1,346,635)
Non-controlling interests		**(86,427)**	(89,461)
		(1,800,553)	(1,436,096)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		**HK$(0.57)**	HK$(0.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**911,765**	1,361,988
Prepaid land premiums	15	**14,882**	15,848
Mining and exploration rights	16	**919,299**	1,840,922
Goodwill	17	**—**	15,852
Other intangible asset	18	**72,932**	61,094
Investment in a jointly venture	20	**10,357**	13,227
Available-for-sale equity investments	21	**23,775**	—
Prepayments and deposits	24	**63,565**	107,322
Total non-current assets		**2,016,575**	3,416,253
CURRENT ASSETS			
Inventories	22	**11,234**	14,806
Trade and bills receivables	23	**15,443**	31,907
Prepayments, deposits and other receivables	24	**112,050**	118,075
Pledged deposits	25	**3,951**	3,636
Cash and cash equivalents	25	**156,072**	292,595
Total current assets		**298,750**	461,019
CURRENT LIABILITIES			
Trade and bills payables	26	**13,255**	11,760
Other payables and accruals	27	**1,651,461**	1,367,407
Interest-bearing borrowings, secured	28	**1,581,118**	1,156,119
Income tax payable		**224,703**	230,390
Total current liabilities		**3,470,537**	2,765,676
NET CURRENT LIABILITIES		**(3,171,787)**	(2,304,657)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,155,212)**	1,111,596
NON-CURRENT LIABILITIES			
Other payables	27	**18,959**	10,080
Interest-bearing borrowings, secured	28	**32,976**	506,987
Convertible notes	29	**—**	35,953
Deferred tax liabilities	30	**146,571**	194,241
Total non-current liabilities		**198,506**	747,261
Net assets/(liabilities)		**(1,353,718)**	364,335

	Notes	2014 HK$'000	2013 HK$'000
EQUITY/(DEFICITS)			
Equity attributable to owners of the Company			
Share capital: nominal value	31	**—**	301,205
Share premium account	31	**—**	1,724,472
Capital redemption reserve	31	**—**	523
Share capital and other statutory capital reserves	31	**2,108,700**	2,026,200
Equity component of convertible notes	33(a)	**—**	73,052
Other reserves	33(a)	**(3,618,037)**	(1,976,963)
		(1,509,337)	122,289
Non-controlling interests		**155,619**	242,046
Total equity/(deficits)		**(1,353,718)**	364,335

Director
Xu Zhendong

Director
Zong Hao

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Notes	Share capital HK$'000 (Note 31)	Share premium account HK$'000 (Note 33(b)(i))	Capital redemption reserve HK$'000 (Note 33(b)(ii))	Equity component of convertible notes HK$'000 (Note 29)	Share option reserve HK$'000 (Note 33(b)(iii))	Exchange fluctuation reserve HK$'000 (Note 33(a))	Available-for-sale investment reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company										
At 1 January 2013		142,873	1,166,813	523	538,884	63,594	195,069	–	(1,354,823)	752,933	22,046	774,979
Loss for the year		–	–	–	–	–	–	–	(1,373,711)	(1,373,711)	(94,328)	(1,468,039)
Other comprehensive income for exchange differences on translation of foreign operations during the year		–	–	–	–	–	27,076	–	–	27,076	4,867	31,943
Total comprehensive income/(loss) for the year		–	–	–	–	–	27,076	–	(1,373,711)	(1,346,635)	(89,461)	(1,436,096)
Issue of new shares	31(a)	155,555	544,444	–	–	–	–	–	–	699,999	–	699,999
Share issue expenses	31(a)	–	(1,323)	–	–	–	–	–	–	(1,323)	–	(1,323)
Conversion of convertible notes	31(b)	2,777	14,538	–	(3,093)	–	–	–	–	14,222	–	14,222
Early redemptions of convertible notes	29(c)	–	–	–	(465,832)	–	–	–	465,832	–	–	–
Acquisition of subsidiaries	34	–	–	–	3,093	–	–	–	–	3,093	309,437	312,530
Forfeiture of share options	32(a)	–	–	–	–	(16,305)	–	–	16,305	–	–	–
Lapse of share options	32(b)	–	–	–	–	(47,289)	–	–	47,289	–	–	–
Capital contributions by a non-controlling shareholder		–	–	–	–	–	–	–	–	–	24	24
At 31 December 2013		301,205	1,724,472	523	73,052	–*	222,145*	–*	(2,199,108)*	122,289	242,046	364,335

	Notes	Attributable to owners of the Company										
		Share capital HK$'000 (Note 31)	Share premium account HK$'000 (Note 33(b)(i))	Capital redemption reserve HK$'000 (Note 33(b)(ii))	Equity component of convertible notes HK$'000 (Note 29)	Share option reserve HK$'000 (Note 33(b)(iii))	Exchange fluctuation reserve HK$'000 (Note 33(a))	Available-for-sale investment reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (deficit) HK$'000
At 1 January 2014		301,205	1,724,472	523	73,052	—	222,145	—	(2,199,108)	122,289	242,046	364,335
Loss for the year		—	—	—	—	—	—	—	(1,723,508)	(1,723,508)	(79,751)	(1,803,259)
Other comprehensive income/(loss):												
— Exchange differences on translation of foreign operations during the year		—	—	—	—	—	1,532	—	—	1,532	(6,676)	(5,144)
— Fair value change of available-for-sale equity investments		—	—	—	—	—	—	7,850	—	7,850	—	7,850
Total comprehensive income/(loss) for the year		—	—	—	—	—	1,532	7,850	(1,723,508)	(1,714,126)	(86,427)	(1,800,553)
Adoption of new HK Companies Ordinance	31(c)	1,724,995	(1,724,472)	(523)	—	—	—	—	—	—	—	—
Issue of new shares	31(d)	82,500	—	—	—	—	—	—	—	82,500	—	82,500
Early redemptions of convertible notes	29(c)	—	—	—	(73,052)	—	—	—	73,052	—	—	—
At 31 December 2014		2,108,700	—	—	—	—*	223,677*	7,850*	(3,849,564)*	(1,509,337)	155,619	(1,353,718)

* These reserve accounts comprise the consolidated negative other reserves of HK$3,618,037,000 (2013: HK$1,976,963,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,846,370)**	(1,563,817)
Adjustments for:			
Finance costs	7	**112,098**	172,688
Loss on disposal of items of property, plant and equipment	8	**—**	2,156
Bank interest income	6	**(1,262)**	(704)
Other interest income	6	**(695)**	(2,162)
Depreciation	8, 14	**97,934**	145,672
Amortisation of prepaid land premiums	8, 15	**644**	379
Amortisation of mining rights	8, 16	**6,151**	25,648
Impairment of items of property, plant and equipment	8, 14(a)	**417,581**	361,157
Impairment of mining and exploration rights	8, 16(c)	**872,985**	622,420
Impairment of trade receivables	8, 23(b)	**7,009**	10,538
Impairment of goodwill	8, 17	**14,155**	—
Impairment of other prepayments, deposits and other receivables	8, 24	**9,052**	43,956
Write-down of obsolete inventories to net realisable value	8	**3,410**	1,944
Share of loss of a joint venture		**2,563**	10,415
		(304,745)	(169,710)
Decrease in inventories		**162**	4,163
Decrease in trade and bills receivables		**9,980**	3,273
Increase in prepayments, deposits and other receivables		**(13,333)**	(34,611)
Increase/(decrease) in trade and bills payables		**1,495**	(81,256)
Increase in other payables and accruals		**132,341**	124,386
Cash used in operations		**(174,100)**	(153,755)
Interest paid		**(46,400)**	(101,710)
Income tax paid		**—**	(5,023)
Net cash flows used in operating activities		**(220,500)**	(260,488)

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,957**	2,866
Purchases of items of property, plant and equipment		**(81,964)**	(203,345)
Proceeds from disposal of items of property, plant and equipment		**1,205**	1,933
Acquisition of a subsidiary	34	**—**	(255,157)
Acquisition of an intangible asset		**(27,607)**	(25,390)
Available-for-sale equity investment		**(4,496)**	—
Decrease/(increase) in prepayments for non-current assets		**41,109**	(78,378)
Increase in pledged time deposits		**—**	(119)
Net cash flows used in investing activities		**(69,796)**	(557,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	31	**82,500**	699,999
Share issue expenses	31	**—**	(1,323)
Early redemption of convertible bonds	29(c)	**(39,205)**	(250,000)
New bank and other loans		**85,784**	1,289,878
Repayment of bank and other loans		**(90,587)**	(1,064,222)
Increase in other borrowings included in other payables		**122,284**	426,815
Capital contribution by non-controlling shareholders		**—**	24
Net cash flows from financing activities		**160,776**	1,101,171
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(129,520)**	283,093
Cash and cash equivalents at beginning of year		**292,595**	15,913
Effect of foreign exchange rate changes, net		**(7,003)**	(6,411)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**156,072**	292,595
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	25	**156,072**	192,595
Non-pledged time deposits	25	**—**	100,000
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows	25	**156,072**	292,595

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,816**	987
Investments in subsidiaries	19	**218,719**	272,545
Available-for-sale equity investment	21	**19,278**	—
Total non-current assets		**239,813**	273,532
CURRENT ASSETS			
Due from subsidiaries	19	**207,248**	49,820
Prepayments, deposits and other receivables	24	**36,741**	48,061
Cash and cash equivalents	25	**85,844**	260,811
Total current assets		**329,833**	358,692
CURRENT LIABILITIES			
Other payables and accruals	27	**227,811**	205,007
Total current liabilities		**227,811**	205,007
NET CURRENT ASSETS		**102,022**	153,685
TOTAL ASSETS LESS CURRENT LIABILITIES		**341,835**	427,217
NON-CURRENT LIABILITY			
Convertible notes	29	**—**	35,953
Net assets		**341,835**	391,264
EQUITY			
Share capital: nominal value	31	**—**	301,205
Share premium account	31	**—**	1,724,472
Capital redemption reserve	31	**—**	523
Share capital and other statutory capital reserves	31	**2,108,700**	2,026,200
Equity component of convertible notes	33(b)	**—**	73,052
Other reserves	33(b)	**(1,766,865)**	(1,707,988)
Total equity		**341,835**	391,264

Director	*Director*
Xu Zhendong	**Zong Hao**

1. CORPORATE INFORMATION

King Stone Energy Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is located at Unit 7603, 76/F, The Center, 99 Queen's Road Central, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the mining and selling of coal and silver, oil and gas extraction and production, oil extraction technology research and development and provision of finance leasing.

In the opinion of the directors, the holding company and ultimate holding company of the Company is Belton Light Limited, which is incorporated in the British Virgin Islands and wholly-owned by Jade Bird Energy Fund II, L.P..

2. BASIS OF PREPARATION, PRESENTATION AND CONSOLIDATION

Basis of preparation

As at 31 December 2014, the current liabilities of the Group exceeded its current assets by approximately HK$3,172 million, and bank loans with principal aggregating to HK$669 million were overdue as at 31 December 2014 (31 December 2013: HK$256 million). The net current liability position and overdue bank loans of the Group were attributed to Magic Field International Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (collectively the "Magic Field Group") having consolidated net current liabilities of HK$3,119 million as dealt with in the Group's consolidated statement of financial position as at 31 December 2014, inclusive of overdue bank loans with principal aggregating to HK$669 million (31 December 2013: HK$256 million). The remaining part of the Group has net current liabilities of HK$233 million as at 31 December 2014 and did not have any overdue bank loans. Subsequent to 31 December 2014, certain creditors have agreed to extend the repayment dates of current liabilities of the remaining part of the Group of HK$307 million to after 31 December 2015, or not earlier than 31 March 2016.

The Magic Field Group is the coal mining component of the Group. As a result of continuing depression of coal market, the Magic Field Group incurred significant losses before tax of HK$1,613 million (including impairment losses of HK$1,242 million on mining rights and property, plant and equipment of the Magic Field Group) as dealt with in the Group's consolidated financial statements for the year ended 31 December 2014. The operation of the Magic Field Group as a going concern is very dependent on whether the Magic Field Group can defer or extend the repayment of those bank loans and other liabilities which are overdue or fall due in the foreseeable future, and whether the Magic Field Group can obtain new financing. All these indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Magic Field Group to operate as a going concern in the foreseeable future.

As a result of the depressed coal market and the severe financial difficulties of the coal mining operations of the Magic Field Group, the Company has the plan to dispose of the Magic Field Group. Subsequent to 31 December 2014, the Group entered into a contemplated arrangement to dispose of its entire equity interest in Magic Field International Limited to a buyer (the "Buyer") at a nominal amount, and as part of the consideration, the Buyer will assume certain liabilities of the remaining part of the Group.

2. BASIS OF PREPARATION, PRESENTATION AND CONSOLIDATION (Continued)

Basis of preparation (Continued)

As the Magic Field Group and its coal mining operation as a whole represented a business component together with its relevant cash flows are separated and independent from other business components of the Group, the directors of the Company are of the view that the disposal of the Magic Field Group shall not have any material adverse effect on the normal continuing operation of other business components of the Group, and the Group shall also turnaround from a net current liability position to a net current asset position after completion of such disposal, after taking into account certain current liabilities of the remaining part of the Group being assumed by the Buyer. The Magic Field Group has deficiency in net assets as at 31 December 2014 as dealt with in the Group's consolidated financial statements for the year ended 31 December 2014, and the remaining part of the Group has not provided any guarantees and/or commitments to the bank loans and other liabilities of the Magic Field Group. Accordingly, the directors of the Company are of the view that the Group is able to dispose of the Magic Field Group without any material losses. After such disposal, the remaining part of the Group is a viable group having silver mining and other businesses.

The directors of the Company are also considering/taking other alternatives to monitor and improve the cash flows of the remaining part of the Group, which included the extension of repayment dates of existing liabilities as and when they fall due in the foreseeable future, and other financing arrangements. As at the date of approval of these financial statements, the Company was in discussion with certain independent investors to issue convertible securities of the Company to such investors to the extent of US$500 million (approximately HK$3.9 billion). However, the Company has not yet entered into any binding agreement or letter of intent for such issuance of convertible securities. In addition, a substantial shareholder of the Company, Jade Bird Energy Fund II, L.P, has confirmed its ability and agreement to provide continual financial support to the remaining part of the Group such that it can meet with its liabilities as and when they fall due in the foreseeable future.

In light of the measures of the Group described above, the directors of the Company are of the view that the remaining part of the Group is able to meet with its liabilities as and when they fall due in the foreseeable future. In addition, the arrangement to dispose of the Magic Field Group shall not have any material adverse impact to the results, cash flows and financial position of the remaining part of the Group. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis. These financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern in the foreseeable future.

Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for the available-for-sale equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. BASIS OF PREPARATION, PRESENTATION AND CONSOLIDATION (Continued)

Basis of consolidation

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

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

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

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

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Other than explained below regarding the impact of Amendments to HKFRS 10, HKFRS 12, HKFRS 27, HKAS 32 and HK(IFRIC)-Int 21, and certain amendments included in *Annual Improvements 2010–2012 Cycle* and *Annual Improvements 2011–2013 Cycle*, the adoption of the above revised standards has had no significant financial effect on these financial statements.

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

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) will come into operation as from the Company's first financial year commencing after 3 March 2014 in accordance with section 358 of that Ordinance, which will be the year ending 31 December 2015. The Group is in the process of making an assessment of the expected impact of the changes in the period of initial application of Part 9 of the Ordinance. So far it has concluded that the impact is unlikely to be significant and will primarily affect the presentation and disclosure of information in the consolidated financial statements.

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

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

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

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

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

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

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

(f) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 3.1, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in the joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in a joint venture (Continued)

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing fair value less cost of disposal, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

(a) the party is a person or a close member if that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	Over the lease term
Leasehold improvements	Over the shorter of the lease terms and five years
Plant and machinery	6.7% to 33%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 25%

In addition, certain plant and machinery used in the coal mines is depreciated on the unit of production method based on the actual production volume and over the total estimated proven and probable reserves of the coal mine.

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land premiums under operating leases are stated at cost less accumulated amortisation and any impairment losses, and amortisation is calculated on the straight-line basis over the lease term of 50 years.

Mining and exploration rights

Mining and exploration rights are stated at cost less accumulated amortisation and any accumulated impairment losses, and are amortised on the units of production method based on the actual production volume and over the total estimated proven and probable reserves of the relevant mine.

The cost of mining and exploration rights acquired in a business combination is the fair value as at the date of acquisition. The mining and exploration rights are subsequently assessed for impairment whenever there is an indication that the mining and exploration rights may be impaired. The amortisation period and the amortisation method for the mining and exploration rights are reviewed at least at each financial year end.

Intangible assets (other than goodwill and mining and exploration rights)

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

An intangible asset is derecognised on disposal or no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

Oil and gas patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings at initial recognition. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, accruals, interest-bearing loans, and the liability component of convertible notes.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

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

Convertible notes

Convertible notes which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as combined instruments consisting of a liability component and an equity component.

On initial recognition, the component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. The fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a liability on the amortised cost basis using the effective interest rate method until extinguished on conversion or redemption. In addition, the fair value of the conversion option is assessed and is recognised and included in shareholders' equity as "Equity component of convertible notes". The carrying amount of the conversion option recognised in shareholders' equity is not remeasured in subsequent years.

Upon the exercise of the conversion option of the convertible notes, the resulting ordinary shares issued are recorded by the Company as additional share capital at the nominal value of the ordinary shares issued, and the excess of the total carrying amounts of the derivative, liability and equity components of the convertible notes over the nominal value of the ordinary shares issued is recorded in the share premium account. No gain or loss is recognised in profit or loss upon conversion of the convertible notes.

When the convertible notes are redeemed, the carrying amount of the equity component of the convertible notes, if any, is transferred to retained profit or accumulated losses as a movement in reserves and any difference between the amount paid and the carrying amounts of the derivative and liability components is recognised in profit or loss. No gain or loss is recognised in profit or loss upon expiration of the conversion option.

Derecognition of financial liabilities

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that have a short maturity of generally within three months when acquired.

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

Provisions

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

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

Income tax

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted and is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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

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

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits — Pension schemes

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

Subsidiaries of the Group in the People's Republic of China (the "PRC") contribute on a monthly basis to defined contribution retirement schemes organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefits payable to all existing and future retired employees under these plans and the Group has no further obligations for respective post-retirement benefits beyond the contributions made. The contributions to the schemes are charged to profit or loss as and when incurred. The employer contributions vest fully once made.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

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

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

The functional currency of certain subsidiaries in the PRC and certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rate prevailing at the end of the reporting period and their profits or losses are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Preparation of consolidated financial statements on going concern basis

At 31 December 2014, the Group's current liabilities exceeded its current assets by HK$3,172 million. Such condition indicates the existence of a significant uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. However, as disclosed in note 2 to the financial statements, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or disposal; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. Further details of parameters and assumptions used in the impairment assessment of the Group's mining assets are set out in note 14(a) to the financial statements.

Consolidation of entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Million Grow Investments Limited ("Million Grow") even though it owns only 50% of the voting rights. This assessment is based on the fact that the Group can appoint a majority portion of directors in the board of Million Grow and the Group is able to initiate directors' meeting in Million Grow, which controlled the business activities of Million Grow, including the relevant activities which most affected the return.

Estimation uncertainties

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

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits in the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances. The net carrying amounts of property, plant and equipment in the consolidated statement of financial position of the Group at 31 December 2014 was HK$911,765,000 (2013: HK$1,361,988,000) (note 14).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Impairment of property, plant and equipment and mining and exploration rights

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the value in use and fair value less cost of disposal. The carrying value of property, plant and equipment, including mining structures, and mining and exploration rights, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the financial statements. Estimating the value in use or fair value less cost of disposal requires the Group to estimate future cash flows from the cash generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amounts of property, plant and equipment and mining and exploration rights carried as assets in the consolidated statement of financial position of the Group at 31 December 2014 were HK$911,765,000 (2013: HK$1,361,988,000) (note 14) and HK$919,299,000 (2013: HK$1,840,922,000) (note 16), respectively.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing this information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on a unit of production basis. Changes in the estimate of mine reserves are also taking into account in the impairment assessment of mining and exploration rights. The net carrying amounts of property, plant and equipment and mining and exploration rights carried as assets in the consolidated statement of financial position of the Group at 31 December 2014 were HK$911,765,000 (2013: HK$1,361,988,000) (note 14) and HK$919,299,000 (2013: HK$1,840,922,000) (note 16), respectively.

Progress of a coal mine exchange

The Group possess two coal mining right certificates in the area of Nianpanliang, Inner Mongolia, the PRC, namely, the No. 1 Coal Mine and the No. 2 Coal Mine. In the prior years, the area of the No. 2 Coal Mine (the "Old No. 2 Coal Mine") had been included in the scope of a city development plan of the local government, and hence the local government proposed to exchange it for another coal mine (the "New No. 2 Coal Mine") located adjacent to another existing coal mine of the Group as compensation (the "Coal Mine Exchange"). However, the progress of the Coal Mine Exchange was much slower than expected in the past few years, and there were basically no progress in the Coal Mine Exchange during the year ended 31 December 2014 and up to the date of approval of these financial statements. In order to determine the impact of the Coal Mine Exchange on the Group's relevant mining rights' carrying value at year end, the directors of the Company has to exercise significant judgment to assess the outcome of the Coal Mine Exchange. Due to significant delay and uncertainty on the timing of completion of the Coal Mine Exchange, the relevant mining rights of the No.2 Coal Mine were fully impaired at 31 December 2014. The net carrying amount of relevant mining right carried as assets in the consolidated statement of financial position of the Group at 31 December 2013 was HK$432 million.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Impairment of other intangible assets (other than goodwill and mining and exploration rights)

The patents for heavy oil extraction technology represented an other intangible asset not yet put into use, hence regular impairment test thereon is performed pursuant to which a formal estimate of recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use, and any carrying value of such intangible asset which cannot be recoverable shall be impaired. Estimating the fair value less cost of disposal or value in use requires the Group to estimate future cash flows from the cash generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. The Group assesses whether there are any indicators of impairment for its remaining other intangible assets, which are mainly exploration and evaluation phase intangible assets of the Group's oil and gas business at the end of each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, and any carrying value of such other intangible assets which may not be recoverable shall be impaired. The net carrying amount of the other intangible assets in the consolidated statement of financial position of the Group at 31 December 2014 was HK$72,932,000 (2013:HK$ 61,094,000) (note 18).

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the ageing and estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, the differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which the estimate has been changed. The net carrying amount of inventories in the consolidated statement of financial position of the Group at 31 December 2014 was HK$11,234,000 (2013: HK$14,806,000) (note 22).

Impairment of trade and bills receivables, prepayments, deposits and other receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, the differences will impact the carrying values of the receivables and impairment loss in the period in which the estimate has been changed. The net carrying amounts of trade and bills receivables, prepayments, deposits and other receivables in the consolidated statement of financial position of the Group at 31 December 2014 were HK$15,443,000 and HK$175,615,000, respectively (2013: HK$31,907,000 and HK$225,397,000, respectively) (notes 23 and 24).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work to a coal mine which are discounted at a rate reflecting the term and nature of the obligation. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statements of financial position of the Group by adjusting the rehabilitation liability. At 31 December 2014, the directors of the Company estimated that no provision for rehabilitation is required (2013: Nil).

Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Current tax

The Group is subject to income taxes in Hong Kong, the United States of America (the "USA") and Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made.

The carrying amount of current tax payable carried as liabilities in the consolidated statement of financial position as at 31 December 2014 was HK$224,703,000 (2013: HK$230,390,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses and deductible temporary differences at 31 December 2014 were HK$ 1,328,616,000 (2013: HK$ 816,512,000) and HK$1,141,676,000 (2013: HK$305,657,000), respectively. Further details are set out in note 30 to the financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their operations and products and has four reportable operating segments as follows:

(a) the "Coal" operating segment engages in the mining and selling of coal in the PRC;

(b) the "Silver" operating segment engages in the mining and selling of silver in the PRC;

(c) the "Oil and gas" operating segment engages in oil and gas exploration and production and oil extraction technology development in the USA; and

(d) the "Others" operating segment engages in business other than the three mentioned above in the PRC or overseas.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that share of loss of a joint venture and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, available-for-sale equity investments, pledged deposits, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

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

Intersegment sales and transfers, if any, are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. OPERATING SEGMENT INFORMATION (Continued)

The following tables present the revenue, profit/(loss), total assets, total liabilities and other information regarding the Group's operating segments for the years ended 31 December 2014 and 2013.

	Coal		Silver		Oil and gas		Others		Total	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000
Segment revenue —Sales to external customers	**27,979**	135,769	**1,830**	14,537	**9,207**	—	**822**	—	**39,838**	150,306
Segment results	**(1,614,908)**	(1,436,363)	**(118,886)**	(15,567)	**(42,280)**	(4,717)	**(723)**	—	**(1,776,797)**	(1,456,647)
Reconciliation:										
Share of loss of a joint venture									**(2,563)**	(10,415)
Corporate and other unallocated income and expenses									**(67,010)**	(96,755)
Loss before tax									**(1,846,370)**	(1,563,817)
Segment assets	**1,173,768**	2,568,492	**748,330**	887,788	**147,495**	61,870	**17,465**	—	**2,087,058**	3,518,150
Reconciliation:										
Investment in a joint venture									**10,357**	13,227
Available-for-sale equity investments									**23,775**	—
Pledged deposits									**3,951**	3,636
Cash and cash equivalents									**156,072**	292,595
Corporate and other unallocated assets									**34,112**	49,664
Total assets									**2,315,325**	3,877,272
Segment liabilities	**(3,159,513)**	(2,988,197)	**(251,031)**	(246,359)	**(30,473)**	(37,394)	**(104)**	—	**(3,441,121)**	(3,271,950)
Reconciliation:										
Corporate and other unallocated liabilities									**(227,922)**	(240,987)
Total liabilities									**(3,669,043)**	(3,512,937)

5. OPERATING SEGMENT INFORMATION (Continued)

	Coal		Silver		Oil and gas		Others		Total	
	2014 HK'000	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000	**2014 HK'000**	2013 HK'000
Other segment information:										
Depreciation	**85,310**	142,530	**4,593**	2,607	**7,140**	—	**891**	535	**97,934**	145,672
Amortisation of prepaid land premiums	**574**	353	**70**	26	**—**	—	**—**	—	**664**	379
Amortisation of mining rights	**6,106**	25,607	**45**	41	**—**	—	**—**	—	**6,151**	25,648
Write-down of obsolete inventories to net realisable value	**3,410**	1,944	**—**	—	**—**	—	**—**	—	**3,410**	1,944
Impairment of items of property, plant and equipment (note 14(a))	**415,950**	361,157	**1,631**	—	**—**	—	**—**	—	**417,581**	361,157
Impairment of mining and exploration rights (note 14(a))	**825,966**	622,420	**47,019**	—	**—**	—	**—**	—	**872,985**	622,420
Impairment of goodwill (note 14(a))	**—**	—	**14,155**	—	**—**	—	**—**	—	**14,155**	—
Impairment of trade receivables	**7,009**	10,538	**—**	—	**—**	—	**—**	—	**7,009**	10,538
Impairment of prepayments, deposits and other receivables	**9,052**	28,956	**—**	—	**—**	—	**—**	15,000	**9,052**	43,956
Other non-cash expenses	**—**	—	**—**	—	**—**	—	**3,253**	44,284	**3,253**	44,284
Capital expenditure*	**44,361**	176,838	**10,723**	791,253	**42,664**	61,052	**2,048**	1,660	**99,796**	1,030,803

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from the acquisition of a subsidiary during the year ended 31 December 2013.

5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
In the PRC	**30,631**	150,306
In the USA	**9,207**	—
	39,838	150,306

(b) At 31 December 2014 and 2013, over 90% of the non-current assets of the Group are located in the PRC.

Information about major customers

During the year, there was an external customer (2013: two external customers) which individually contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out below:

	2014 HK$'000	2013 HK$'000
Customer A	**7,891**	*
Customer B	*****	24,833
Customer C	*****	19,891
	7,891	44,724

* Less than 10% of the Group's total revenue

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, mainly represents the invoiced value of coal, silver ore by-product and oil and gas sold to customers, net of sales tax, value added tax, severance taxes, ad valorem taxes and allowances for returns and trade discounts.

An analysis of the Group's other income and gains is as follows:

	2014 HK$'000	2013 HK$'000
Other income		
Bank interest income	**1,262**	704
Other interest income	**695**	2,162
Others	**1,914**	62
	3,871	2,928
Gains		
Gain on disposal of items of property, plant and equipment	**1,989**	—
Others	**11**	204
	2,000	204
Other income and gains	**5,871**	3,132

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Note	2014 HK$'000	2013 HK$'000
Interest on bank and other loans wholly repayable within five years		**108,846**	128,404
Losses on early redemptions of convertible notes	29(c)	**3,027**	33,964
Imputed interest on convertible notes	29	**225**	10,320
		112,098	172,688

8. LOSS BEFORE TAX

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

	Notes	**2014 HK$'000**	2013 HK$'000
Depreciation	14	**97,934**	145,672
Amortisation of prepaid land premiums	15	**644**	379
Amortisation of mining rights	16	**6,151**	25,648
Employee benefit expense (including directors' remuneration):			
Wages, salaries and other benefits		**47,507**	42,921
Pension scheme contributions (defined contribution scheme)		**4,915**	5,622
		52,422	48,543
Auditors' remuneration		**3,300**	3,000
Write-down of obsolete inventories to net realisable value[@]		**3,410**	1,944
Loss on disposal of items of property, plant and equipment [#]		**—**	2,156
Impairment of items of property, plant and equipment[#]	14(a)	**417,581**	361,157
Impairment of mining and exploration rights[#]	14(a),16(c)	**872,985**	622,420
Impairment of goodwill[#]	17	**14,155**	—
Impairment of trade receivables[#]	23(b)	**7,009**	10,538
Impairment of prepayments, deposits and other receivables[#]	24	**9,052**	43,956
Operating lease rentals in respect of buildings		**6,188**	3,529

@ This item is included in "Cost of inventories sold" in the consolidated statement of profit or loss and other comprehensive income during the year.

These items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income during the year.

9. DIRECTORS' REMUNERATION

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

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**848**	963
Other emoluments:		
Salaries, allowances and benefits in kind	**9,639**	7,544
Pension scheme contributions	**6**	18
	9,645	7,562
	10,493	8,525

9. DIRECTORS' REMUNERATION (Continued)

An analysis of director's remuneration, on a named basis, for directors who are holding office during the year is as follows:

Group

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2014				
Executive directors:				
Xu Zhendong	—	1,854	—	1,854
Zong Hao	—	2,643	—	2,643
Zhang Wanzhong	—	300	—	300
Xu Zhuliang	—	1,800	—	1,800
Benjamin Clark Danielson	—	1,695	—	1,695
Zhang Yongli (re-designated from non-executive director on 6 June 2014 and deceased on 24 January 2015)	—	832	—	832
Tian Wenwei (retired on 6 June 2014)	—	515	6	521
	—	9,639	6	9,645
Independent non-executive directors:				
Chiu Sui Keung	180	—	—	180
Liu Shengming	252	—	—	252
Lee Ping	180	—	—	180
Lu Binghui	180	—	—	180
Li Peiming (resigned on 22 April 2014)	56	—	—	56
	848	—	—	848
Total	848	9,639	6	10,493

9. DIRECTORS' REMUNERATION (Continued)

Group (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Year ended 31 December 2013				
Executive directors:				
Xu Zhendong (appointed on 12 March 2013)	—	804	—	804
Tian Wenwei	—	1,318	15	1,333
Benjamin Clark Danielson (appointed on 12 March 2013)	—	1,206	—	1,206
Xu Zhuliang (appointed on 12 March 2013)	—	1,447	—	1,447
Zong Hao (appointed on 1 February 2013)	—	2,157	—	2,157
Zhang Wanzhong (appointed on 1 February 2013)	—	275	—	275
Wang Da Yong (resigned on 1 February 2013)	—	322	3	325
Wang Tongtian (resigned on 1 February 2013)	—	15	—	15
Chen Marlon Ray (resigned on 12 March 2013)	—	—	—	—
	—	7,544	18	7,562
Non-executive directors:				
Zhang Yongli (appointed on 12 March 2013)	145	—	—	145
Seah Ang (resigned on 12 March 2013)	24	—	—	24
Wong Chun Hung (resigned on 12 March 2013)	35	—	—	35
	204	—	—	204
Independent non-executive directors:				
Chiu Sui Keung	180	—	—	180
Li Peiming	180	—	—	180
Liu Shengming (appointed on 7 August 2013)	73	—	—	73
Lee Ping (appointed on 8 April 2013)	132	—	—	132
Lu Binghui (appointed on 22 March 2013)	140	—	—	140
Lam Ka Wai, Graham (resigned on 22 March 2013)	27	—	—	27
Lee Chi Hwa, Joshua (resigned on 8 April 2013)	27	—	—	27
	759	—	—	759
Total	963	7,544	18	8,525

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2013: one) non-director, highest paid employees for the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**1,076**	1,066
Pension scheme contributions	**17**	15
	1,093	1,081

The number of non-director, highest paid employee whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	—
	1	1

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014 HK$'000	2013 HK$'000
Deferred — Mainland China (note 30)	**(43,111)**	(95,778)

11. INCOME TAX (Continued)

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

Group

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Year ended 31 December 2014								
Loss before tax	**(70,544)**		**(1,732,363)**		**(43,463)**		**(1,846,370)**	
Tax at the statutory tax rates	**(11,640)**	**(16.5)**	**(433,091)**	**(25.0)**	**(14,343)**	**(33.0)**	**(459,074)**	**(24.8)**
Loss attributable to a joint venture	**—**	**—**	**641**	**—**	**—**	**—**	**641**	**—**
Expenses not deductible for tax	**11,640**	**16.5**	**15,603**	**0.9**	**14,343**	**33.0**	**41,586**	**2.3**
Tax losses not recognised	**—**	**—**	**373,736**	**21.6**	**—**	**—**	**373,736**	**20.2**
Tax credit at the Group's effective rate	**—**	**—**	**(43,111)**	**(2.5)**	**—**	**—**	**(43,111)**	**(2.3)**
Year ended 31 December 2013								
Loss before tax	(95,237)	—	(1,459,991)	—	(8,589)	—	(1,563,817)	—
Tax at the statutory tax rates	(15,714)	(16.5)	(364,998)	(25.0)	(2,339)	(27.2)	(383,051)	(24.5)
Loss attributable to a joint venture	—	—	2,604	0.2	—	—	2,604	0.2
Expenses not deductible for tax	15,714	16.5	51,996	3.6	2,339	27.2	70,049	4.5
Tax losses not recognised	—	—	214,620	14.7	—	—	214,620	13.7
Tax credit at the Group's effective rate	—	—	(95,778)	(6.5)	—	—	(95,778)	(6.1)

The share of tax attributable to the joint venture amounting to HK$388,000 (2013: HK$13,000) (note 20) is included in "Share of loss of a joint venture" in the consolidated statement of profit or loss and other comprehensive income.

12. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$70,405,000 (2013: HK$94,804,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the above amount to the Company's loss for the year is as follows:

	Notes	2014 HK$'000	2013 HK$'000
Amount of consolidated loss for the year attributable to owners of the Company dealt with in the financial statements of the Company		**70,405**	94,804
Impairment of investment costs in subsidiaries recognised during the year in profit or loss	19(b)	**69,374**	802,302
The Company's loss for the year	33(b)	**139,779**	897,106

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$1,723,508,000 (2013: 1,373,711,000) and the weighted average number of ordinary shares of 3,022,904,883 (2013: 2,864,682,539) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution, as the share options of the Company outstanding during the year ended 31 December 2013, the warrants of the Company outstanding during the year and the deemed conversion of the convertible notes issued by the Company have either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts for these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014								
At 1 January 2014:								
Cost		63,045	1,036	2,553,637	21,870	12,308	472,944	3,124,840
Accumulated depreciation and impairment		(37,368)	(311)	(1,684,142)	(15,470)	(7,817)	(17,744)	(1,762,852)
Net carrying amount		25,677	725	869,495	6,400	4,491	455,200	1,361,988
At 1 January 2014, net of accumulated depreciation and impairment		25,677	725	869,495	6,400	4,491	455,200	1,361,988
Additions		—	—	56,310	1,490	1,746	40,250	99,796
Disposals		—	—	—	—	(1,205)	—	(1,205)
Impairment	(a)	(9,055)	—	(278,296)	(2,283)	(570)	(127,377)	(417,581)
Depreciation provided during the year		(1,461)	(414)	(93,484)	(1,358)	(1,217)	—	(97,934)
Transfers		—	—	15,649	—	—	(15,649)	—
Exchange realignment		(624)	—	(21,021)	(157)	(82)	(11,415)	(33,299)
At 31 December 2014, net of accumulated depreciation and impairment		14,537	311	548,653	4,092	3,163	341,009	911,765
At 31 December 2014:								
Cost		61,489	1,036	2,562,367	22,817	9,791	485,691	3,143,191
Accumulated depreciation and impairment		(46,952)	(725)	(2,013,714)	(18,725)	(6,628)	(144,682)	(2,231,426)
Net carrying amount		14,537	311	548,653	4,092	3,163	341,009	911,765

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2013								
At 31 December 2012 and 1 January 2013:								
Cost		57,251	—	2,289,023	16,932	12,224	391,570	2,767,000
Accumulated depreciation and impairment		(25,770)	—	(1,158,628)	(11,086)	(7,104)	(17,234)	(1,219,822)
Net carrying amount		31,481	—	1,130,395	5,846	5,120	374,336	1,547,178
At 1 January 2013, net of accumulated depreciation and impairment		31,481	—	1,130,395	5,846	5,120	374,336	1,547,178
Additions		377	1,036	10,201	3,562	1,997	186,172	203,345
Acquisition of a subsidiary	34	3,323	—	24,863	815	1,036	44,873	74,910
Disposals		—	—	(605)	—	(1,655)	(1,829)	(4,089)
Impairment	(a)	(8,904)	—	(349,135)	(2,242)	(876)	—	(361,157)
Depreciation provided during the year		(1,903)	(311)	(140,388)	(1,801)	(1,269)	—	(145,672)
Transfers		348	—	159,978	11	—	(160,337)	—
Exchange realignment		955	—	34,186	209	138	11,985	47,473
At 31 December 2013, net of accumulated depreciation and impairment		25,677	725	869,495	6,400	4,491	455,200	1,361,988
At 31 December 2013:								
Cost		63,045	1,036	2,553,637	21,870	12,308	472,944	3,124,840
Accumulated depreciation and impairment		(37,368)	(311)	(1,684,142)	(15,470)	(7,817)	(17,744)	(1,762,852)
Net carrying amount		25,677	725	869,495	6,400	4,491	455,200	1,361,988

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2014				
At 1 January 2014:				
Cost	**251**	**1,036**	**596**	**1,883**
Accumulated depreciation	**(139)**	**(311)**	**(446)**	**(896)**
Net carrying amount	**112**	**725**	**150**	**987**
At 1 January 2014, net of accumulated depreciation	**112**	**725**	**150**	**987**
Addition	**15**	**—**	**1,538**	**1,553**
Depreciation provided during the year	**(50)**	**(414)**	**(260)**	**(724)**
At 31 December 2014, net of accumulated depreciation	**77**	**311**	**1,428**	**1,816**
At 31 December 2014:				
Cost	**266**	**1036**	**2,134**	**3,436**
Accumulated depreciation	**(189)**	**(725)**	**(706)**	**(1,620)**
Net carrying amount	**77**	**311**	**1,428**	**1,816**
Year ended 31 December 2013				
At 1 January 2013:				
Cost	168	—	596	764
Accumulated depreciation	(94)	—	(327)	(421)
Net carrying amount	74	—	269	343
At 1 January 2013, net of accumulated depreciation	74	—	269	343
Addition	83	1,036	—	1,119
Depreciation provided during the year	(45)	(311)	(119)	(475)
At 31 December 2013, net of accumulated depreciation	112	725	150	987
At 31 December 2013:				
Cost	251	1,036	596	1,883
Accumulated depreciation	(139)	(311)	(446)	(896)
Net carrying amount	112	725	150	987

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) In view of indications of impairment including: (1) decline of coal and silver prices and sales volumes during the year; (2) that the Coal Mine Exchange as disclosed in note 4 to the financial statements and in the previous financial statements of the Company, has not been formally approved by the local government as at 31 December 2014 and up to the date of approval of these financial statements; and (3) delay in completion of technical upgrade of the silver mines, the directors of the Company had estimated the recoverable amounts (considered to be the same as the fair value less cost of disposal ("FVLCD")) of the mining assets, including relevant goodwill, if applicable, (the "Mining Assets") of the coal mining business (the "Coal Mining Assets") and silver mining business (the "Silver Mining Assets") of the Group for impairment testing.

In this connection, the Company had engaged APAC Assets Valuation and Consulting Limited (31 December 2013: APAC Assets Valuation and Consulting Limited for valuation of the Coal Mining Assets, and there was no indication of impairment of the Silver Mining Assets), an independent professional valuer, to assess the FVLCD of the cash-generating units ("CGUs") and the management had derived the FVLCD of the Mining Assets from the FVLCD of the relevant CGUs. In assessing the FVLCD of each of the CGUs, the future cash flows of each of the coal and silver mining businesses which cover the periods to utilise the remaining reserves of the mines, are discounted to the related present values using a post-tax discount rate that reflects current assessments of the time value of money and the risks specific to such businesses. Parameters used in the projected cash flows included but were not limited to selling prices and sales volumes of coal and silver, production cost and other expenses, capital expenditure, production plan and discount rate, respectively, which reflected the current conditions of the market and the Group and estimated trend in the future.

When evaluating the appropriate discount rate for each of the CGUs, the Capital Assets Pricing Model (the "CAPM") had been used. Under CAPM, the appropriate expected rate of return was the sum of the risk-free return and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the expected rate of return of the CGUs was expected to be affected by other firm specific risk factors that are independent of the general market. The cost of equity was determined by the risk-free rate, market return, and estimated beta of the CGUs and firm specific risk factors. The discount rates of 10.5% (2013: 12.5%) and 13% (2013: 17.3%–18.3%) used in assessing the FVLCD of the CGUs of the Coal Mining Assets and the Silver Mining Assets, respectively, were arrived by weighted average of cost of equity and cost of debt after tax of the respective CGUs.

The key assumptions which were used in assessing the FVLCD of the CGUs of the Coal Mining Assets included but not limited to the following parameters, and reason for changes since the last impairment assessments are as follows:

(i) Forecast gross margin, which represented sales net of tax minus production cost and before depreciation and amortisation, in the first subsequent year after 31 December 2014 was between RMB19/ton to RMB48/ton (31 December 2013: RMB74/ton), because during the year, coal prices further decreased and the subcontracting of a coal mine to a third party for a subcontractor fee which was lower than the gross margin earned by the output of such coal mine.

(ii) Forecast sales volume in the first subsequent year after 31 December 2014 was 1.5 million tons ("Mt") (31 December 2013: 2.5 Mt). The decrease in forecast sales volume assumption was made reference with decrease in sales volume during the year and continued downturn of the coal market.

(iii) At 31 December 2013, production of the New No. 2 Coal Mine is forecasted to commence in the second quarter of 2016. Due to significant delay and uncertainty on the timing of the completion of the Coal Mine Exchange, the relevant mining rights of the No. 2 Coal Mine were fully impaired at 31 December 2014.

(iv) At 31 December 2014, forecast total capital expenditure including relocation compensation was approximately RMB61 million (31 December 2013: RMB1.24 billion). The significant decrease of capital expenditure was mainly due to separate valuation of No. 2 Coal Mine is not required as a result of the full impairment of No.2 Coal Mine, which required significant capital expenditure to develop it into commercial run.

The details of assumptions used in assessing the FVLCD of the CGUs of the Silver Mining Assets are set out in note 17.

Based on the FVLCD assessment of the CGUs of the Coal Mining Assets, the directors of the Company are of the opinion that an additional impairment loss of the Coal Mining Assets totaling HK$1,241,916,000 (2013: HK$983,577,000) was resulted and allocated to property, plant and equipment and mining rights of the Group's coal mining business, based on their relative carrying amounts amongst the Coal Mining Assets. Impairment provision of items of property, plant and equipment of HK$415,950,000 (2013: HK$361,157,000) and impairment provision of mining right of HK$825,966,000 (2013: HK$622,420,000) (note 16(c)) were recognised as "Other expenses" in the consolidated statement of profit or loss and other comprehensive income during the year.

In addition, based on the FVLCD assessment of the CGUs of the Silver Mining Assets (note 17), the directors of the Company are of the opinion that an impairment loss of the Silver Mining Assets totaling HK$62,805,000 (2013: nil) was resulted during the year, in which HK$14,155,000 was allocated to goodwill and for the remaining amount of HK$48,650,000, HK$1,631,000 was allocated to property, plant and equipment and HK$47,019,000 (note 16(c)) was allocated to mining and exploration rights of the Group's silver mining business, based on their relative carrying amounts amongst the Silver Mining Assets. The above impairment provisions aggregating to HK$62,805,000 were recognised as "Other expenses" in the consolidated statement of profit or loss and other comprehensive income during the year.

(b) As at 31 December 2014, the Group's property, plant and equipment with an aggregate carrying amount of approximately HK$74,247,000 (2013: HK$88,937,000) were pledged to secure an interest-bearing other borrowing of the Group (note 28(d)).

15. PREPAID LAND PREMIUMS

	Note	Group 2014 HK$'000	2013 HK$'000
Carrying amount at 1 January		**15,848**	14,856
Acquisition of a subsidiary	34	**—**	1,256
Amortisation provided during the year	8	**(644)**	(379)
Exchange realignment		**(322)**	115
Carrying amount at 31 December		**14,882**	15,848

All of the Group's leasehold land is situated in Mainland China and is held under a medium term lease.

16. MINING AND EXPLORATION RIGHTS

Group

	Notes	Coal 2014 HK$'000	Coal 2013 HK$'000	Silver 2014 HK$'000	Silver 2013 HK$'000	Total 2014 HK$'000	Total 2013 HK$'000
At 1 January:							
Cost		**3,393,251**	3,295,748	**698,657**	—	**4,091,908**	3,295,748
Accumulated amortisation and impairment		**(2,250,945)**	(1,556,493)	**(41)**	—	**(2,250,986)**	(1,556,493)
Net carrying amount		**1,142,306**	1,739,255	**698,616**	—	**1,840,922**	1,739,255
Cost at 1 January, net of accumulated amortisation and impairment		**1,142,306**	1,739,255	**698,616**	—	**1,840,922**	1,739,255
Acquisition of a subsidiary	34	**—**	—	**—**	686,812	**—**	686,812
Additions		**—**	—	**3,074**	3,428	**3,074**	3,428
Amortisation provided during the year	8	**(6,106)**	(25,607)	**(45)**	(41)	**(6,151)**	(25,648)
Impairment provided during the year	(c),14(a)	**(825,966)**	(622,420)	**(47,019)**	—	**(872,985)**	(622,420)
Exchange realignment		**(28,140)**	51,078	**(17,421)**	8,417	**(45,561)**	59,495
At 31 December		**282,094**	1,142,306	**637,205**	698,616	**919,299**	1,840,922
At 31 December:							
Cost		**3,309,524**	3,393,251	**684,417**	698,657	**3,993,941**	4,091,908
Accumulated amortisation and impairment		**(3,027,430)**	(2,250,945)	**(47,212)**	(41)	**(3,074,642)**	(2,250,986)
Net carrying amount		**282,094**	1,142,306	**637,205**	698,616	**919,299**	1,840,922

16. MINING AND EXPLORATION RIGHTS (Continued)

Group (Continued)

Notes:

(a) The Group's coal mining rights with a net carrying amount of approximately HK$282,094,000 (2013: HK$1,142,306,000) as at 31 December 2014 were pledged to secure certain interest-bearing bank borrowings of the Group (note 28(b)).

(b) As further detailed in note 4 to the financial statements, the area of the Old No.2 Coal Mine had been included in the scope of city development plan of the local government, hence the local government proposed to exchange for the New No.2 Coal Mine located adjacent to an existing coal mine of the Group as compensation. However, the progress of the Coal Mine Exchange was much slower than expected in the past few years, and there were basically no progress in the Coal Mine Exchange during the year ended 31 December 2014 and up to the date of approval of these financial statements. Due to significant delay and uncertainty on the timing of completion of the Coal Mine Exchange, the directors of the Company consider it prudent to make a full impairment provision for the relevant mining rights of the No.2 Coal Mine at 31 December 2014. The net carrying amount of relevant mining right carried as assets in the consolidated statement of financial position of the Group at 31 December 2013 was HK$432 million.

(c) The movements in the provision for impairment of the Group's mining and exploration rights are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**1,782,734**	1,126,973
Impairment losses recognised (note 8)	**872,985**	622,420
Exchange realignment	**(43,987)**	33,341
At 31 December	**2,611,732**	1,782,734

17. GOODWILL

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Cost and net carrying amount:			
At 1 January		**15,852**	—
Acquisition of a subsidiary	34(b)	**—**	15,660
Provision of impairment	8, 14(a)	**(14,155)**	—
Exchange realignment		**(1,697)**	192
At 31 December		**—**	15,852

Goodwill amounted to HK$15,660,000 arose from the acquisition of a subsidiary, Million Grow, in 2013, of which the principal activity is the mining and selling of silver through its subsidiaries. At 31 December 2014, full provision has been provided for goodwill after the goodwill impairment test stated below.

17. GOODWILL (Continued)

Impairment testing of goodwill

The goodwill arose from the acquisition of Million Grow in 2013 was allocated to the Silver Mining Assets CGUs, which represents the level at which management will monitor and manage the goodwill, since the date of acquisition.

Based on the FVLCD assessment of the Silver Mining Assets CGUs as stated in note 14(a), it is concluded that full impairment loss on the goodwill was necessary based on the fact that the recoverable amount of the Silver Mining Assets CGUs was less than the aggregate amount of its net carrying value and goodwill, the recoverable amount of which was determined as the FVLCD of the Silver Mining Assets.

In addition to the full provision of goodwill of HK$14,155,000 as at 31 December 2014, further impairment in an aggregate amount of approximately HK$49 million was allocated to property, plant and equipment and mining and exploration rights of the Group's Silver Mining Assets (notes 14 and 16).

Key assumptions and significant unobservable inputs used in the FVLCD estimations of the Silver Mine Assets CGUs

There was no material change in the valuation methodology adopted by the Group during the current and prior years. The following describes each key assumption adopted and inputs used by the management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

Budgeted revenue
In respect of the revenue from the silver mining operating segment, the budgeted revenue is based on (i) the total reserve ore grade and volume of ore metal as assessed and estimated by management with reference to an independent technical report prepared based on the JORC Code standard; (ii) the total projected annual productions as assessed and estimated by the management; and (iii) the projected market prices of silver.

Budgeted operating cost
The budgeted operating cost for the first year of production is based on information included in the technical report prepared under the JORC Code standard, which increases in line with the growth rate in subsequent years.

Gross margin
Forecast gross margin, which represented sales net of tax minus production cost and before depreciation and amortisation, in the first subsequent year after 31 December 2014 was RMB2.5/g (31 December 2013: RMB3.6/g). The decease is because of the decrease in forecast silver prices and the mining activity expected to be performed at area with lower ore grade content.

Production plan
Production for the east silver mine is forecasted to commence in 2018 (31 December 2013: 2016).

Growth rate
The growth rate used is based on the PRC consumer price index inflation rate. The growth rate applied to the cash flow projections is 3% (2013: ranges between 3% and 3.1%).

Discount rate
The discount rate reflects specific risks relating to the silver mining operating segment. The discount rate applied to the cash flow projections is 13% (2013: ranges between 17.3% and 18.3%).

The values assigned to the key assumptions on silver market development, growth rate and discount rate are consistent with external information sources.

18. OTHER INTANGIBLE ASSETS

	Notes	Group 2014 HK$'000	2013 HK$'000
Cost		**61,094**	—
Additions	(a), (b)	**16,021**	61,052
Exchange realignment		**—**	42
Net carrying amount		**77,115**	61,094
At 31 December			
Cost		**77,115**	61,094
Accumulated amortisation		**(4,183)**	—
Net carrying amount		**72,932**	61,094

Notes:

(a) During the year ended 31 December 2013, pursuant to the relevant asset purchase agreement, the Company acquired all the rights, titles and interests from the vendor (the "Patents Vendor") of certain oil and gas patents with a consideration of US$7,875,000 (equivalent to approximately HK$61,052,000), payable by instalments within two years from 15 November 2013, which is the date of completion of the acquisition, at a fixed interest rate of 5% per annum.

The oil and gas patents acquired are with finite useful life, registered in the USA and Canada, and provide the owner with the rights to use and develop a new heavy oil extraction technology with the aim to increase production efficiency in extracting crude oil and natural gas.

(b) The addition of intangible assets during the year ended 31 December 2014 represented capitalised lease payment of US$2,061,000 (equivalent to approximately HK$16,021,000) to various landlords and brokers of the oil fields for the Group's oil and gas business. During the year ended 31 December 2014, the Group commence the "Exploration and evaluation phase", and the lease payment is considered as "acquisition costs" which is qualified to be capitalised under HKFRS 6.

19. INTERESTS IN SUBSIDIARIES

	Notes	Company 2014 HK$'000	2013 HK$'000
Investment in subsidiaries, included in non-current assets:			
Unlisted shares, at cost	(a)	**2,098,288**	2,082,740
Impairment of unlisted shares	(b)	**(1,879,569)**	(1,810,195)
		218,719	272,545
Due from subsidiaries, included in current assets	(c)	**387,468**	230,040
Impairment	(b)	**(180,220)**	(180,220)
		207,248	49,820
Total interests in subsidiaries		**425,967**	322,365

Notes:

(a) Particulars of the principal subsidiaries, which were indirectly held by the Company unless otherwise specified, are as follows:

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Triumph Fund A Limited	Cayman Islands	US$50,000	100	Investment holding
山西普華德勤冶金科技有限公司 ("Shanxi Puhau Deqin")*^	The PRC/Mainland China	RMB150,000,000	99	Investment holding
Eerduosi Hengtai Coal Co., Ltd. ("Hengtai")*	The PRC/Mainland China	RMB180,000,000	94	Mining and selling of coal
Mongolia Liaoyuan Mining Co., Ltd. ("Liaoyuan")*	The PRC/Mainland China	RMB5,000,000	94	Mining and selling of coal
Jetway Group Limited ("Jetway")#	British Virgin Island	US$ 1	100	Investment holding

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(a) (continued)

Name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Million Grow Investment Limited ("Million Grow")**	British Virgin Island ("BVI")	US$57,404	50	Investment holding
福建磊鑫礦業有限公司 (Fujian Leixin Mining Company Ltd., "Fujian Leixin")*	PRC/Mainland China	RMB59,600,000	50	Investment holding
福安市磊鑫礦業有限公司 (Fu'an City Leixin Mining Company Ltd., "Fu'an Leixin")*	PRC/Mainland China	RMB10,000,000	50	Mining and selling of silver
柘榮縣磊鑫礦業有限公司 (Zherong County Leixin Mining Company Ltd., "Zherong Leixin")*	PRC/Mainland China	RMB20,500,000	42	Mining and selling of silver
Best Treasure Group Limited #	BVI	US$1	100	Oil extraction technology development
HFT Resources Inc.	USA	US$1	100	Oil extraction technology development
Jade Resources Holdings Inc.	USA	US$1	100	Investment holding
Craton Alpha LLC	USA	US$10,000,000	100	Oil and gas extraction and production
北京青瑞融資租賃有限公司 (Beijing Qingrui Finance Leasing Company Ltd., "Qingrui")#	PRC/Mainland China	US$10,000,000	100	Provision of finance leasing

Directly held by the Company.

* Registered as limited liability companies under PRC law.

** Million Grow, is a non-wholly owned subsidiary of Jetway, which is a wholly-owned subsidiary of the Group, and accordingly, Million Grow is accounted for as a subsidiary by virtue of the Group's control over it.

^ Pursuant to a loan agreement entered into between the Group and an independent third party, the equity interest of Shanxi Puhua Deqin was pledged for a loan of HK$74,946,000 (2013: HK$76,842,000) from such third party (note 27(a)). At 31 December 2014 and 2013, the net carrying value of the equity interest of Shanxi Puhua Deqin was nil.

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.

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes (Continued):

(b) The movement in the provision for impairment of investment costs in subsidiaries during the year is as follows:

	Group	
	2014	2013
At 1 January	**HK$'000**	HK$'000
Provision made during the year (Note)	**1,810,195**	1,007,893
At 31 December	**69,374**	802,302
	1,879,569	1,810,195

Note: In view of the HK$1,305 million (2013: HK$984 million) impairment provision of the Coal Mining Assets and Silver Mining Assets (note 14(a)) held by the subsidiaries as at 31 December 2014, which is an indicator of impairment of the Company's investments in the relevant subsidiaries, the directors of the Company had assessed and made an additional impairment provision of HK$69,374,000 (2013: HK$802,302,000) (note 12) against the Company's investment in subsidiaries during the year ended 31 December 2014.

In addition, the movement in the provision for impairment of amounts due from subsidiaries which had been loss-making for some time is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**180,220**	180,810
Amount written off as uncollectible	**—**	(590)
At 31 December	**180,220**	180,220

(c) All balances with subsidiaries as at 31 December 2014 and 2013 are unsecured, interest-free and have no fixed terms of repayment.

(d) At 31 December 2014 and 2013, Jetway and its subsidiaries (collectively, the "Jetway Group") is considered as subsidiaries that have material non-controlling interests and details of which are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests	**50%**	50%

	2014	2013
	HK$'000	HK$'000
Loss for the year allocated to non-controlling interests	**(48,652)**	(7,163)
Accumulated balances of non-controlling interests at the reporting dates	**249,746**	305,997

19. INTERESTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(d) (Continued)

The following tables illustrate the summarised financial information of the Jetway Group as at the end and during the reporting period. The amounts disclosed are before any inter-company eliminations:

	2014 HK$'000	2013 HK$'000
Revenue	1,830	14,537
Other revenue and gains	17	1,428
Total expenses	(120,716)	(30,104)
Loss for the year	(118,869)	(14,139)
Total comprehensive loss for the year	(121,929)	(7,109)
Current assets	15,799	123,108
Non-current assets	740,876	873,268
Current liabilities	(157,242)	(258,837)
Non-current liabilities	(146,571)	(162,749)
Net cash flows used in operating activities	(14,609)	(2,115)
Net cash flows from/(used in) investing activities	41,939	(87,501)
Net cash flows from/(used in) financing activities	(31,498)	99,345
Net increase/(decrease) in cash and cash equivalents	(4,168)	9,729

20. INVESTMENT IN A JOINT VENTURE

	Group	
	2014 HK$'000	2013 HK$'000
Share of net assets	10,357	13,227

Notes:

(a) Particulars of the Group's joint venture, which is indirectly held by the Company, registered and operated in the PRC, are as follows:

Name	Registered and paid-up capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
聚信泰和能源投資基金管理有限責任公司 ("Juxin Taihe")	RMB30,000,000	45	45	45	Financial management

20. INVESTMENT IN A JOINT VENTURE (Continued)

Notes: (Continued)

(b) Juxin Taihe is the only joint venture of the Group and is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of Juxin Taihe adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2014 HK$'000	2013 HK$'000
Cash and cash equivalents	**3,444**	67
Other current assets	**12,567**	21,964
Current assets	**16,011**	22,031
Non-current assets	**12,746**	13,467
Current liabilities other than trade and other payables	**(5,741)**	(6,104)
Current liabilities	**(5,741)**	(6,104)
Non-current liabilities	**—**	—
Net assets	**23,016**	29,394
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**45%**	45%
Carrying amount of the investment	**10,357**	13,227

The following table illustrates the financial information of Juxin Taihe:

	2014 HK$'000	2013 HK$'000
Revenue	**169**	3,627
Interest income	**18**	77
Depreciation and amortisation	**(91)**	(141)
Tax	**(862)**	(29)
Loss and total comprehensive loss for the year	**(5,696)**	(23,145)

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity investments listed in Hong Kong, at fair value	**19,278**	—	**19,278**	—
Unlisted equity investments, at fair value	**4,497**	—	**—**	—
	23,775	—	**19,278**	—

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$7,850,000 (2013: nil).

22. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**7,342**	12,416
Finished goods	**3,646**	2,332
Sub-materials and parts	**246**	58
	11,234	14,806

23. TRADE AND BILLS RECEIVABLES

	Notes	Group 2014 HK$'000	2013 HK$'000
Trade and bills receivables	(a)	**43,197**	53,177
Impairment of trade receivables	(b)	**(27,754)**	(21,270)
	(c)	**15,443**	31,907

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	Group 2014 HK$'000	2013 HK$'000
At 1 January	**21,270**	10,424
Impairment losses recognised (note 8)	**7,009**	10,538
Exchange realignment	**(525)**	308
At 31 December	**27,754**	21,270

At 31 December 2014, the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$27,754,000 (2013: HK$21,270,000). The individually impaired trade receivables were related to customers that were in financial difficulties and the receivables may not be fully recovered.

23. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(c) An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Less than six months	**5,657**	6,806
Six months to one year	**2,140**	11,536
Over one year	**35,400**	34,835
	43,197	53,177
Provision for impairment (note (b))	**(27,754)**	(21,270)
	15,443	31,907

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**1,204**	6,591
Past due for less than six months	**4,335**	11,372
Past due for over six months	**1,874**	13,816
	7,413	31,779

Receivables that were neither past due nor impaired relate to various customers for whom there was no recent history of default.

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments, deposits and other receivables	**322,502**	364,355	**66,741**	78,061
Impairment (Note)	**(146,887)**	(138,958)	**(30,000)**	(30,000)
	175,615	225,397	**36,741**	48,061
Portion classified as current assets	**(112,050)**	(118,075)	**(36,741)**	(48,061)
Non-current portion	**63,565**	107,322	**—**	—

Note: The movement in the provision for impairment of prepayments, deposits and other receivables is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**138,958**	93,395
Impairment loss recognised (note 8)	**9,052**	43,956
Exchange realignment	**(1,123)**	1,607
At 31 December	**146,887**	138,958

During the year, the impairment loss recognised in profit or loss is the impairment of individually impaired receivable balances aggregating to HK$9,052,000 (2013: HK$43,956,000) (note 8) which had past due and the directors of the Company expect the receivables will be either unrecoverable or only partially recoverable.

25. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash and bank balances other than time deposits	**160,023**	192,595	**85,844**	160,811
Time deposits	**—**	103,636	**—**	100,000
	160,023	296,231	**85,844**	260,811
Less: Time deposits pledged for general bank facilities	**(3,951)**	(3,636)	**—**	—
Cash and cash equivalents	**156,072**	292,595	**85,844**	260,811

Notes:

(a) At 31 December 2014, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$12,468,000 (2013: HK$15,456,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and are normally settled on 60-day terms and bills payables are settled on 180-day terms. An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Less than six months	**5,443**	6,190
Six months to one year	**901**	782
Over one year	**6,911**	4,788
	13,255	11,760

27. OTHER PAYABLES AND ACCRUALS

	Notes	Group 2014 HK$'000	Group 2013 HK$'000	Company 2014 HK$'000	Company 2013 HK$'000
Accruals		**395,880**	383,903	**3,596**	3,473
Receipts in advance		**43,644**	43,256	**—**	—
Interest payable		**138,853**	26,694	**24,215**	1,534
Value-added tax and other tax payables		**360,933**	351,783	**—**	—
Loans from third parties	(a)	**587,399**	461,941	**200,000**	200,000
Deferred consideration of an intangible asset	(b)	**24,037**	35,662	**—**	—
Other payables	(c)	**119,674**	74,248	**—**	—
		1,670,420	1,377,487	**227,811**	205,007
Portion classified as current liabilities		**(1,651,461)**	(1,367,407)	**(227,811)**	(205,007)
Non-current portion		**18,959**	10,080	**—**	—

Notes:

(a) As at 31 December 2014, included in other loans from independent third parties are loans of RMB10,500,000 (equivalent to approximately HK$13,116,000) (2013: HK$21,568,000), which are unsecured, bear interests at a rate of 15% per annum and was repayable within one year. In addition, included in other loans from an independent third party is a loan of HK$74,946,000 (2013: HK$76,842,000), which is secured by certain equity interests of the Group's subsidiaries engaged in the coal mining business, bear interest at a rate of 8% per annum and is repayable within one year. In addition, an other loan of HK$200 million of the Group and the Company (31 December 2013: HK$200 million) due to an independent third party bears interest at a rate of 8% per annum and has no fixed term of repayment.

In March 2015, certain lenders have agreed to extend the repayment dates of overdue other loans of HK$31,852,000 to 1 January 2016 and overdue penalties of HK$37,052,000 as at 31 December 2014 were waived by the lenders.

Except for the other loans mentioned above, the loans from third parties as at 31 December 2014 and 2013 are unsecured, interest-free and have no fixed terms of repayment.

(b) During the year ended 31 December 2013, the Group acquired certain intangible asset from the Patent Vendor at a total consideration of US$7,875,000 (equivalent to approximately HK$61,052,000), of which US$3,275,000 (equivalent to approximately HK$25,390,000) was paid during that year, US$1,500,000 (equivalent to approximately HK$11,625,000) was paid in 2014 and the remaining balance will be settled in 2015.

(c) Other payables are unsecured, non-interest-bearing and repayable on demand.

28. INTEREST-BEARING BORROWINGS, SECURED

Group

	Notes	2014 Effective interest rate (%)	2014 Maturity	2014 HK$'000	2013 Effective interest rate (%)	2013 Maturity	2013 HK$'000
Current							
Bank loans	(b), (c), (e)	**6.4–8.8**	**overdue/2015**	**1,324,922**	6.3–9.8	overdue/2014	986,027
Current portion of other loans	(d), (e)	**6.4–42**	**overdue/2015**	**256,196**	6.2–36.0	2014	170,092
				1,581,118			1,156,119
Non-current							
Bank loans	(b), (c)	**—**	**—**	**—**	8.0–8.5	2015	384,210
Other loans	(d)	**6.2–8.2**	**2016**	**32,976**	6.2–8.2	2015–2016	122,777
				32,976			506,987
				1,614,094			1,633,106
Repayable:							
Bank loans:							
On demand	(e)			**668,545**			256,140
Within one year				**656,377**			729,887
In the second year				**—**			384,210
				1,324,922			1,370,237
Other loans:							
On demand	(e)			**169,713**			—
Within one year				**86,483**			170,092
In the second year				**32,976**			25,537
In the third to fifth years, inclusive				**—**			97,240
				289,172			292,869
				1,614,094			1,663,106

28. INTEREST-BEARING BORROWINGS, SECURED (Continued)

Notes:

(a) All the interest-bearing loans are denominated in RMB and their respective carrying amounts approximate to their fair values as at the end of the reporting period.

(b) Certain of the Group's bank loans of HK$561,986,000 (2013: HK$576,203,000) are secured by the Group's coal mining rights (note 16(a)).

(c) Certain of the Group's bank loans of HK$762,936,000 (2013: HK$794,034,000) are guaranteed by a subsidiary of the Group, Shanxi Puhua Deqin, and certain independent third parties, including 內蒙古蒙發煤炭有限責任公司, 山西普大煤業集團有限公司, Mr. Zhao Ming (a former shareholder and convertible notes holder of the Company) and Mr. Hao Shenhai (a former director of Hengtai).

(d) At 31 December 2014 and 2013, the Group's other loans from independent third parties are secured by certain of the Group's property, plant and equipment (note 14(b)), bore interest at rates of 3 years loan interest rate from the People's Bank of China or such interest rate plus 2% per annum and are repayable by quarterly instalments up to June 2016.

(e) As at 31 December 2014, the Group's secured bank borrowings included four (2013: two) bank loans in a total principal amount of RMB535,221,000 (equivalent to approximately HK$668,545,000) (2013: RMB200,000,000, equivalent to approximately HK$256,140,000) which bear interest at rates of 6.44% to 6.90% per annum (2013: 6.90% per annum), had been overdue. Two of these two overdue bank borrowings amounting to RMB200,000,000 (equivalent to approximately HK$249,820,000) (2013: RMB200,000,000, equivalent to approximately HK$256,140,000) were secured by certain of the Group's coal mining rights with a net carrying amount of approximately HK$93,448,000 (2013: HK$284,014,000) and the other two of these overdue bank borrowings amounting to RMB335,221,000 (equivalent to approximately HK$418,725,000) (2013: nil) were guaranteed by certain third parties, and may be subject to detention by the lender. As at 31 December 2014, interest and overdue penalties payables of the four (2013: two) overdue bank loans amounted to HK$9,966,000 (2013: HK$6,065,000) and HK$50,885,000 (2013: HK$3,966,000), respectively.

In addition, the Group's other loans from independent third parties included five loans amounting to RMB135,868,000 (equivalent to approximately HK$169,713,000) (2013: nil) which bore interest at monthly rates of 0.5%–3.5%, were matured in 2014. As at 31 December 2014, interest and overdue penalties payables of the above five (2013: nil) loans amounted to HK$12,357,000 (2013: nil) and HK$32,929,000 (2013: nil), respectively.

Certain lenders of the abovementioned overdue interest-bearing loans have lodged litigations against the Group, and the relevant guarantors, if applicable, during the year. Further details of the litigations are set out in note 35 to the financial statements.

29. CONVERTIBLE NOTES

The movements in the carrying and the principal amounts of the convertible notes are as follows:

Group and Company

	Notes	2014 Principal amount HK$'000	2014 Carrying amount HK$'000	2013 Principal amount HK$'000	2013 Carrying amount HK$'000
At 1 January	(a)	**39,205**	**35,953**	289,205	242,556
Issuance of the 2013 CN	(b)	**—**	**—**	18,885	13,335
Conversion of the 2013 CN	31(b)	**—**	**—**	(18,885)	(14,222)
Redemption of the 2009 CN	(c)	**(39,205)**	**(36,178)**	(250,000)	(216,036)
Imputed interest expense	7	**—**	**225**	—	10,320
At 31 December		**—**	**—**	39,205	35,953

Notes:

(a) On 21 December 2009, the Company issued zero coupon redeemable convertible notes in an aggregate principal amount of HK$1,805,000,000 (the "2009 CN"), for the acquisition of Triumph Fund A Limited and its subsidiaries. The 2009 CN have a maturity term of five years, however, the Company has the right at any time after three years of the issuance date (i.e., from 21 December 2012) to redeem in whole or in part the 2009 CN at par value. The 2009 CN can be converted into ordinary shares at the initial conversion price of HK$1.25 per share (adjusted for the twenty-to-one share consolidation which took place on 24 June 2011). The balance of convertible notes at 1 January 2014 and 1 January 2013 represented the balance of 2009 CN not yet converted into equity of the Company.

(b) On 30 April 2013, the Company issued zero coupon redeemable convertible notes in an aggregate principal amount of HK$18,885,000 (the "2013 CN"), for the acquisition of the Million Grow Group (note 34). The 2013 CN have a maturity term of three years, however, the Company has the rights at any time before the maturity date (i.e., before 29 April 2016) to redeem in whole or in part the 2013 CN at par value. The 2013 CN can be converted into ordinary shares at the initial conversion price of HK$0.68 per share. The fair values of the equity and liability components of the 2013 CN at the date of grant were HK$3,093,000 (note 33(b)) and HK$13,335,000, respectively.

(c) During the year, the Company exercised its rights under the terms of the 2009 CN to early redeem the outstanding 2009 CN in the principal amount of HK$39,205,000 (2013: HK$250,000,000) at par value. Accordingly, the relevant portion of the equity component of the 2009 CN of HK$73,052,000 was transferred to accumulated losses (2013: HK$465,832,000) and a loss on early redemption of convertible notes, being the difference between the cash proceeds paid and the carrying amount of the relevant liability component of the convertible notes redeemed of HK$36,178,000 (2013: HK$216,036,000), amounting to HK$3,027,000 (2013: HK$33,964,000) (note 7) was recognised as "Finance costs" in profit or loss during the year.

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities/(assets) during the year are as follows:

Group

	Notes	Loss available for offsetting future taxable profit HK$'000	Accruals of salary and welfare HK$'000	Impairment, depreciation and amortisation of non-current assets HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2013		(28,334)	(64,019)	(185,652)	403,033	125,028
Acquisition of a subsidiary	34	—	—	—	160,792	160,792
Deferred tax charged/(credited) to profit or loss during the year	11	17,122	61,908	(65,373)	(109,435)	(95,778)
Exchange realignment		(578)	(692)	(6,753)	12,222	4,199
At 31 December 2013 and 1 January 2014		(11,790)	(2,803)	(257,778)	466,612	194,241
Deferred tax charged/(credited) to profit or loss during the year	11	11,587	2,754	(18,142)	(39,310)	(43,111)
Exchange realignment		203	49	6,495	(11,306)	(4,559)
At 31 December 2014		—	—	(269,425)	415,996	146,571

Notes:

(a) At 31 December 2014, unused tax losses and deductible temporary differences of approximately HK$1,328,616,000 (2013: HK$816,512,000) and HK$1,141,676,000 (2013: HK$305,657,000), respectively, have not been recognised as deferred tax assets, as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which these tax losses can be utilised.

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

At 31 December 2014, no deferred tax has been recognised for withholding taxes as there is no unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2013: Nil).

31. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised: (note (i))		
Ordinary shares of HK$0.1 each (note (ii))	—	1,500,000
Issued and fully paid:		
3,342,055,568 (2013: 3,012,055,568) ordinary shares	**2,108,700**	301,205

Notes:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

A summary of the transactions during the years ended 31 December 2014 and 2013 with reference to the movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2013		1,428,729,168	142,873	1,166,813	523	1,310,209
Issue of shares	(a)	1,555,555,000	155,555	544,444	—	699,999
Share issue expenses	(a)	—	—	(1,323)	—	(1,323)
Conversion of the 2013 CN	(b)	27,771,400	2,777	14,538	—	17,315
At 31 December 2013 and 1 January 2014		3,012,055,568	301,205	1,724,472	523	2,026,200
Adoption of new HK Companies Ordinance	(c)	—	1,724,995	(1,724,472)	(523)	—
Issue of shares	(d)	330,000,000	82,500	—	—	82,500
At 31 December 2014		3,342,055,568	2,108,700	—	—	2,108,700

31. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

(a) On 31 January 2013, pursuant to the completion of a subscription agreement entered into between the Company and an investor dated 12 October 2012, the Company issued and allotted 1,555,555,000 new ordinary shares with par value of HK$0.1 each at a cash consideration of HK$0.45 per share to Belton Light. Net proceeds of the issuance amounted to approximately HK$698,676,000 which increased issued capital by HK$155,555,000, share premium account by HK$544,444,000 and share issue expenses of HK$1,323,000 was debited to the share premium account. Further details of the transactions are set out in the Company's announcements dated 17 October 2012 and 31 January 2013, respectively, and the Company's circular dated 15 November 2012. Upon completion of the subscription, Belton Light became the parent and the ultimate holding company of the Company.

(b) During the year ended 31 December 2013, the holder exercised the rights attached to the 2013 CN to convert 27,771,400 shares at a conversion price of HK$0.68 per share, resulting in HK$2,777,000 and HK$14,538,000 being credited to issued share capital and share premium account respectively, of which HK$14,222,000 and HK$3,093,000 were transferred from the liability component and equity component of convertible notes, respectively, upon the conversion.

(c) In accordance with the transitional provisions set out in section 37 of schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

(d) During the year, pursuant to the completion of a subscription agreement ("2014 Subscription Agreement") entered into between the Company and the holding company, Belton Light, the Company issued and allotted 330,000,000 new ordinary shares to Belton Light at a cash consideration of HK$0.25 per share. Proceeds of the issuance amounted to approximately HK$82,500,000. Further details of the issuance are set out in the Company's announcement and circular dated 13 November 2014 and 1 December 2014, respectively.

Warrants

Pursuant to the 2014 Subscription Agreement, 330,000,000 bonus warrants were issued to Belton Light. Each warrant entitles the holder thereof to subscribe for one ordinary share of the Company at a subscription price of HK$0.35 per share, payable in cash and subject to adjustment, within 24 months from the date of issue on 19 December 2014.

Share option

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

No share option was granted to any parties during the years ended 31 December 2014 and 2013, and no share options were outstanding as at 31 December 2014 and 2013.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, up to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

32. SHARE OPTION SCHEME (Continued)

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

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The share option may be exercised under the Scheme at any time during a period not exceeding five years after the date when the option is granted and expiring on the last date of this period.

The exercise price is determined by the directors, but shall not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The movements of the number of share options outstanding during the year are as follows:

	Notes	**2014**	2013
At 1 January		**—**	24,616,000
Forfeited during the year	(a)	**—**	(6,500,000)
Lapsed during the year	(b)	**—**	(18,116,000)
At 31 December		**—**	—

Notes:

(a) 6,500,000 share options were forfeited during the year ended 31 December 2013 upon the expiry of the three-month post-resignation exercise period of two ex-directors. Accordingly, the portion of share option reserves of HK$16,305,000 was transferred to accumulated losses during the year ended 31 December 2013.

(b) All of the 18,116,000 outstanding share options lapsed during the year ended 31 December 2013 upon the expiry of the respective exercise periods. Accordingly, the outstanding share option reserve of HK$47,289,000 was transferred to accumulated losses during the year ended 31 December 2013.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The Group's exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with presentation currency different from that of the Company.

(b) Company

	Notes	Share premium account HK$'000 (note (i))	Capital redemption reserve HK$'000 (note (ii))	Equity component of convertible notes HK$'000	Share option reserve HK$'000 (note(iii))	Available-for-sale investment reserve HK$'000 (note (iv))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2013		1,166,813	523	538,884	63,594	—	(1,340,308)	429,506
Loss for the year and total comprehensive loss for the year	12	—	—	—	—	—	(897,106)	(897,106)
Issue of shares	31(a)	544,444	—	—	—	—	—	544,444
Share issue expenses	31(a)	(1,323)	—	—	—	—	—	(1,323)
Conversion of the 2013 CN	31(b)	14,538	—	(3,093)	—	—	—	11,445
Early redemption of the 2009 CN	29(c)	—	—	(465,832)	—	—	465,832	—
Issuance of the 2013 CN	29(b)	—	—	3,093	—	—	—	3,093
Forfeiture of share options	32(a)	—	—	—	(16,305)	—	16,305	—
Lapse of share options	32(b)	—	—	—	(47,289)	—	47,289	—
At 31 December 2013		1,724,472	523	73,052	—*	—*	(1,707,988)*	90,059

33. RESERVES (Continued)

(b) Company (Continued)

	Notes	Share premium account HK$'000 (note (i))	Capital redemption reserve HK$'000 (note (ii))	Equity component of convertible notes HK$'000	Share option reserve HK$'000 (note(iii))	Available-for-sale investment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014		**1,724,472**	**523**	**73,052**	**—**	**—**	**(1,707,988)**	**90,059**
Loss for the year	12	**—**	**—**	**—**	**—**	**—**	**(139,779)**	**(139,779)**
Other comprehensive income for the year — Fair value change of an available-for-sale-equity investment		**—**	**—**	**—**	**—**	**7,850**	**—**	**7,850**
Total comprehensive income/(loss) for the year		**—**	**—**	**—**	**—**	**7,850**	**(139,779)**	**(131,929)**
Early redemption of the 2009 CN	29(c)	**—**	**—**	**(73,052)**	**—**	**—**	**73,052**	**—**
Adoption of new HK Companies Ordinance	31(c)	**(1,724,472)**	**(523)**	**—**	**—**	**—**	**—**	**(1,724,995)**
At 31 December 2014		**—**	**—**	**—**	**—***	**7,850***	**(1,774,715)***	**(1,766,865)**

* These reserve accounts comprise the negative other reserves of HK$1,766,865,000 (2013: HK$1,707,988,000) in the statement of financial position.

Notes:

(i) At 31 December 2013, the share premium account represented the excess of the issued price net of any share issue expenses over the par value of the shares issued. Upon the effective date of the Hong Kong Companies Ordinance (Cap. 622), any amount standing to the credit of this reserve balance has become part of the Company's share capital (note 31(c)).

(ii) At 31 December 2013, the capital redemption reserve represented an amount equivalent to the par value of the shares repurchased by the Company which were cancelled and transferred from the issued capital account pursuant to Section 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). Upon the effective date of the Hong Kong Companies Ordinance (Cap. 622), any amount standing to the credit of this reserve balance has become part of the Company's share capital (note 31(c)).

(iii) During the year ended 31 December 2013, the share option reserve comprised the fair value of share options vested which were yet to be exercised, as further explained in the accounting policy of share-based payments in note 3.3 to the financial statements. The amount would either be transferred to the share premium account when the related share options were exercised, or transferred to accumulated losses should the related share options expired or be forfeited.

All share options were forfeited or lapsed during the year ended 31 December 2013 and no new share option was granted to any parties under the Scheme during the year.

34. BUSINESS COMBINATION

During the year, there was no business combination for the Group.

During the year ended 31 December 2013, the Company acquired a total of 50% of the equity interest in Million Grow, pursuant to a sale and purchase agreement and a subscription agreement both dated 30 April 2013, from two independent third parties (the "Million Grow Vendors") for a total consideration of RMB217,000,000 (equivalent to approximately HK$272,485,000), satisfied as to RMB202,000,000 (equivalent to approximately HK$256,058,000) in cash and the remaining RMB15,000,000 (equivalent to approximately HK$18,884,000) by the issuance of the 2013 CN by the Company on 30 May 2013.

Million Grow is an investment holding company and its subsidiaries possess mining/exploration rights of two silver mines in Fujian province, the PRC.

On 30 April 2013, the Company also entered into a call option agreement with the Vendors pursuant to which in consideration of HK$1 paid by the Company, the Vendors had granted a call option (the "Call Option") to the Company, exercisable by the Company within 3 business days after the competent person's report of the two silver mines under the JORC Code in compliance with the requirements under Chapter 18 of the Listing Rules (the "JORC Code Report") is issued, or at a later date as agreed by the Company and the Vendors, for the acquisition of the remaining 50% equity interest in Million Grow at a consideration of RMB463 million (subject to downward adjustments with reference to an agreed formula as stated in the call option agreement).

Further details of the acquisition have been set out in the announcements of the Company dated 1 May 2013 and 13 June 2013, respectively. The acquisition of the 50% equity interest in Million Grow has been completed on 30 May 2013 and thereafter the Call Option remains unexercised and expired during the year ended 31 December 2014.

In the opinion of the directors of the Company, Million Grow is a subsidiary of the Company as the Company controls the composition of Million Grow's board of directors and the Company has the power over Million Grow to affect the variable returns of Million Grow.

The assessment of the fair value of the Call Option requires, *inter alia*, its exercise price which depends on the total amount of silver metals and ore grade of the two mines as stated in the JORC Code Report which was only available in March 2014.

The Group has elected to measure the non-controlling interest in the Million Grow Group at the non-controlling interest's proportionate share of the Million Grow Group's identifiable net assets at fair value.

34. BUSINESS COMBINATION (Continued)

The fair value of the identifiable assets and liabilities of the Million Grow Group as at the date of the acquisition, ie. 30 May 2013, were as follow:

	Notes	HK$'000
Property, plant and equipment	14	74,910
Prepaid land premiums	15	1,256
Mining rights	(a),16	686,812
Inventories		5,434
Prepayments, deposits and other receivables	(b)	4,755
Cash and bank balances		901
Other payables and accruals		(46,887)
Other interest-bearing borrowings		(126)
Deferred tax liabilities	30	(160,792)
Non-controlling interests		(309,437)
		256,826
Goodwill	(c),17	15,660
		272,486
Satisfied by:		
Cash		256,058
Issuance of the 2013 CN	(d)	16,428
		272,486

An analysis of the net outflow of cash and cash equivalents during the year ended 31 December 2013 in respect of the above acquisition of a subsidiary are as follows:

	2013 HK$'000
Cash consideration	(256,058)
Cash and bank balances acquired	901
Net outflow of cash and cash equivalents in respect of the acquisition	(255,157)

34. BUSINESS COMBINATION (Continued)

Notes:

(a) The fair value of the mining and exploration rights of the Million Grow Group at the acquisition date was assessed using the information (including ore reserve, ore grade and volume of ore metal) in the JORC Code Report, expected production plan assessed by the management and current and forecasted metal price during the tenure of the respective licences.

(b) The fair value (and gross contractual amounts) of the other receivables included in "Prepayments, deposits and other receivables" amounted to HK$2,527,000 and none of such other receivables have been impaired as the directors of the Company expected that the full amounts can be collected.

(c) The goodwill arises principally because of the requirement to recognise deferred tax liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in business combination at amounts that do not reflect fair values. The goodwill is allocated to the silver mining operation segment at the date of acquisition and is not expected to be deductible for tax purposes.

(d) The conversion option of the convertible notes is classified as an equity component, the fair value of which at the issue date was HK$3,093,000. The fair value of the host debt, which is classified as a liability component, had a fair value of HK$13,335,000 (note 29(b)) at the issue date. The aggregate fair value of the convertible notes at the issue date was HK$16,428,000.

(e) Since the acquisition, the Million Grow Group contributed HK$14,537,000 to the Group's revenue and HK$15,567,000 to the consolidated loss for the year ended 31 December 2013.

Had the combination taken place in the beginning of the year ended 31 December 2013, the consolidated revenue and consolidated loss of the Group for the year ended 31 December 2013 contributed by the Million Grow Group would have been HK$14,537,000 and HK$25,774,000, respectively.

35. LITIGATIONS

(a) A writ of summons was served by a bank (the "Plaintiff 1") in June 2014 against Eerduosi Hengtai Coal Company Limited ("Hengtai"), a subsidiary of the Company, as the borrower, and 山西普大煤業集團有限公司 ("Shanxi Puda"), as the guarantor, demanding for the repayment of a loan in the principal amount of RMB30 million (equivalent to approximately HK$37.5 million) owed by Hengtai to the Plaintiff 1 and accrued interest and penalty amounting to approximately RMB0.7 million (equivalent to approximately HK$0.87 million). The trial was heard at the Inner Mongolia Eerduosi Municipal Middle People's Court (內蒙古鄂爾多斯市中級人民法院) in September 2014. The principal and the accrued interest and penalty of the loan had been included in "Interest-bearing borrowings, secured" and "Other payables and accruals" in the consolidated statement of financial position of the Group as at 31 December 2014, respectively. The writ has been withdrawn by the Plaintiff 1 in September 2014.

35. LITIGATIONS (Continued)

(b) A writ of summons was served by another bank (the "Plantiff 2") against Hengtai, as the borrower, 山西普華德勤冶金科技有限公司 ("Shanxi Puhua"), Shanxi Puda and 內蒙古蒙發煤炭有限責任公司 (together the "Defendants") in respect of a loan in the principal amount of RMB300 million (equivalent to approximately HK$375 million) owed by Hengtai to Plantiff 2. On 28 October 2014, judgment was made by Inner Mongolia Municipal Higher People's Court (內蒙古自治區高級人民法院) that assets of the Defendants (including certain property, plant and equipment and coal mining rights of the Group) aggregating to approximately RMB310.4 million (equivalent to HK$388 million) are sealed up and freezed. The principal and the accrued interest and penalty of the loan had been included in "Interest-bearing borrowings, secured" and "Other payables and accruals" in the consolidated statement of financial position of the Group as at 31 December 2014, respectively.

(c) On 30 August 2013, 山西萬基投資諮詢有限公司 (Shanxi Wanji Investment Consulting Co., Ltd, "Shanxi Wanji") and 山西恒創實業有限公司 (Shanxi Hengchuang Industrial Co., Ltd, "Shanxi Hengchuang"), a subsidiary of the Company, entered into an loan agreement pursuant to which Shanxi Wanji would provide a loan with a principal amount of HK$360 million (or equivalent amount in RMB) to Shanxi Hengchuang. The loan is secured by the 99% equity interest in Shanxi Puhua held by Shanxi Hengchuang. In September 2013, Shanxi Wanji advanced RMB60.0 million (equivalent to HK$75 million) to Shanxi Hengchuang. On 1 August 2014, Shanxi Wanji and Shanxi Hengchuang entered into a repayment agreement pursuant to which Shanxi Hengchuang shall repay the loan amounted to RMB60.0 million (equivalent to HK$75 million) together with any interests by 30 August 2014.

On 28 October 2014, Shanxi Wanji initiated a court proceeding against Shanxi Hengchuang at the Intermediate People's Court of Taiyuan demanding Shanxi Hengchuang to repay the loan and the incurred interest being approximately RMB64.1 million (equivalent to approximately HK$80.1 million) in aggregate. A court hearing was held on 14 January 2015. On 20 March 2015, Shanxi Wanji applied to the court to withdraw the writ. The writ has been withdrawn on 21 March 2015.

The principal and the accrued interest and penalty of the loan had been included in "Interest-bearing borrowings, secured" and "Other payables and accruals" in the consolidated statement of financial position of the Group as at 31 December 2014, respectively.

36. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and director's quarters under operating lease arrangements. Leases are negotiated for terms ranging from one to three years.

At 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Within one year	**2,468**	2,936
In the second to fifth years, inclusive	**—**	1,575
	2,468	4,511

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments in respect of the acquisition of items of property, plant and equipment at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for	**29,457**	56,361

At 31 December 2013, the Company had a contracted capital commitment of HK$78,000,000, in respect of capital contribution to a subsidiary.

38. RELATED PARTY DISCLOSURES

(a) The Group had no transactions and outstanding balances with related parties during the year and at the end of the reporting period (2013: Nil).

(b) Compensation of key management personnel of the Group:

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employee as disclosed in note 10, is as follows:

	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**11,563**	9,573
Post-employment benefits	**23**	33
Total compensation paid to key management personnel	**11,586**	9,606

39. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the available-for-sale equity investments of the Group as at 31 December 2014, which are stated at fair value, all financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 were loans and receivables and financial liabilities stated at amortised cost, respectively.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

(b) The fair value of the listed equity investment is based on its quoted market price, while the fair value of the unlisted equity investment have been estimated to be approximate to cost.

(c) The fair values of the interest-bearing borrowings due over one year have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair values of the liabilities component of the convertible notes are estimated using an equivalent market interest rate for a similar convertible notes. The fair value of these financial liabilities approximate to their carrying amounts as they are charged at floating rate or carried at amortised cost using an effective interest rate approximate to the market rate.

Since the carrying amounts of the Group's financial instruments approximate their fair values, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is the Group's policy that no trading in financial instruments shall be undertaken.

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

(a) Interest rate risk

The Group's and Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and Company's cash at banks and the Group's interest-bearing borrowings with floating interest rates. Nevertheless, as there is no significant fluctuation in market interest rate, in the opinion of the directors, the Group had no significant interest rate risk for the year ended 31 December 2014.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment and operations in Mainland China and the USA, the Group's financial position and performance can be affected significantly by movements in the RMB/HK$ and US$/HK$ exchange rate.

The Group has minimal transactional currency exposure which arises from sales or purchases by operating units in currencies other than the unit's functional currency.

(c) Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and receivable balances are monitored on an ongoing basis.

At 31 December 2014, trade and bills receivables from external customers which individually contributed to over 10% of the Group's total revenue for the years ended 31 December 2014 and 2013 were:

	2014 HK$'000	2013 HK$'000
Number of individual external customers which contributed to over 10% of the Group's total revenue for the year	**1**	2
Trade and bills receivables (before impairment) from the above customers	**1,117**	13,587
Percentage of total trade and bills receivables (before impairment) as at the end of the reporting period	**3%**	26%

Save as aforesaid, at the end of each of the reporting period, in the opinion of the directors, there was no significant concentration of credit risk of trade and bills receivables.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(d) Liquidity risk

At 31 December 2014, the Group had net current liabilities of HK$3,171,787,000. However, the directors of the Company considered that the Group is able to meet with its liabilities as and when they fall due in the foreseeable future as explained in note 2 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (Continued)

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

	Within one year or on demand HK$'000	One to five years HK$'000	Total HK$'000
Group			
At 31 December 2014			
Trade and bills payables	**13,255**	**—**	**13,255**
Other payables and accruals	**1,651,461**	**18,959**	**1,670,420**
Interest-bearing borrowings	**1,581,118**	**35,024**	**1,616,142**
	3,245,834	**53,983**	**3,299,817**
At 31 December 2013			
Trade and bills payables	11,760	—	11,760
Other payables and accruals	1,367,407	10,080	1,377,487
Interest-bearing borrowings	1,198,271	594,319	1,792,590
Convertible notes	—	39,205	39,205
	2,577,438	643,604	3,221,042
Company			
At 31 December 2014			
Other payables and accruals	**227,811**	**—**	**227,811**
At 31 December 2013			
Other payables and accruals	205,007	—	205,007
Convertible notes	—	39,205	39,205
	205,007	39,205	244,212

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using the gearing ratio, which is total debt divided by the total assets. Total debt includes trade and bills payables, other payables and accruals, interest-bearing borrowings and liability component of convertible notes, if any. The gearing ratio as at the end of the reporting periods were as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Trade and bills payables	**13,255**	11,760
Other payables and accruals	**1,670,420**	1,377,487
Interest-bearing borrowings, secured	**1,614,094**	1,663,106
Convertible notes	**—**	35,953
Total debt	**3,297,769**	3,088,306
Non-current assets	**2,016,575**	3,416,253
Current assets	**298,750**	461,019
Total assets	**2,315,325**	3,877,272
Gearing ratio	**1.42**	0.80

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**39,838**	150,306	571,129	995,100	1,007,740
PROFIT/(LOSS) BEFORE TAX	**(1,846,370)**	(1,563,817)	(2,276,920)	105,830	(785,589)
PROFIT/(LOSS) FOR THE YEAR	**(1,803,259)**	(1,468,039)	(1,755,042)	65,434	(885,994)
Attributable to:					
Owners of the Company	**(1,723,508)**	(1,373,711)	(1,655,263)	55,339	(905,164)
Non-controlling interests	**(79,751)**	(94,328)	(99,779)	10,095	19,170
	(1,803,259)	(1,468,039)	(1,755,042)	65,434	(885,994)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,315,325**	3,877,272	3,556,761	6,059,103	5,160,468
TOTAL LIABILITIES	**(3,669,043)**	(3,512,937)	(2,781,782)	(3,561,577)	(3,131,734)
NON-CONTROLLING INTERESTS	**(155,619)**	(242,046)	(22,046)	(120,528)	(103,801)
EQUITY/(DEFICITS)	**(1,509,337)**	122,289	752,933	2,376,998	1,924,933

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