新時代能源有限公司*
NEW TIMES ENERGY
corporation limited
(incorporated in Bermuda with limited liability)
(Stock code: 00166)

2014
ANNUAL REPORT

*For identification purposes only

New Times at a Glance

United States

States of Utah

2P Reserves: 3.27 MMBBL

2014 Highlights

- Acquired additional land lease interests (2,279 net acres and 440 gross acres) with 1.4 MMBBL 2P Reserves in Altamont-Bluebell area in the Uinta Basin

Moving Forward

- Ramp up production through workovers and new drillings

Argentina

Province of Salta & Formosa

2P Reserves: 0.47 MMBBL

Prospective Resources: 269.69 MMBOE

2014 Highlights

- Completed acquisition of 38.15% of Palma largo which contributed on average 375 BOPD
- Identified drilling targets on Morillo block for 2015 drillings

Moving Forward

- 2 drillings scheduled for 2015 for Morillo block
- A rig has been transferred to Argentina for the planned drillings

China

Province of Liaoning

Oil services

2014 Highlights

- Successfully divested the natural gas distribution business
- Acquired 42.1% of Full Charming Limited which provides rigs available for our Argentina drillings and also mark our expansion to oil service business

Moving Forward

- Develop oil service business in China and other countries

Corporate Profile

New Times Energy Corporation Limited (HKSE stock code: 166) is a natural resources company engaged in the acquisition, development and operation of oil & gas projects with focus in Americas. The Group's upstream oil & gas projects are located in geologically favorable regions in the Noroeste basin in the province of Salta and Formosa, Argentina and in the states of Louisiana, Utah and Alaska, the United States. The Group will continue to enrich its oil & gas portfolio through strategic mergers and acquisitions and actively look for opportunities to broaden the Group's income streams, aiming to deliver significant growth in cash flows and reserves to its shareholders.

Vision & Mission

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

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*

Non-executive Director

Mr. Heffner, Paul Lincoln

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Tsang Tsz Ying, Fion

Auditors

KPMG

Legal Advisers

On Hong Kong law

Phillips Solicitors
Reed Smith Richards Butler

On Bermuda law

Conyers Dill & Pearman

Principal Bankers

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

Head Office and Principal Place of Business

Room 1402, 14/F, New World Tower I
16–18 Queen's Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Information for Stakeholders

Share Information

Place of Listing

Main Board of
The Stock Exchange of Hong Kong Limited

Stock Code

00166

Board Lot

2,000 shares

Financial Year End

31 December

Share Registrar and Transfer Office

Principal

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch

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

Key Dates

28 August 2014

2014 Interim Results Announcement

25 March 2015

2014 Annual Results Announcement

29 June 2015

Book Closure for Annual General Meeting

29 June 2015

Annual General Meeting

Investor Relations

Email: info@nt-energy.com

Website

http://www.nt-energy.com

Financial Highlights

	Financial Year 2014 HK$'000	Financial Year 2013 HK$'000 (Restated)	Change in %
Revenue	**81,105**	321,770	(74.79)
Gross profit	**18,305**	2,563	614.20
Loss before taxation from continuing operations	**(88,254)**	(14,119)	525.07
(Loss)/profit attributable to owners of the Company	**(120,448)**	3,771	N/A
Basic (loss)/earnings per share (HK cent)	**(9.83)**	0.43	N/A

	As at 31 December 2014 HK$'000	As at 31 December 2013 HK$'000	Change in %
Total assets	**4,507,116**	4,411,958	2.16
Total equity	**3,820,975**	3,950,899	(3.29)
Debt ratio(1)	**15.22%**	10.45%	4.77
Gearing ratio(2)	**11.83%**	7.28%	4.55
Net asset value per share(3) (HK$)	**2.76**	3.38	(18.34)

Remarks:

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

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

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

"2014 has been an eventful and fruitful year for New Times Energy by successfully purchased 38.15% interest in an oil production block – Palmar Largo and diversified our investments to the oil service business. Our success strengthened our operations in Argentina, and also ensured the rig availability for the 2015 Morillo drilling program. Our strategies are still at looking around the world to capture undervalued oil and gas opportunities on a global scale, particularly in the Americas, and to generate long lasting return for our shareholders."

Prospective Resources		2P Reserves	
2014	2013	2014	2013
269.69 MMBOE	269.69 MMBOE	3.74 MMBBL	1.87 MMBBL

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of New Times Energy Corporation Limited (the "Company" or "New Times Energy") and its subsidiaries (collectively, the "Group"), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December 2014.

Significant strategic, financial and operational highlights in 2014

2014 has been an eventful and fruitful year for New Times Energy and achieved a series of progresses during the year:

- Enhanced our upstream operations by purchased the 38.15% joint operation interest in Palmar Largo block, which bring to the Group 954 MBBL 1P Reserves and 1,104 MBBL 2P Reserves, together with immediate profits and operational cash flows. For the period since the completion of the acquisition and up to 31 December 2014, this project recorded turnover and profit of approximately HK$80.04 million and HK$18.05 million.

- Finished the workover program in Palmar Largo block and ramped up the daily production to around 1,210 BOPD high, which representing a 32% increase over 915 BOPD prior to the inception of the workover program. The increase demonstrated our success in the workover program. Unfortunately, in late 2014, three of the twelve production wells were either reducing or stopped production due to corrosion generating damages to the well casing and some technical issue occurred after the workover program, and resulted in a decrease in daily production to around 829 BOPD as at 31 December 2014. We are now fixing these problems and try to resume the production as soon as possible.

- Strengthened our asset base by acquired two land lease interests in the Unita basin with 2,279 net acres and 440 gross acres respectively in Utah, United States ("US"), which contributed an extra 368 MBBL 1P Reserves and 1,396 MBBL 2P Reserves to the Group.

- Invested in an oil service company in China and ensured a drilling rig available to facilitate our Morillo drilling program in 2015. A drilling rig has been shipped and arrived Argentina.

- In order to streamline the Group's corporate structure and focus on the upstream business, the Group has entered into agreements in November 2014 to disposal the downstream portfolio for an aggregate consideration of approximately HK$230 million. The first stage of the disposal (i.e., 51% equity interest of Shine Great Investments Limited ("Shine Great")) has been completed on 24 February 2015, and both parties are working on the conditions precedent for the second stage of the disposal (i.e., the remaining 49% equity interest of Shine Great) and look forward to close it once the conditions precedent are satisfied.

- Introduced new business partners to enhance, strengthen our oil trading business and to broaden our customer and supplier bases.

- Successfully restructured the debts portfolio of the Group from short-term borrowings to long-term borrowings, which improved and enhanced the Group's short-term liquidity, and as well provides more flexibility for the Group's future development.

Our continuous and dedicated efforts allow our Company to build a lucrative and balanced oil & gas portfolio with steady growth in revenues through increasing oil production. We have also broadened our financing capability by reaching out to a broader base of equity and debt investors and financial institutions in where we operated and to allow us to deploy capital to generate returns from our current portfolio and to capture attractive opportunities. Our diversity of asset portfolio and management team allows us to mitigate volatility and to excel if and when possible.

Significant oil price drops in late 2014

In late 2014, the West Texas Intermediate ("WTI") oil price dropped sharply from around US$107 high to around US$54 at the end of 2014. The drop was complicated, which covers lot of economic and political factors, including (i) the sanctions of Russia by US and European Union ("EU") since its annexation to Crimea and sending forces into Ukraine; (ii) the 2015 global crude oil will be over-supplied; and (iii) the estimated downward demand in European and Asian countries, etc.

The significant oil price fall created a big challenge to the Group's existing operations, especially those in US. However, the Government of Argentina has expressed its intention to support investments in local oil and gas exploration and development and has reached an agreement with Argentina's major oil producers in respect of an adjustment of the domestic oil price in Argentina to US$72 per barrel effective from 1 January 2015 so as to reduce the negative effect of the volatility of international oil price on the oil and gas exploration and development activities in Argentina in 2015, which representing an approximately 36% premium to the closing WTI oil price as at the end of 2014. Even that, we will still keep our eyes close to the change of international oil price and, when necessary, take appropriate actions and adjustments to our strategies. Since crude oil is still the most desirable and important natural resources in the world, which indicate a steady and sustained increase in demand for mid- to long-term, we believe the low oil price environment will only last for a short period, and would not have significant negative impact regarding our development in our oil and gas assets. In long-term, we are confident that our business will develop and grow healthily, steadily and sustainably.

Looking Forward

The Group enters 2015 by honor our commitment to streamline our downstream business and deliver our clear commitment to our future development in our upstream oil and gas business. We believe the disposal of downstream business can strengthen the Group's liquidity and provide additional resources to develop our upstream business, as well as to serve the best interest to our shareholders.

Looking forward 2015, we are planning to drill at least two exploratory wells in our Morillo concession areas, and look forward to turn certain of our prospective resources into proved and/or probable reserves upon our drillings success, as well as workover the wells in Palmar Largo block to ramp up productions. Furthermore, the Group will continue looking for investment opportunities in Argentina and US to enrich and strengthen our operation and assets portfolios to enhance the Group's future profitability and reserves and/or resources, and would deliver maximum returns to our shareholders.

As the planned investments in 2015 will be significant, the Group has already completed an open offer by end of January 2015 and raised a net proceed of HK$113.9 million. When necessary, the Group will further consider raising additional funds from different sources to ensure the Group can develop and operate healthily, smoothly and continuously.

Appreciation

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

Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 25 March 2015

Management Discussion and Analysis

General Review

The Group's strategy is still at looking around the world, especially in Americas, for undervalued yet high-potential oil and gas assets. During the year, the Group (i) acquired 38.15% participating interest in Palmar Largo block in Argentina; (ii) 42.1% equity interest of Full Charming Limited, which indirectly owned 95% equity interest of an oil service company in China; and (iii) purchased two land lease interests in Utah, US with 2,279 net acres and 440 gross acres respectively. These transactions increased the Group's 1P Reserves and 2P Reserves for approximately 1,322 MBBL and 2,500 MBBL respectively and promised the availability of drilling rig for the 2015 Morillo drilling program. Upon the completion of the Palmar Largo acquisition, it brought an immediate net production of approximately 375 BOPD to the Group, which provides the Group steady and reliable revenue, profit and operational cash inflows.

Consolidated turnover of the Group from continuing operations for the year ended 31 December 2014 was HK$81.11 million (2013 (restated): HK$321.77 million), representing a decrease of 74.79%, which mainly due to the absence of resources-related trading transactions concluded during the year. However, as a result of the completion of Palmar Largo acquisition, the gross profit for the year ended 31 December 2014 from continuing operations has been improved by HK$15.74 million, representing an increase of 614.20% to last year. For the year, the Group recorded a loss attributable to owners of the Company of HK$120.45 million (2013: profit attributable to owners of the Company of HK$3.77 million). The adverse change was mainly due to (i) the absence of extraordinary items of net gain on disposal of oil properties and reversal of impairment losses for the year; (ii) the increase in administrative expenses and finance costs of the Group; and (iii) the under-provision of Argentina corporate income tax for prior year.

Administrative expenses of the Group from continuing operations for the year amounted to HK$135.50 million (2013 (restated): HK$94.91 million), representing an increase of HK$40.59 million in compare with previous year. Staff costs, legal and professional expenses and consultancy fees continue acting as the key components of administrative expenses of the Group.

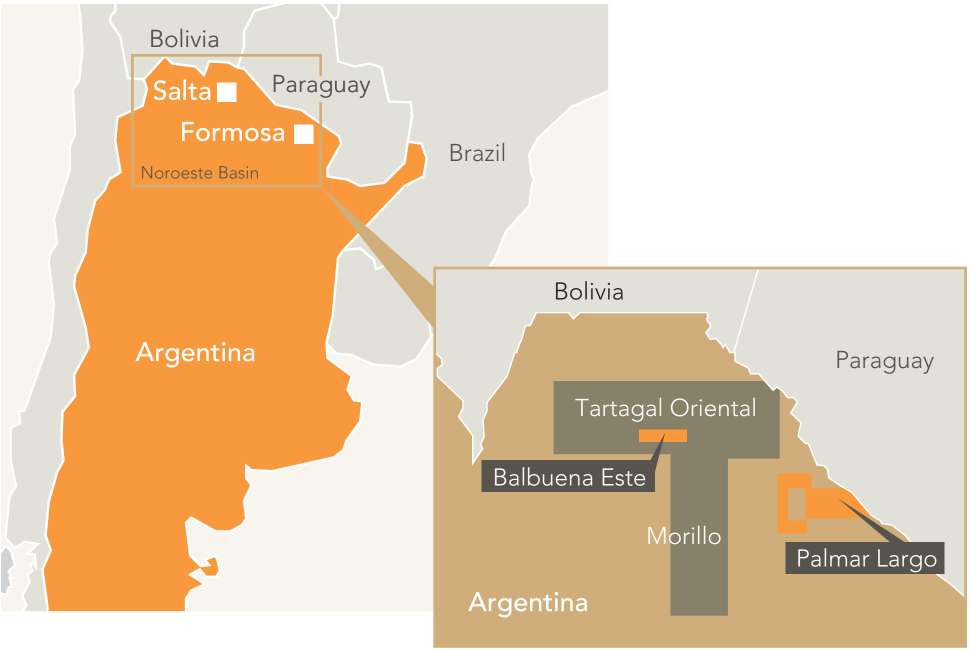
Finance costs of the Group from continuing operations for the year amounted to HK$26.35 million (2013 (restated): HK$16.23 million), representing an increase of HK$10.12 million in compare with previous year. The increase was in line with the increase in interest bearing debts of the Group concluded during the year.

Loss per share for the year was HK9.83 cents (2013: earnings per share of HK0.43 cents). The Board does not recommend any final dividend for this financial year (2013: Nil).

Review of Business Operations

Oilfield Exploration and Exploitation Business

Argentina, Noroeste Basin



Tartagal Oriental and Morillo Concessions

The Tartagal Oriental concession and the Morillo concession (collectively the "**T&M Concessions**"), located in the province of Salta in northern Argentina, covering a total surface area of approximately 7,065 km^2 and 3,518 km^2 respectively, remain the core assets and business of the Group. Through the increase in its stake in last year, the Group now has 69.25% interests in the T&M Concessions.

Exploration, Development and Production in T&M Concessions

During the year, the Group mainly focused on preparatory work for exploratory drillings planned in the Morillo Block and continuing in performing geochemical surveys in the T&M Concessions areas. The T&M Concessions are still in exploration stage, and there has been no development or production activity performed during the year. Development and production activities will commence once drilling supported by exploration data from the T&M Concessions areas suggest that there are commercially viable reserves.

Expenditures incurred for exploration activities during the year are as follows:

Nature of expenditure	Amount HK$'000
Exploration rights	975
Geological and geochemical studies	1,605
Remediation	633
Others	1,059
Total	4,272

Resources update

The following table sets out the best estimates of the Group's net interest in prospective resources in the T&M Concessions areas for the year:

	Oil (in MMBBL)	Gas (in BCF)
Prospective Resources		
As at 1 January 2014	81.99	1,088.13
Technical adjustments	5.61	4.70
As at 31 December 2014	87.60	1,092.83

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

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

Notes:

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

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

(3) The technical report was prepared and updated by Netherland, Sewell & Associates, Inc. ("**NSAI**"), an international independent qualified technical adviser, as of 28 February 2014. As at 31 December 2014, no material change have occurred in the prospective oil and gas resources since the effective date of the NSAI report mentioned and as disclosed in the table above.

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

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

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

Palmar Largo Concession

The Palmar Largo Concession (the "**PL Concession**") is located in Argentina's Noroeste Basin. The PL Concession includes two blocks. The first is the Palmar Largo block, located mainly in the Province of Formosa, covering an area of 1,221.1 km^2. This block holds the most important fields within the PL Concession. The second is the Balbuena Este block located further west in the Province of Salta, covering an area of 161 km^2 and containing the Balbuena Este oilfield. The PL Concession has a term of 25 years from 23 December 1992 to 23 December 2017, and is conditionally extendible for 10 years up to 23 December 2027, and can apply for a further extension of 10 years up to 23 December 2037 after the first extension.

On 26 February 2014, the Group completed its acquisition of 38.15% participating interest of Palmar Largo UTE ("**PL Participating Interest**"), and also become the UTE's operating partner. This acquisition contributed 954 MBBL of 1P Reserves and 1,104 MBBL of 2P Reserves to the Group.

During the year since our acquisition completed, the Group shared from the Palmar Largo UTE around 115 MBBL with an average daily production at around 375 BOPD regarding its PL Participating Interest. The sales of these shared crude oils contributed revenue of HK$80.04 million (2013: HK$Nil) at average selling price of US$77.76 per barrel.

Exploration, Development and Production in PL Concession

Upon completion of the acquisition of PL Participating Interest, after consideration of the geological, geophysical, mechanical and production data from the wells, as well as the proposed workover program from the previous operator of the Oilfield, and received the approval from the Palmar Largo UTE Operating Committee, a workover program for seven wells began in the second quarter of 2014. The workover program was mainly completed in October 2014 and reach daily production high at around 1,210 BOPD for 100% interest of Palmar Largo UTE. Unfortunately, in late 2014, three of the twelve production wells were either reducing or stopped production due to corrosion generating damages to the well casing and some technical issues occurred after the workover program, and resulted in a temporary decrease in daily production to around 829 BOPD as at 31 December 2014. The Group is fixing these problems and hope the production can be resumed soon.

As the PL Concession is a mature area, there is no currently planned activity for further exploration and development although there are a number of interesting prospective locations which are under study for future drilling. The Palmar Largo UTE will still focus on enhance and improve the current production level.

Expenditures incurred from the production activities during the year regarding the Group's PL Participating Interest are as follows:

Nature of expenditure	**Amount** HK$'000
Acquisition costs	103,866
Capital expenditures	3,526
Workover	13,025
Production costs	15,717
Total	136,134

Resources update

The following table sets out the best estimates of the Group's net interest in 2P Reserves in the PL Concession for the year:

	Volume to the end of PL Concession		**Volume to the end of field life**	
	Oil (in MBBL)	**Gas** (in MMCF)	**Oil** (in MBBL)	**Gas** (in MMCF)
2P Reserves				
As at 1 January 2014	**–**	–	**–**	–
Acquisition	**523**	875	**1,104**	1,853
Production/Consumption	**(115)**	(233)	**(115)**	(233)
Discoveries & revisions	**62**	99	**122**	212
As at 31 December 2014	**470**	741	**1,111**	1,832

Notes:

1. The technical report was prepared by MGA Petróleo y Gas S.A., an independent qualified technical consultant, as of 31 December 2014 in accordance with Resolution 324/06 of the National Secretary of Energy (Argentina), which conforms to the definition and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers.

2. The volume to the end of the PL Concession and volume to the end of field life has been estimated based on the assumptions that Palmar Largo UTE will be able to extend the concession period for 10 years up to 23 December 2027 beyond its current expiry date (i.e., 23 December 2017) and will continue to operate the PL Concession to the end of the field life. It is estimated that the 2P Reserves can be produced economically until 2025.

United States
State of Utah, Uinta Basin

Investment in Oil and Gas Properties in Utah, United States

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

Natural Buttes project

During the year, Natural Buttes project had production with an average daily output of 4 barrels (2013: 10 barrels) for the year. There was no exploration and development activities performed during the year. The Group generated a revenue of HK$1.07 million (2013: HK$2.34 million) from the sale of crude oil of 1.8 MBBL (2013: 3.6 MBBL) at an average price of US$77.27 (2013: US$84.97) per barrel. The Group believes, by devoting further capital expenditure to workover these wells, the aggregate production volume from these wells could increase, which may reach approximately 40 to 50 BOPD.

Altamont-Bluebell project

In September 2014, the Group acquired two land lease interests in the Uinta basin with 2,279 net acres and 440 gross acres respectively for a consideration of HK$66.66 million. The purchase of these new acres brought into the Group an additional 368 MBBL 1P Reserves and 1,396 MBBL 2P Reserves.

During the year, the Group is still reworking some wells to achieve for production, and there was no other exploratory, development and production activities performed. The Group will devote more resources and efforts and monitor closely on the rework to get this project starting production in the earliest future.

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

	Natural Buttes project[1] (in MBBL)	**Altamont-Bluebell project**[2] (in MBBL)
2P Reserves		
As at 1 January 2014	273	1,599
Acquisition[3]	–	1,396
Production	(2)	–
Discoveries & revisions	2	–
As at 31 December 2014	273	2,995

Notes:

(1) The technical report was updated by Chapman Petroleum Engineering Limited ("**Chapman**"), an independent qualified technical adviser, as of 31 December 2014 in accordance with the guidelines of Regulation S-X, Rule 4-10(a) of the Securities Exchange Act with respect to the classification of reserves, which conforms to the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers. The report had indicated that a net present value ("**NPV**") analysis had been conducted by them for the purpose of determining the fair value of the Natural Buttes field as of 31 December 2014. The interest of NPV discounted by 10% per annum (PV10) of Natural Buttes field (after income tax) entitled to the Group amounted US$4.72 million (equivalent to HK$36.57 million) (31 December 2013: US$4.87 million (equivalent to HK$37.76 million)). As at 31 December 2014, the carrying amount of the oil and gas properties of the Group in Natural Buttes field was approximately HK$9.93 million (31 December 2013: HK$10.15 million).

(2) The technical reports were updated by Chapman as of 31 December 2013 in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook ("**COGEM**") prepared jointly by the society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society), which conforms to the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers. The reports had indicated that NPV analysis had been conducted by them for the purpose of determining the fair value of the Altamont-Bluebell field as of 31 December 2013. The interest of NPV discounted by 10% per annum (PV10) of Altamont-Bluebell field (after income tax) entitled to the Group amounted US$27.66 million (equivalent to HK$214.52 million). As at 31 December 2014, no material change have been occurred to the 2P Reserves since the effective date of the Chapman reports as mentioned above and in note (3) below.

As at 31 December 2014, the carrying amount of the oil and gas properties of the Group in Altamont-Bluebell field was approximately HK$223.89 million (31 December 2013: HK$156.96 million).

(3) The acquisition was completed on 25 September 2014. As at completion, a technical report was prepared by Chapman as of 31 May 2014 in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook ("**COGEM**") prepared jointly by the society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum (Petroleum Society), which conforms to the definitions and guidelines set forth in the 2007 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, indicated that NPV analysis had been conducted by them for the purpose of determining the fair value of the Altamont-Bluebell field as of 31 May 2014 and the interest of NPV discounted by 10% per annum (PV10) of 2,279 net acres interest located in Altamont-Bluebell area (after income tax) entitled to the Group amounted US$11.36 million (equivalent to HK$88.19 million).

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

Nature of expenditure	**Natural Buttes project** HK$'000	**Altamont-Bluebell project** HK$'000	**Total** HK$'000
Acquisition costs	–	66,663	66,663
Capital expenditures	–	271	271
Development costs	–	3,004	3,004
Production costs	1,875	–	1,875
	1,875	69,938	71,813

Grey Hawk Investment

Grey Hawk Exploration Inc. ("**Grey Hawk**") is a company incorporated under the laws of the province of British Columbia and is engaged in the acquisition, exploration and development of oil and gas properties located in US. As at 31 December 2014, the Group owned 55.63% (31 December 2013: 55.63%) interest in Grey Hawk. The Group plays a role as a pure investor of Grey Hawk and does not involve in any of Grey Hawk's operations. The sole purpose of the Group in this investment is to seek capital appreciation from the successful development of Grey Hawk. As such, the Group classified its Grey Hawk investment as "Available-for-sale investments" and accounted for at cost less impairment losses.

As at 31 December 2014, the carrying value of Grey Hawk investment was HK$4.18 million (31 December 2013: HK$5.11 million). The Group believes that its investment in Grey Hawk could maximise returns to its shareholders.

Downstream Natural Gas Business

In order to streamline the Group's corporate structure and cement its upstream asset base, the Group finally concluded into agreements with the Blue Sky Power Holdings Limited (formerly known as "**China Print Power Group Limited**") (stock code: 06828) in November 2014 regarding the disposal of entire equity interest of Shine Great Investments Limited ("**Shine Great**"), which indirectly holds the entire downstream LNG/CNG business of the Group in China. The first stage of the Disposal (i.e., the enlarged 51% equity interest of Shine Great) was completed on 24 February 2015, and Shine Great and its subsidiaries are ceased to be subsidiaries of the Group and will be deconsolidated from the Group since that date. Both parties are working on the conditions precedent for the second stage of the disposal (i.e., the remaining 49% equity interest of Shine Great) and look forward to close it once the conditions precedent are satisfied.

During the year, the Group recorded sales of HK$7.63 million (2013: HK$1.09 million) from the downstream natural gas business, with gross profit of HK$1.18 million (2013: HK$0.03 million) and has been included in the loss from discontinued operation.

Trading Business

Year 2014 was a very challenging and difficult year for the Group regarding our resource-related trading business. The frequent change in oil commodities market and significant fluctuation of market oil prices, especially the oil price slump in late 2014, lead us to a very challenging position and increased our difficulties in concluding trading contracts with our suppliers and customers. During the year, the Group has devoted lot of efforts in restoring the business, especially through introduction of new business partners to broaden our existing customers and suppliers bases. Although the management of the Group has tried their best to restore the business from the difficult and challenging environments, it is unfortunately that the Group still did not record any sales (2013: HK$318.41 million) and gross profit (2013: HK$5.86 million) in the trading business during the year.

Looking forward, although the decision of the Organisation of the Petroleum Exporting Countries ("OPEC") to maintain the existing daily crude oil production level at 30 million BOPD leads the West Texas Intermediate ("WTI") oil price tumbles to a five-year low of around US$54 per barrel by end of December 2014 since topping around US$107 per barrel in June 2014, we expect the oil price will rebound and growth steadily in a medium to long term. Also, even the global demand is expected to go downward in 2015 based on weaker global economic growth prospects for next year, we still feel positive that the upcoming changes will create a favorable environment and criteria for us to restore and unlock the growth potential of our trading business, and look forward our trading business would be back as normal in the future.

Capital Structure, Liquidity and Financial Resources

The Group mainly financed its operations from its own working capital, short-term borrowings and issue of long-term debt securities for the year ended 31 December 2014.

As at 31 December 2014, the Group's total cash and bank balances (including pledged bank deposits) were approximately HK$21.69 million (31 December 2013: HK$106.14 million), representing a decrease of HK$84.45 million compared with 2013. The decrease was mainly resulted in the net cash outflow from operations and cash considerations paid for acquisitions during the year.

As at 31 December 2014, the total equity of the Group was HK$3,820.98 million (31 December 2013: HK$3,950.90 million) and the net asset value per share was HK$2.76 (31 December 2013: HK$3.38). The debt ratio, calculated by total liabilities divided by total assets, was 15.22% as at 31 December 2014 (31 December 2013: 10.45%).

As at 31 December 2014, the total asset value and net current asset value of the Group were approximately HK$4,507.12 million (31 December 2013: HK$4,411.96 million) and HK$192.49 million (31 December 2013: net current liability value of HK$96.07 million) respectively.

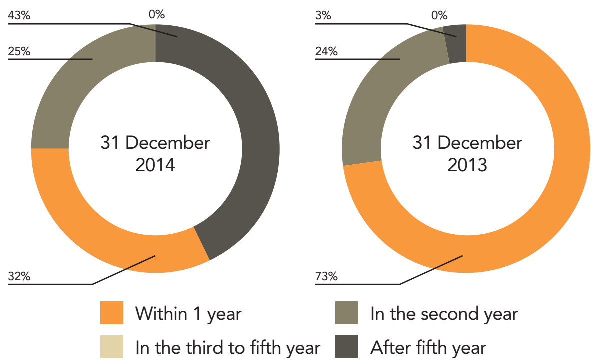
Fund raising activities during the year

On 21 November 2014, the Company proposed an open offer on the basis of one offer share for every two shares held on 31 December 2014 at the subscription price of HK$0.17 per offer share. The open offer was closed on 30 January 2015 and the closing market price on this date was HK$0.206 per share. Net proceeds of approximately HK$113.90 million (equivalent to HK$0.16 per share) were received and is intended to be used, as to approximately HK$35.90 million, for the general working capital and, as to approximately HK$78.00 million, to strengthen the business in Argentina and/or other jurisdiction and to prepare for acquisitions and drillings in Argentina when the suitable opportunities arise.

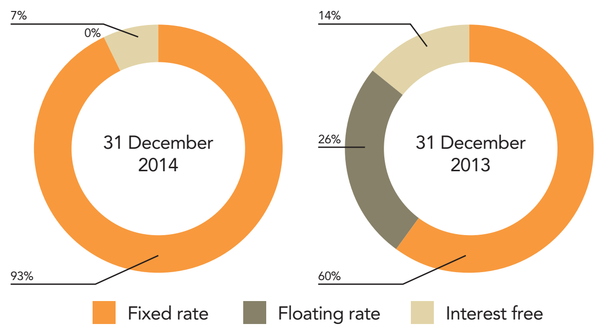
Borrowings

Total borrowings outstanding at 31 December 2014 were HK$483.97 million (31 December 2013: HK$335.54 million), comprising bank and other borrowings, debt securities in issue and obligation under finance lease. The profile of the Group's borrowings as at 31 December 2014 is set out in the tables below:

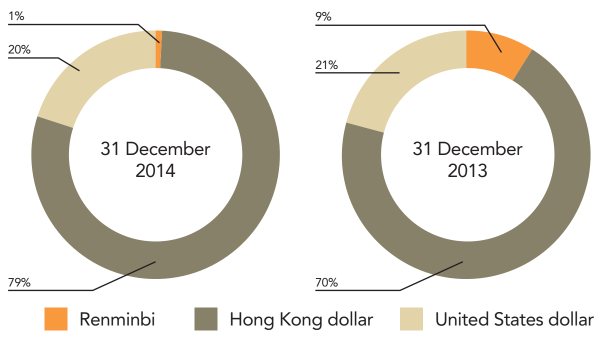
Debt Profile by Maturity



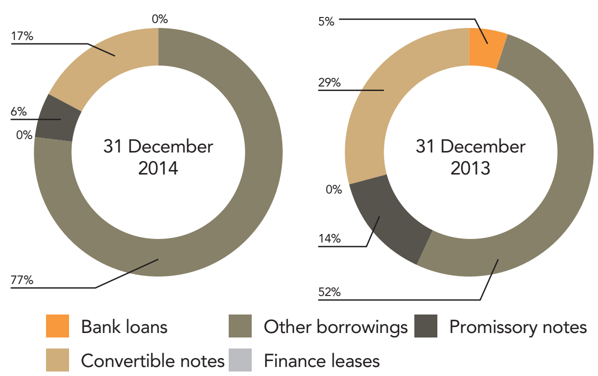
Debt Profile by Interest Rate Structure



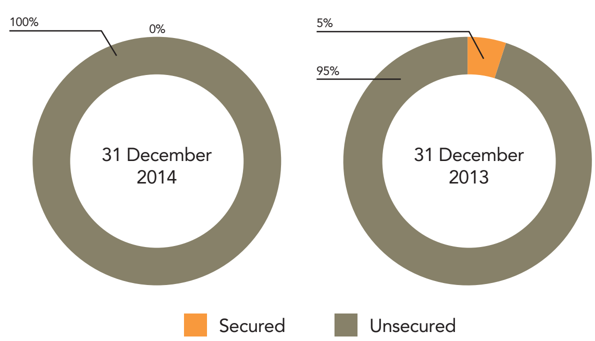
Debt Profile by Currencies



Debt Profile by Types of Borrowings



Debt Profile by Security Nature



Gearing ratio

As at 31 December 2014, the gearing ratio, calculated on the basis of interest bearing borrowings divided by total equity, was 11.83% (31 December 2013: 7.28%).

Charge on Assets

As at 31 December 2014, the Group did not have any charge on its assets. (31 December 2013: Bank deposit of HK$19.03 million was pledged to a bank to secure for a revolving banking borrowing facilities.)

Contingent Liabilities

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

Capital Commitments

Details of the capital commitments of the Group as at 31 December 2014 are set out in note 42(a) to the financial statements.

Foreign Exchange Exposure

Assets and liabilities of the Group are mainly denominated in Hong Kong dollar, Renminbi, United States dollar and Argentine peso. Most of these assets and liabilities are in functional currency of the operations to which the transactions relate. The currencies give rise to the foreign exchange risk is primarily United States dollars and Renminbi. As Hong Kong dollars was pegged to United States dollars and the fluctuation of Renminbi during the period under review is moderate, the Group had minimal exposures to foreign exchange fluctuations. Thus, the Group currently does not have a foreign currency hedging policy. However, the management will monitor the Group's foreign exchange exposure on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise. Details of the Group's exposure to currency risk are set out in note 40(d) to the financial statements.

Employees

As at 31 December 2014, the Group employed a total of 109 (31 December 2013: 120) permanent employees in Hong Kong, PRC, United States and Argentina. Total employee remuneration (including directors' emoluments and benefits) for the year ended 31 December 2014 amounted to HK$38.68 million (2013: HK$27.91 million) representing HK$33.18 million (2013: HK$23.11 million) from continuing operations and HK$5.50 million (2013: HK$4.80 million) from discontinued operation. The Group provides its employees with competitive remuneration packages which were determined by their personal performance, qualifications, experience, and relevant market conditions in the respective geographical locations and businesses in which the Group operates.

Material Acquisition and Disposals

Save as disclosed in notes 5 and 14 to the financial statements, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies during the year.

Significant Investments

(i) Nordaq Energy, Inc.

Nordaq Energy Inc. ("**Nordaq**") is an independent oil and gas company based in Anchorage, Alaska. Nordaq is mainly engaged in explore, appraise and develop hydrocarbon reserves in the State of Alaska, US. Its portfolio includes prospects and resources in the Cook Inlet Basin and North Slope Province.

Upon the successfully bid for several leases during the year, the acreage position of Nordaq increased to approximately 660,000 gross acres by end of year 2014. During the year, Nordaq has also been significantly recapitalised, which increased its options to explore and develop its Cook Inlet Basin assets and allowed it to expand its North Slope acreage. The management of Nordaq believes the North Slope holds significant opportunities as new play types in this world-class petroleum system emerge and become commercial.

The investment was classified as "Available-for-sale investments" and was accounted for at its fair value.

During the year, Nordaq has completed several private placements for consideration at US$15.00 per new share, and hence, our interest in Nordaq has been diluted from 12.33% as at 31 December 2013 to 10.11% as at 31 December 2014. As at 31 December 2014, the carrying value of this investment was HK$100.88 million (31 December 2013: HK$100.88 million).

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

During the year, BCM sold its entire interests in the asset known as University Field to Essex Energy LLC in a private transaction valued at approximately US$2.4 million (equivalent to HK$18.60 million) including the assumption of all liabilities associated with the asset, As a result of this transaction, BCM has regained 100% of the membership interest in BCM Louisiana and will record a non-cash gain of approximately US$113,000 (equivalent to HK$876,000).

In addition, the Group through provision of advisory services to BCM received 566,000 BCM shares as remuneration during the year, which representing 3.81% interest of BCM.

As at 31 December 2014, the Group in aggregate held US$7.75 million (equivalent to HK$60.14 million) (31 December 2013: US$6.95 million (equivalent to HK$53.92 million)) BCM's convertible bonds and 566,000 BCM shares for an aggregate carrying value of HK$68.51 million.

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

Executive Directors

Mr. CHENG Kam Chiu, Stewart, aged 60, was appointed an Executive Director in February 2008 and the Chairman in May 2009. Mr. Cheng holds a Bachelor's degree in Civil and Environmental Engineering from the University of Wisconsin-Madison; a Master's degree in Civil Engineering from the University of California, Berkeley, USA; and a Master's degree in Business Administration from the Chinese University of Hong Kong. Being a member of The Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

Mr. Cheng joined Hip Hing Construction Company Limited in 1984 as a project manager and was subsequently appointed a director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as a director and an assistant general manager, overseeing property development in the PRC. He was a director of NWS Service Management Limited from 1997 to 2006, and was mainly responsible for the construction and the electrical and mechanical engineering businesses and pursuing business opportunities in the PRC. Mr. Cheng is the managing director of Cheung Hung Development (Holdings) Limited, principally engaging in property development in both Hong Kong and the PRC. He is currently an executive director of International Entertainment Corporation and was an executive director of Grand T G Gold Holdings Limited from November 2008 to May 2009, which shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

Mr. CHENG Ming Kit, aged 40, was appointed an Executive Director in October 2009 and the Chief Executive Officer in March 2012. Mr. Cheng holds a Bachelor's degree in Commerce from the University of Alberta, Canada and a Master's degree in Business Administration from the University of North Carolina, Charlotte.

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

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

Non-executive Director

Mr. HEFFNER, Paul Lincoln, aged 50, was appointed a Non-executive Director in October 2013. He has extensive experience in asset management, direct investments and entrepreneurial ventures.

Mr. Heffner is co-Founder, chief executive officer and managing partner of Adamas Asset Management (HK) Limited ("Adamas"), a licensed corporation to carry out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance. Adamas is an award winning investment firm focused on collateralized lending to growth enterprises in Greater China and absolute return strategies focused on developed markets in Asia. Adamas manages USD, RMB and JPY funds for institutional investors, family offices and shareholders of their listed company on the London Stock Exchange (ADAM.LN). The award winning investment team comprises over 30 professionals with offices in Hong Kong and Shanghai, combining significant China/Asia investment experience with global capital market exposure, deep industry knowledge and unique relationships with leading State Owned Enterprises, entrepreneurs, and government relationships.

Prior to starting Adamas, Mr. Heffner was a partner at Ajia Partners which managed over US$2.5 billion in assets and before Ajia Partners, Mr. Heffner was a managing director for a family office in Hong Kong responsible for all technology, media and telecommunication investments. He was previously an associate director with Morgan Stanley Private Wealth Management in New York and Hong Kong and has 20 years of investment experience in Hong Kong.

Mr. Heffner obtained his Master's Degree in Business Administration from Columbia Business School and graduated with Honors in Asian Studies from Trinity College in Hartford, Connecticut. Mr. Heffner was the former President of Columbia Alumni Association Hong Kong and is current board advisor.

Independent Non-executive Directors

Mr. WONG Man Kong, Peter, *BBS, JP*, aged 66, was re-designated as an Independent Non-executive Director in May 2013. He acted as a Non-executive Director from February 2008 to May 2013. Mr. Wong holds a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture) from the University of California, Berkeley, USA. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region, and was an awardee of the "Young Industrialist Award of Hong Kong". Mr. Wong is a deputy to the National People's Congress of the People's Republic of China. He is also the standing committee vice chairman of Hong Kong Pei Hua Education Association, the executive chairman of China Chamber of Tourism, a director of Ji Nan University, and a senior member of The University of Hong Kong Foundation for Educational Development and Research.

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

Mr. CHAN Chi Yuen, aged 48, was re-designated as an Independent Non-executive Director in May 2012. He acted as an Executive Director and the Chairman from May to October 2006 and a Non-executive Director from October 2006 to May 2012. Mr. Chan holds a Bachelor's degree with honors in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, and an associate of the Institute of Chartered Accountants in England and Wales. He is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited, South East Group Limited and Co-Prosperity Holdings Limited, and an independent non-executive director of Asia Energy Logistics Group Limited, Rex Global Entertainment Holdings Limited (formerly known as "China Gamma Group Limited"), Jun Yang Solar Power Investments Limited, Media Asia Group Holdings Limited and U-RIGHT International Holdings Limited, which shares are listed on the Stock Exchange. Mr. Chan was an executive director of Kong Sun Holdings Limited from December 2011 to September 2013 and an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011 and China Sandi Holdings Limited from September 2009 to July 2014 respectively.

Mr. YUNG Chun Fai, Dickie, aged 62, was appointed an Independent Non-executive Director in March 2013. Mr. Yung holds a Master's degree in Business Administration from the University of East Asia, Macau. He is a member of the Institute of Management and a fellow of the Chartered Management Institute. Mr. Yung has been engaged in finance and banking businesses for over 25 years. He was the chief deputy executive of Industrial & Commercial Bank of China (Macau) Limited and a director, deputy general manager and alternate chief executive of Industrial & Commercial International Holdings Limited, a wholly owned subsidiary of Industrial & Commercial Bank of China Limited.

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

Information on Senior Management and Professional Team

Senior Management

Chief Operating Officer

Mr. Qin Ru-Guo, aged 53, joined the Group as the Chief Operating Officer in April 2013. He graduated from Mechanical Engineering Department of Northeast Petroleum University and holds a Master's degree in Engineering Management from Xi'an University of Technology. He has over 30 years of experience in the oil and gas industry. Mr. Qin previously served in various senior positions at several group companies of China National Petroleum Corporation ("CNPC") respectively. He has rich experiences in the Oil and gas industry, oil and gas field exploitation, engineering and oil field technology, natural gas market development, sales of oil and project management and investment. He has established strong network with the petroleum and natural gas experts, research units and corporates. In 2009, Mr. Qin was appointed the general manager of the Guizhou branch of CNPC Kunlun Natural Gas Utilization Company Limited and led the natural gas pipeline network development project in the province.

Vice President — Business Development

Mr. Bian Shao-Qin, aged 49, was appointed the Vice President of Business Development of the Group in December 2012. He holds a Bachelor's degree in petroleum reservoir exploration engineering from China Petroleum National University. Mr. Bian has over 27 years of experience in the oil and gas industry. He is familiar with the operations and management of oil and gas projects, equipment, technology, development and application. He previously served at China National Petroleum Corporation, China Petroleum and Chemical Corporation (Sinopec) and SPT Energy.

Vice President — Operations

Mr. Manley Poon, aged 41, was appointed the Vice President of Operations of the Group in October 2012. He is responsible for the business development of the North America and Argentina projects of the Group. He holds a Bachelor of Arts degree in Economics from the University of Tennessee, USA. Mr. Poon has over 10 years of business experience. He previously worked at well-known accounting and consulting firms, during which he provided business and operational consulting services to multinational corporations, state-owned enterprises and private equity funds in the United States and the PRC, focusing in the natural resources industries.

Vice President — Operations

Mr. Wang Yuan, aged 50, was appointed the Vice President of Operations of the Group in September 2013. He is responsible for the business development of the Group in the United States. He holds a Bachelor of Science degree in Mechanical Engineering from Daqing Petroleum Institute, a Master of Science degree in Mechanical Engineering from China University of Petroleum, a Master of Science degree in Petroleum Engineering from the University of Alaska Fairbanks and a Master of Science degree in Computer Science from Southwest Texas State University. Mr. Wang has over 15 years of experience in the oil and gas industry. Before joining the Group, he worked as a leading engineer or project manager in pipeline projects. He has also worked in MCS Kenny, Shell and Dell Computer.

Senior Vice President — Corporate Finance

Mr. Wan Tat Bond, aged 35, joined the Group in April 2013 and is currently the Senior Vice President of Corporate Finance of the Group. He holds a Bachelor of Arts degree from the University of British Columbia and a Master of Business Administration degree from the Chinese University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 8 years of experiences in audit and financial due diligence before joining the Group.

Financial Controller

Mr. Lai Chi Fung, aged 34, joined the Group in April 2012 and is currently the Financial Controller of the Group. He holds a Bachelor of Business Administration degree with honours in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 8 years of professional experience in accounting and auditing.

Company Secretary

Ms. Tsang Tsz Ying, Fion, aged 30, was appointed the Company Secretary in November 2013. She holds a Bachelor of Arts degree with honours in Translation and Chinese and a Master of Science degree in Professional Accounting and Corporate Governance. She is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Tsang has over 8 years of experience in company secretarial field.

Professional Team

Chief Geology Consultant

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

Oil and Gas Advisory Council

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

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

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

The directors (the "Directors") of New Times Energy Corporation Limited (the "Company") submit herewith their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2014.

Principal Activities

The principal activity of the Company is investment holding. The activities and other particulars of its principal subsidiaries are set out in note 20 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the year are set out in note 4(b) to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 55 to 59.

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

Closure of Register of Members

The register of members of the Company will be closed on Monday, 29 June 2015, for the purpose of determining shareholders' entitlement to attend and vote at the annual general meeting, during which day no transfers of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 26 June 2015.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 175.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Convertible Notes

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

Warrants

On 16 July 2012, pursuant to the conditional warrant subscription agreement dated 29 May 2012 entered into between the Company and Max Sun Enterprises Limited ("Max Sun"), the substantial shareholder of the Company, a total of 100,000,000 unlisted warrants was issued by the Company to Max Sun at an issue price of HK$0.02 conferring the rights to subscribe for an aggregate of 100,000,000 shares at an exercise price of HK$1.05 per share. Such unlisted warrants shall be due on 15 July 2017. As at 31 December 2014, no warrant was exercised.

On 5 July 2013, pursuant to the subscription agreement dated 19 June 2013 and the supplemental agreement dated 27 June 2013 entered into between the Company and Asia Private Credit Fund Limited (the "Investor"), a company incorporated in the Cayman Islands with limited liability, a total of 34,370,000 unlisted warrants was issued by the Company to the Investor at nil consideration conferring the rights to subscribe for an aggregate of 34,370,000 shares at an exercise price of HK$0.66 per share. Such unlisted warrants shall be due on 4 July 2016. As at 31 December 2014, no warrant was exercised.

Bank and Other Borrowings

Particulars of bank and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 31 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 39(c) to the financial statements.

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(a) to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

As at 31 December 2014, the Company had no retained profits available for cash distribution and/or distribution in specie. Pursuant to the Company Act 1981 of Bermuda (as amended), the Company's contribution surplus of HK$740,880,000 is currently not available for distribution. The Company's share premium account of HK$3,434,864,000 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

During the year, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 99.91% and the largest customer accounted for approximately 52.32% of the Group's total turnover from continuing operations for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 53.79% and the largest suppliers accounted for approximately 19.62% of the Group's total purchases from continuing operations for the year.

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

Transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

During the year ended 31 December 2014, the Group conducted the following transactions:

Continuing Connected Transactions

1. On 7 January 2010, Rich Result Limited, a wholly-owned subsidiary of the Company, had entered into a car park agreement (the "Previous Car Park Agreement") with New World Tower Company Limited (the "Landlord"), a wholly-owned subsidiary of New World Development Company Limited, for the lease of Car Parking Space No. 412, New World Tower, 16-18 Queen's Road Central, Hong Kong (the "Car Park Space") at a monthly fee of HK$4,000 with a commencement date on 11 January 2010, and the tenant of which was replaced by Jumbo Hope Group Limited ("Jumbo Hope"), another wholly-owned subsidiary of the Company, on 21 March 2013. On 30 April 2014, Jumbo Hope entered into with the Landlord a renewal agreement (the "Existing Car Park Agreement") to renew the existing licence under the Previous Car Park Agreement (which has been superseded) for a term of four (4) months commencing on 1 May 2014 and expiring on 31 August 2014 (both dates inclusive) in respect of the Car Park Space. The relevant license fee is HK$19,200 for a term of four (4) months. The term of the licence thereunder shall be automatically extended unless either party gives notice to the other party to terminate the Existing Car Park Agreement.

2. An offer letter of tenancy (the "Previous Tenancy Offer Letter") was entered into between Jumbo Hope and the Landlord for the lease of an office unit at Room 1007-08, 10/F, New World Tower I, 16-18 Queen's Road Central, Hong Kong for a term of three years commencing on 12 December 2012 and due on 11 December 2015, at a monthly rental of HK$96,915 (exclusive of air-conditioning and management charges and government rates). Such tenancy was terminated with effect from 30 April 2014 under the surrender agreement entered into between Jumbo Hope and the Landlord on 30 April 2014.

3. On 28 February 2014, Jumbo Hope entered into with the Landlord the following documents:–

    (i) a tenancy agreement (the "Tenancy Agreement A") in respect of the lease of the office unit at Room 1401, 14/F, New World Tower I, 16-18 Queen's Road Central, Hong Kong (the "Premises A") with effect from 1 March 2014 to 31 May 2014 (both dates inclusive), at a monthly rental of HK$182,192 per month (exclusive of air-conditioning and management charges and government rates), to be equally borne by Jumbo Hope and Cheung Hung Development (Holdings) Limited;

    (ii) an offer letter of the tenancy (the "Tenancy Offer Letter B") in respect of the lease of the office unit at Room 1402, 14/F, New World Tower I, 16-18 Queen's Road Central, Hong Kong for a term commencing from 15 March 2014 to 14 March 2017 (both dates inclusive), at a monthly rental of HK$57,155 (exclusive of services charges and government rates); and

    (iii) an offer letter of a tenancy renewal (the "Tenancy Offer Letter C") in respect of the lease of Premises A for a term commencing from 1 June 2014 to 31 May 2017 (both dates inclusive), at a monthly rental of HK$174,155 (exclusive of service charges and government rates), to be equally borne by Jumbo Hope and Cheung Hung Development (Holdings) Limited.

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

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

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

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

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

The Board, including the Independent Non-executive Directors, also confirmed that:

(a) the aggregate amount for the year ended 31 December 2014 did not exceed the annual cap amount of HK$1,500,000 for the fee paid by the Group under the Previous Car Park Agreement and the Existing Car Park Agreement and the rent and the air-conditioning and management charges paid by the Group under the Previous Tenancy Offer Letter as disclosed in the announcement of the Company dated 4 December 2012, 28 February 2014 and 11 March 2014;

(b) the aggregate amount for the year ended 31 December 2014 did not exceed the annual cap amount of HK$300,000 for the rent and the air-conditioning and management charges paid by the Group under the Tenancy Agreement A as disclosed in the announcement of the Company dated 28 February 2014 and 11 March 2014;

(c) the aggregate amount for the year ended 31 December 2014 did not exceed the annual cap amount of HK$520,000 for the rent and the services charges paid by the Group under the Tenancy Offer Letter B as disclosed in the announcement of the Company dated 28 February 2014 and 11 March 2014; and

(d) the aggregate amount for the year ended 31 December 2014 did not exceed the annual cap amount of HK$680,000 for the rent and the services charges paid by the Group under the Tenancy Offer Letter C as disclosed in the announcement of the Company dated 28 February 2014 and 11 March 2014.

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

Save as disclosed above, the transactions as set out in notes 41(c)(ii) to the financial statements fall within Rule 14A.31(2) of the Listing Rules and each constitutes a *de minimis* continuing connected transactions which were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Related Party Transactions

Save as disclosed above, the remaining related party transactions as set out in note 41 to the financial statements under the heading of "Material Related Party Transactions" did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Management Contracts

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

Directors

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

Executive Directors
Mr. Cheng Kam Chiu, Stewart *(Chairman)*
Mr. Cheng Ming Kit *(Chief Executive Officer)*
Mr. Wong Tai Cheung, Andrew *(Chief Financial Officer) (resigned on 21 May 2014)*

Non-executive Director
Mr. Heffner, Paul Lincoln

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

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

Retirement and Re-Election of Directors

In accordance with bye-law 87(1) of the Bye-laws, Mr. Cheng Kam Chiu, Stewart, Mr. Chan Chi Yuen and Mr. Yung Chun Fai, Dickie shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' Service Contracts

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

Director's Interests in Contracts of Significance

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

Directors' Interests and Short Positions in Securities

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

(a) Long positions of Directors' interests in ordinary shares of the Company

Name of Director	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of interests held*
Mr. Cheng Ming Kit	Beneficial owner	1,000	0.00%

(b) Long positions of Directors' interests in underlying ordinary shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of share options held**	Approximate percentage of interest held*
Mr. Cheng Kam Chiu, Stewart	Beneficial owner	6,172,000	0.45%
Mr. Cheng Ming Kit	Beneficial owner	6,172,000	0.45%
Mr. Heffner, Paul Lincoln	Beneficial owner	6,172,000	0.45%
Mr. Wong Man Kong, Peter	Beneficial owner	617,000	0.04%
Mr. Chan Chi Yuen	Beneficial owner	617,000	0.04%
Mr. Yung Chun Fai, Dickie	Beneficial owner	617,000	0.04%
Mr. Chiu Wai On	Beneficial owner	617,000	0.04%

* The approximate percentage of interests held was calculated on the basis of 1,385,023,995 ordinary shares of the Company as at 31 December 2014.

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

Save as disclosed above, as at 31 December 2014, to the knowledge of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Right to Acquire Shares or Debentures

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

Directors' Interests in Competing Businesses

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

Directors' Remuneration and Five Individuals with Highest Emoluments

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

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 36 to the financial statements.

Share Option Scheme

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

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

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

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

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

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

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

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

During the year, no share options were granted nor cancelled under the Share Option Scheme. A total of 1,244,000 share options were exercised and 21,436,000 share options were lapsed under the Share Option Scheme. As at 31 December 2014, share options were outstanding under the Share Option Scheme entitling the holders to subscribe for 21,384,000 shares of the Company, which represented approximately 1.54% of the shares in issue at that date. Details of share options held by the eligible participants and movements in such holdings during the year ended 31 December 2014 are as follows:

				Number of options				
Category of grantees	**Date of grant**	**Exercise Period (both days inclusive)**	**Exercise Price (HK$)**	**Balance at beginning of the year**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Balance at the end of the year**
Director								
Mr. Cheng Kam Chiu, Stewart	10.8.2012	10.8.2012–21.7.2014	1.10	4,500,000	–	–	(4,500,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	6,172,000	–	–	–	6,172,000
Mr. Cheng Ming Kit	10.8.2012	10.8.2012–21.7.2014	1.10	3,000,000	–	–	(3,000,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	6,172,000	–	–	–	6,172,000
Mr. Heffner, Paul Lincoln	30.12.2013	30.12.2013–29.12.2015	0.75	6,172,000	–	–	–	6,172,000
Mr. Wong Man Kong, Peter	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	(450,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	617,000	–	–	–	617,000
Mr. Chan Chi Yuen	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	(450,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	617,000	–	–	–	617,000
Mr. Yung Chun Fai, Dickie	30.12.2013	30.12.2013–29.12.2015	0.75	617,000	–	–	–	617,000
Mr. Chiu Wai On	10.8.2012	10.8.2012–21.7.2014	1.10	450,000	–	–	(450,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	617,000	–	–	–	617,000
Employees	11.6.2012	11.6.2012–10.6.2014	1.00	480,000	–	–	(480,000)	–
	10.8.2012	10.8.2012–21.7.2014	1.10	190,000	–	–	(190,000)	–
	24.1.2013	24.1.2013–23.1.2016	0.99	400,000	–	–	–	400,000
Other participants	11.6.2012	11.6.2012–10.6.2014	1.00	2,472,000	–	–	(2,472,000)	–
	10.8.2012	10.8.2012–21.7.2014	1.10	630,000	–	(506,000)	(124,000)	–
	24.1.2013	24.1.2013–23.1.2016	0.99	3,788,000	–	(738,000)	(3,050,000)	–
	14.6.2013	14.6.2013–13.6.2015	0.80	98,000	–	–	(98,000)	–
	30.12.2013	30.12.2013–29.12.2015	0.75	6,172,000	–	–	(6,172,000)	–
				44,064,000	–	(1,244,000)	(21,436,000)	21,384,000

Notes:

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

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

Interests and Short Positions of Substantial Shareholders

As at 31 December 2014, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were taken or deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

(a) Long positions of substantial shareholders' interests in the ordinary shares of the Company

Name of shareholders	Capacity/ Nature of interests	Number of ordinary shares held	Approximate percentage of interests held *(Note (iii))*
Max Sun Enterprises Limited ("Max Sun") *(Note (i))*	Beneficially owned	259,647,110	18.75%
Chow Tai Fook Nominee Limited ("CTFNL") *(Note (ii))*	Interests in a controlled corporation	259,647,110	18.75%

(b) Long positions of substantial shareholder's interests in the underlying ordinary shares of the Company

Name of shareholders	Capacity/ Nature of interests	Number of underlying ordinary shares held *(Note (iv))*	Approximate percentage of interests held *(Note (iii))*
Max Sun *(Note (i))*	Beneficially owned	100,000,000	7.22%
CTFNL *(Note (ii))*	Interests in a controlled corporation	100,000,000	7.22%

Notes:

(i) The entire issued share capital of Max Sun is legally and beneficially owned by CTFNL.

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

(iii) The approximate percentage of interests held was calculated on the basis of 1,385,023,995 ordinary shares of the Company as at 31 December 2014.

(iv) The long positions in underlying ordinary shares represent the interests held by Max Sun in 100,000,000 warrants at an exercise price of HK$1.05 per share (subject to adjustment). Each warrant carries the right to subscribe for one share within 5 years from the date of issue.

Save as disclosed above, as at 31 December 2014, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register kept by the Company under Section 336 of the SFO.

Public Float

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

Auditors

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") resigned as auditors of the Company on 16 September 2014. Messrs. KPMG ("KPMG") was appointed as the new auditors of the Company on 16 September 2014 to fill the vacancy arising from the resignation of Crowe Horwath and to hold office until the conclusion of the annual general meeting. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The financial statements for the year ended 31 December 2014 have been audited by KPMG who retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company.

By order of the Board
Cheng Kam Chiu, Stewart
Chairman

Hong Kong, 25 March 2015

Corporate Governance Report

Corporate Governance Code

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

The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. In the opinion of the Directors, the Company was in compliance with the applicable code provisions of the CG Code for the year ended 31 December 2014 and, where appropriate, the applicable recommended best practices of the CG Code, save and except for the following deviations:

Code Provision A.4.1

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

Code Provision A.6.7

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

Model Code for Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

Board of Directors

Composition

As at 31 December 2014, the Board comprised two Executive Directors, being Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit; one Non-executive Director, being Mr. Heffner, Paul Lincoln; and four Independent Non-executive Directors, being Mr. Wong Man Kong, Peter, Mr. Chan Chi Yuen, Mr. Yung Chun Fai, Dickie and Mr. Chiu Wai On. Mr. Wong Tai Cheung, Andrew resigned as Executive Director and Chief Financial Officer on 21 May 2014.

The Directors have brought a balance of valuable and diversified business and professional expertise, experiences and independent judgement to the Board for its efficient and effective management of the Company's business.

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

Relationship amongst Directors

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

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

Board diversity

During the year, the Company adopted a Board Diversity Policy (the "Policy") which sets out the approach to diversify the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional and industry experience, skills, knowledge, and any other factors that the Board might consider relevant and applicable.

The Nomination Committee has set the measurable objectives based on gender, age, cultural and educational background, professional experience and skills and knowledge for the implementation of Board diversity of the Company. The Nomination Committee and the Board will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

Having reviewed the Policy and taken into account the measurable objectives, the Nomination Committee and the Board considered that the Board's composition has complied with the requirement of the Policy during the year.

Responsibilities of the Board

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

Corporate governance functions

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

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

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

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

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

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

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

Number of Board Meetings and Directors' Attendance

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

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

Details of the Directors' attendance at the Company's general meetings and the regular Board meetings held during the year of 2014 are set out below:

	Meetings attended/held		
Name of Director	**Regular Board Meeting** *(Note)*	**Annual General Meeting** *(Note)*	**Special General Meetings** *(Note)*
Executive Directors			
Mr. Cheng Kam Chiu, Stewart	4/4	1/1	5/5
Mr. Cheng Ming Kit	2/4	0/1	2/5
Mr. Wong Tai Cheung, Andrew *(resigned on 21 May 2014)*	1/1	0/0	0/2
Non-executive Director			
Mr. Heffner, Paul Lincoln	3/4	1/1	2/5
Independent Non-executive Directors			
Mr. Wong Man Kong, Peter	2/4	1/1	0/5
Mr. Chan Chi Yuen	3/4	1/1	3/5
Mr. Yung Chun Fai, Dickie	4/4	1/1	5/5
Mr. Chiu Wai On	4/4	1/1	5/5

Note: The attendance figure represents actual attendance/the number of meetings a Director was entitled to attend during his tenure as a Director during the year of 2014.

To further maximise the contribution from non-management Directors, a separate meeting between the Chairman and Non-Executive Directors (including Independent Non-executive Directors) was held in December 2014 to address business and related issues of the Group.

Chairman and Chief Executive Officer

During the year of 2014, Mr. Cheng Kam Chiu, Stewart and Mr. Cheng Ming Kit performed the role of the Chairman and the Chief Executive Officer ("CEO") respectively. Their roles and responsibilities are clearly defined and segregated to reinforce their independence and accountability.

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

Independent Non-executive Directors

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

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

Appointment and re-election of Directors

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

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

Induction, Information and Continuous Professional Development

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

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

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as Directors. For the year ended 31 December 2014, all Directors have attended the training session arranged by the Company, except Mr. Cheng Ming Kit and Mr. Heffner, Paul Lincoln as they were out of town. The Directors have also attended external seminars and/or other training sessions.

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

Board Committees

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

Remuneration Committee

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

The Remuneration Committee is mainly responsible for making recommendations on and approving the remuneration policy and structure and remuneration packages of the Executive Directors and the senior management of the Group. Details of the authority and duties of the Remuneration Committee are available on the Company's website.

During the year of 2014, the Remuneration Committee convened two meetings to review the remuneration package of the Directors and senior management. Members and their attendance are as follows:

Name of Director	**Meetings attended/held**
Mr. Chan Chi Yuen *(Chairman)*	2/2
Mr. Cheng Kam Chiu, Stewart	0/2
Mr. Heffner, Paul Lincoln	1/2
Mr. Wong Man Kong, Peter	2/2
Mr. Yung Chun Fai, Dickie	1/2
Mr. Chiu Wai On	2/2

Nomination Committee

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

The Nomination Committee is responsible for, amongst other things, identifying individuals suitably qualified to become Board members, considering the re-appointment of Directors, reviewing the Board's diversity policy and relevant implementation of the diversity policy, and making recommendations to the Board in respect of the aforesaid matters. Details of the authority and duties of the Nomination Committee are available on the Company's website.

During the year of 2014, the Nomination Committee convened one meeting to review the structure, size, composition and diversity of the Board and to consider, nominate and recommend re-appointment of Directors. Members and their attendance are as follows:

Name of Director	**Meetings attended/held**
Mr. Chan Chi Yuen *(Chairman)*	1/1
Mr. Cheng Kam Chiu, Stewart	1/1
Mr. Heffner, Paul Lincoln	1/1
Mr. Wong Man Kong, Peter	0/1
Mr. Yung Chun Fai, Dickie	1/1
Mr. Chiu Wai On	1/1

Audit Committee

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

The main duties of the Audit Committee include reviewing the financial statements and reports and considering any significant or unusual financial items; overseeing the relationship between the Company and the external auditors; and reviewing the adequacy and effectiveness of the Company's internal control. Details of the authority and duties of the Audit Committee are on the Company's website.

During the year of 2014, the Audit Committee held three meetings, inter alia, to review the 2013 annual results and the 2014 interim results of the Group; to discuss the change of auditors of the Company; and to review the Group's internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function. During the year of 2014, the Audit Committee met the external auditor once without the presence of the management to discuss any areas of concerns. Members and their attendance are as follows:

Name of Director	**Meetings attended/held**
Mr. Chiu Wai On *(Chairman)*	3/3
Mr. Wong Man Kong, Peter	1/3
Mr. Chan Chi Yuen	3/3
Mr. Yung Chun Fai, Dickie	3/3

Accountability and Audit

Financial reporting

The Directors acknowledge their responsibility 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 applicable disclosure requirements of the Listing Rules, the Hong Kong Companies Ordinance and other applicable regulatory requirements, 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.

The Directors have reviewed the Group's cash flow projections, which cover a period of twelve months from the reporting period end date, i.e. 31 December 2014. They are of the opinion that, taking into account the following measures, the Group will have sufficient working capital to meet its financial obligations when they fall due and committed future capital expenditures within the next twelve months from the reporting period end date:

(i) In January 2015, the Company completed an open offer of 692,511,997 shares at a price of HK$0.17 per share and received the net proceeds of approximately HK$113,900,000;

(ii) The subscription and Transaction I relating to the disposal of Shine Great Investments Limited (see note 5 to the financial statements for details) were completed on 24 February 2015. The Group received convertible bonds issued by Blue Sky Power Holdings Limited for principal amount of HK$77,805,000;

(iii) In March 2015, the Group has received confirmations from several lenders of the Group in aggregate principal of HK$15,000,000 to extend certain debts, which to be matured within the next twelve months from the reporting period end date for a period of not less than twelve months upon request by the Company;

(iv) In March 2015, the Group has obtained facilities from existing lenders for an aggregate of approximately HK$130,823,000; and

(v) The Group would plan to obtain additional financing to fulfill obligations of the Group, including but not limited to (i) considering raising funds from existing and potential investors for any proposed financial arrangements; (ii) obtaining additional borrowings from the existing and potential lenders; and/or (iii) rescheduling the capital expenditures and minimising general and administrative expenses, when necessary.

As a result, the Directors have concluded that the combination of these circumstances no longer represents a material uncertainty which may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

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

The reporting responsibilities of the external auditors, Messrs KPMG ("KPMG"), are set out in the Independent Auditor's Report on pages 53 to 54 to this annual report.

Auditors' remuneration

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by KPMG and Crowe Horwath (HK) CPA Limited ("Crowe Horwath") (who has resigned as the auditors of the Group on 16 September 2014) and considered that such services have no adverse effect on the independence of their audit works.

A summary of audit and non-audit services provided by KPMG and Crowe Horwath for the year ended 31 December 2014 and their corresponding remuneration is as follows:

Nature of services	**Amount**
	HK$'000
KMPG	
Audit services for the year ended 31 December 2014	4,100
Review of preliminary announcement of results for the year ended 31 December 2014 and continuing connected transactions for the year of 2014	200
Others	240
Crowe Horwath	
Tax review	33
Other services	1

Internal Controls

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

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

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

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

Company Secretary

Ms. Tsang Tsz Ying, Fion is the Company Secretary of the Company.

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

For the year ended 31 December 2014, Ms. Tsang confirmed that she has taken no less than 15 hours of relevant professional training.

Shareholders

Communications with Shareholders

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

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

Shareholders' rights

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

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

Shareholders' enquiries and proposals

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

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

Environment, Social and Governance Report

This is the first environmental, social and governance report (the "Report") to be presented by New Times Energy Corporation Limited (the "Company"), and is based on the guidelines set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The reporting period covered by the Report is from 1 January 2014 to 31 December 2014. The Report is prepared voluntarily, and its aim is to inform the Company's stakeholders about the policies and strategies that have been put in place or are being developed to create and maintain a business that is ethically operated, environmentally and socially conscious, and provides excellent workplace conditions for its employees. These aspects of our business activities are all directly and importantly linked to the Company's wider business objectives and strategies.

The Company and its subsidiaries (collectively the "Group") is a listed group based in Hong Kong, with investments and businesses in Argentina and in the states of Louisiana, Utah, and Alaska in the United States. This Report mainly focuses on matters directly relating to the Group's core operations and activities in Hong Kong.

Within the Company's operations in Hong Kong, we work to foster a corporate culture that embraces the highest standards of corporate governance, environmental responsibility and social care. This goal is reflected in our stated core corporate values, which include the aim of creating value with integrity, responsibility and sustainability. A vital part of this is encapsulated in our commitment to embrace talent, show respect and understanding for each other, foster a spirit of teamwork, and live in harmony with our local community.

Within the Company, it is the directors who are responsible for developing policies and procedures in relation to caring for employees, embracing sustainability, and contributing to the wider community. Due to the small size of the Company's Hong Kong operations, no separate department for handling corporate social responsibility matters has been set up.

Looking after employees

The Company values its employees and does its utmost to provide them with an excellent working environment and conditions, with the aim of building a committed, loyal and long-term team. The Group is in full compliance with all the relevant laws and regulations (where applicable) governing fair employment practices.

As at 31 December 2014, there were a total of 109 permanent employees working for the Group in Hong Kong, the PRC, the United States and Argentina.

The Group is fully committed to equal-opportunity employment practices, and the result of its commitment can be identified in the good balance of male and female employees working for the Company. Salary levels are based on qualifications, experience, skills and performance, and pay rates are competitive for the market.

Following completion of a standard probationary period of three months, the employees of the Company in Hong Kong are provided with a package of medical benefits that include hospitalization cover, and surgical and outpatient benefits.

Given the small number of employees in Hong Kong, management enjoys a close working relationship with individual employees. Problems or grievances are currently discussed based on an 'open door' policy, which to date has enabled issues to be handled efficiently and has helped strengthen internal relationships. Communication between employees in the United States and Argentina is also highly effective, making for excellent working relationships and a solid collaborative platform.

The Company has adopted a policy on disclosure of inside information aimed at regulating the disclosure of inside information concerning the Group, establishing a systematic disclosure mechanism, ensuring the truthfulness, accuracy, completeness, legality, timeliness and fairness of information disclosure, and protecting the legitimate interests of the Company's shareholders, creditors and other relevant interested parties.

Environmental protection

The Company's Hong Kong operations are primarily for management and administrative activities. The Company strives to operate as sustainable a manner as possible in its local regions, by implementing green office practices that include but are not limited to the use of recycled paper, the switching off of lights, computers and electrical appliances when not in use, and the setting of office room temperatures at a reasonable level to increase air-conditioning efficiency and avoid unnecessary waste of electric power.

All operations in the Group are strictly in compliance with relevant and applicable environmental laws and regulations in Hong Kong, the United States, and Argentina.

In addition, employees in the United States follow the relevant city and community recycling regulations, and utilize energy-saving devices in the workplace.

Community involvement

In 2014, the Company aligned itself with 'Ethical consumption', an initiative in support of social enterprises. Our participation in this worthy social cause involved promoting ethical consumption within the company, and participating in various TECM (Tithe Ethical Consumption Movement) activities during the year.

In the United States, employees also participated in activities such as environment protection initiatives within local communities, as well as engaging in industrial networking to share work and ethical experience.

As time goes on, we expect to extend our community engagement activities and find more ways of giving back to the community of which we are a part.

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEW TIMES ENERGY CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of New Times Energy Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 55 to 174, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Independent Auditor's Report

Opinion

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2015

Consolidated Statement of Profit or Loss

For The Year Ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Continuing operations:			
Turnover	4	**81,105**	321,770
Cost of sales		**(62,800)**	(319,207)
Gross profit		**18,305**	2,563
Other revenue	6	**10,853**	8,981
Other net income	6	**47,638**	73,230
Administrative expenses		**(135,497)**	(94,910)
Other net operating (expenses)/income		**(2,247)**	12,480
(Loss)/profit from operations		**(60,948)**	2,344
Finance costs	7(a)	**(26,346)**	(16,231)
Share of losses of joint ventures	22	**(960)**	(232)
Loss before taxation from continuing operations	7	**(88,254)**	(14,119)
Income tax	8	**(6,352)**	(400)
Loss from continuing operations		**(94,606)**	(14,519)
Discontinued operation:			
Loss from discontinued operation, net of tax	5(a)	**(27,517)**	(17,304)
Loss for the year		**(122,123)**	(31,823)
Attributable to:			
Owners of the Company:			
(Loss)/profit for the year from continuing operations		**(94,268)**	20,043
Loss for the year from discontinued operation		**(26,180)**	(16,272)
(Loss)/profit for the year attributable to owners of the Company		**(120,448)**	3,771
Non-controlling interests:			
Loss for the year from continuing operations		**(338)**	(34,562)
Loss for the year from discontinued operation		**(1,337)**	(1,032)
Loss for the year attributable to non-controlling interests		**(1,675)**	(35,594)
Loss for the year		**(122,123)**	(31,823)
(Loss)/earnings per share	13(a)		
Basic (HK cent)		**(9.83)**	0.43
Diluted (HK cent)		**(9.83)**	0.43
(Loss)/earnings per share – continuing operations	13(b)		
Basic (HK cent)		**(7.70)**	2.28
Diluted (HK cent)		**(7.70)**	2.28

The notes on pages 63 to 174 form part of these financial statements. Details of dividends payable to owners of the Company are set out in note 39(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Loss for the year		**(122,123)**	(31,823)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas and PRC subsidiaries		**(87,429)**	(94,070)
Available-for-sale investments: net movement in the fair value reserve		**726**	8,680
Other comprehensive income for the year		**(86,703)**	(85,390)
Total comprehensive income for the year		**(208,826)**	(117,213)
Attributable to:			
Owners of the Company		**(219,627)**	(95,475)
Non-controlling interests		**10,801**	(21,738)
Total comprehensive income for the year		**(208,826)**	(117,213)

The notes on pages 63 to 174 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Exploration and evaluation assets	15	**3,474,804**	3,523,992
Property, plant and equipment	16	**96,982**	44,246
Lease prepayments	17	**–**	3,384
Intangible assets	18	**211,015**	222,692
Goodwill	19	**512**	33,620
Interest in associates	21	**–**	15,225
Interest in joint ventures	22	**55,419**	2,681
Convertible notes receivables	24	**9,395**	53,922
Available-for-sale investments	25	**110,476**	105,988
Prepayments, deposits and other receivables	27	**56,034**	204,249
Deferred tax assets	37(b)	**1,301**	–
Total non-current assets		**4,015,938**	4,209,999
Current assets			
Inventories	26	**9,282**	2,517
Lease prepayments	17	**–**	146
Trade and other receivables	27	**97,304**	92,678
Convertible notes receivables	24	**53,688**	–
Current tax recoverable	37(a)	**6,153**	483
Pledged bank deposits	28	**–**	19,031
Cash and cash equivalents	29	**21,693**	87,104
Assets held for sale	5(c)	**303,058**	–
Total current assets		**491,178**	201,959
Current liabilities			
Trade and other payables	30	**58,774**	57,441
Bank and other borrowings	31	**73,410**	175,731
Promissory notes payables	32	**–**	47,697
Convertible notes payables	33	**82,774**	16,718
Obligations under finance leases	34	**–**	79
Current tax payable	37(a)	**–**	358
Liabilities held for sale	5(c)	**83,726**	–
Total current liabilities		**298,684**	298,024
Net current assets/(liabilities)		**192,494**	(96,065)
Total assets less current liabilities		**4,208,432**	4,113,934

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Bank and other borrowings	31	**297,203**	15,286
Promissory notes payables	32	**30,579**	–
Convertible notes payables	33	**–**	79,767
Obligations under finance leases	34	**–**	261
Deferred tax liabilities	37(b)	**47,322**	64,348
Provisions	38	**12,353**	3,373
Total non-current liabilities		**387,457**	163,035
NET ASSETS		**3,820,975**	3,950,899
CAPITAL AND RESERVES			
Share capital	39(c)	**13,850**	584,999
Reserves		**3,831,171**	3,400,747
Total equity attributable to owners of the Company		**3,845,021**	3,985,746
Non-controlling interests		**(24,046)**	(34,847)
TOTAL EQUITY		**3,820,975**	3,950,899

Approved and authorised for issue by the board of directors on 25 March 2015.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 63 to 174 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	20	**3,783,074**	3,598,610
Convertible notes receivables	24	**1,288**	5,548
Available-for-sale investments	25	**5,422**	–
Total non-current assets		**3,789,784**	3,604,158
Current assets			
Prepayments, deposits and other receivables	27	**781,472**	810,347
Convertible notes receivables	24	**8,440**	–
Cash and cash equivalents	29	**7,425**	77,712
Total current assets		**797,337**	888,059
Current liabilities			
Other payables	30	**11,079**	20,933
Bank and other borrowings	31	**34,982**	118,827
Promissory notes payables	32	**–**	47,697
Convertible notes payables	33	**82,774**	16,718
Total current liabilities		**128,835**	204,175
Net current assets		**668,502**	683,884
Total assets less current liabilities		**4,458,286**	4,288,042
Non-current liabilities			
Bank and other borrowings	31	**223,822**	15,286
Promissory notes payables	32	**30,579**	–
Convertible notes payables	33	**–**	79,767
Total non-current liabilities		**254,401**	95,053
NET ASSETS		**4,203,885**	4,192,989
CAPITAL AND RESERVES			
Share capital	39(c)	**13,850**	584,999
Reserves		**4,190,035**	3,607,990
TOTAL EQUITY		**4,203,885**	4,192,989

Approved and authorised for issue by the board of directors on 25 March 2015.

Cheng Kam Chiu, Stewart
Director

Cheng Ming Kit
Director

The notes on pages 63 to 174 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Fair value reserve HK$'000	Contributed surplus HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013	338,208	3,206,691	5,053	9,591	(45,685)	(1,509)	444,747	1,801	(119,550)	3,839,347	(43,142)	3,796,205
Profit/(loss) for the year	–	–	–	–	–	–	–	–	3,771	3,771	(35,594)	(31,823)
Other comprehensive income	–	–	–	–	(107,926)	8,680	–	–	–	(99,246)	13,856	(85,390)
Total comprehensive income for the year	–	–	–	–	(107,926)	8,680	–	–	3,771	(95,475)	(21,738)	(117,213)
Equity-settled share-based payments	–	–	10,597	–	–	–	–	–	–	10,597	–	10,597
Issue of consideration shares (note 39(c)(ii))	10,725	4,934	–	–	–	–	–	–	–	15,659	–	15,659
Shares issued under share option scheme (note 39(c)(iii))	12,582	16,660	(4,881)	–	–	–	–	–	–	24,361	–	24,361
Lapse of share options granted under share option scheme	–	–	(657)	–	–	–	–	–	657	–	–	–
Shares issued upon conversion of convertible notes (note 39(c)(iv))	80,341	84,663	–	–	–	–	–	–	–	165,004	–	165,004
Shares issued under placements, net of issuing costs (note 39(c)(v))	35,500	27,270	–	–	–	–	–	–	–	62,770	–	62,770
Subscription of new shares (note 39(c)(vi))	62,267	12,667	–	–	–	–	–	–	–	74,934	–	74,934
Shares issued for acquisition of a subsidiary (note 14(b))	45,376	9,076	–	–	–	–	–	–	–	54,452	–	54,452
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(490)	(490)
Acquisition of subsidiaries (note 14(a)(i))	–	–	–	–	–	–	–	–	–	–	25,842	25,842
Acquisition of additional interests in non-wholly owned subsidiaries	–	–	–	–	–	–	–	–	(165,903)	(165,903)	4,681	(161,222)
Balance at 31 December 2013	584,999	3,361,961	10,112	9,591	(153,611)	7,171	444,747	1,801	(281,025)	3,985,746	(34,847)	3,950,899
Balance at 1 January 2014	584,999	3,361,961	10,112	9,591	(153,611)	7,171	444,747	1,801	(281,025)	3,985,746	(34,847)	3,950,899
Loss for the year	–	–	–	–	–	–	–	–	(120,448)	(120,448)	(1,675)	(122,123)
Other comprehensive income	–	–	–	–	(99,905)	726	–	–	–	(99,179)	12,476	(86,703)
Total comprehensive income for the year	–	–	–	–	(99,905)	726	–	–	(120,448)	(219,627)	10,801	(208,826)
Issue of consideration shares (note 39(c)(ii))	4,704	48,319	–	–	–	–	–	–	–	53,023	–	53,023
Shares issued under share option scheme (note 39(c)(iii))	622	675	(10)	–	–	–	–	–	–	1,287	–	1,287
Lapse of share options granted under share option scheme	–	–	(7,865)	–	–	–	–	–	7,865	–	–	–
Capital reduction (note 39(c)(vii))	(577,158)	–	–	–	–	–	296,133	–	281,025	–	–	–
Shares issued for acquisition of a joint venture (note 22)	683	23,909	–	–	–	–	–	–	–	24,592	–	24,592
Balance at 31 December 2014	13,850	3,434,864	2,237	9,591	(253,516)	7,897	740,880	1,801	(112,583)	3,845,021	(24,046)	3,820,975

The notes on pages 63 to 174 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before taxation		**(117,911)**	(31,423)
Adjustments for:			
Depreciation		**12,189**	1,518
Amortisation of intangible assets		**14,910**	1,081
Amortisation of lease prepayments		**230**	6
Interest income		**(6,104)**	(5,740)
Interest expense		**33,246**	16,940
Foreign exchange (gain)/loss, net		**(21,601)**	731
Gain on disposal of property, plant and equipment		**(35)**	(2,728)
Gain on disposal of intangible assets		**–**	(16,780)
Gain on disposal of subsidiaries		**–**	(18)
Gain on bargain purchase		**(16,861)**	(25,188)
Deemed loss on dilution of interest in available-for-sale investments		**–**	25
Impairment loss on available-for-sale investments		**934**	2,646
Reversal of impairment loss on convertible notes receivables		**–**	(15,456)
Net fair value gain on financial derivative instruments		**(8,328)**	(1,234)
Share-based payment (income)/expenses		**(1,655)**	10,597
Share of loss of associates		**2,773**	–
Share of loss of joint ventures		**960**	232
Changes in working capital:			
Decrease in inventories		**302**	1,592
(Increase)/decrease in trade and other receivables		**(48,877)**	5,697
Increase/(decrease) in trade and other payables		**47,377**	(43,261)
Cash used in operations		**(108,451)**	(100,763)
Interest paid		**(25,871)**	(4,621)
Interest received		**900**	1,349
Income tax paid		**(16,031)**	(1,036)
Net cash used in operating activities		**(149,453)**	(105,071)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment		**(40,567)**	(3,094)
Payment for purchase of exploration and evaluation assets		**(1,663)**	(2,488)
Payment for purchase of intangible assets		**–**	(1,961)
Payment for purchase of lease prepayments		**(2,343)**	–
Payment of deposit for potential investment		**–**	(48,536)
Net cash outflows from acquisition of subsidiaries		**–**	(36,436)
Net cash outflows from acquisition of joint operation	14(a)	**(44,690)**	–
Net cash inflows from disposal of subsidiaries		**–**	18
Convertible notes receivables acquired		**(775)**	(44,623)
Proceeds from disposal of property, plant and equipment		**42**	–
Net cash used in investing activities		**(89,996)**	(137,120)
Financing activities			
Proceeds from bank and other borrowings		**251,681**	159,977
Repayment of bank and other borrowings		**(70,499)**	(56,626)
Repayment of promissory notes		**(20,811)**	(3,500)
Capital element of finance lease rentals paid		**(99)**	(74)
Interest element of finance lease rentals paid		**(20)**	(25)
Issue of convertible notes		**–**	50,000
Issue of new shares, net of transaction costs		**1,287**	162,065
Decrease/(increase) in pledged deposits		**19,031**	(19,031)
Capital contributions from non-controlling shareholders		**–**	736
Net cash generated from financing activities		**180,570**	293,522
Net (decrease)/increase in cash and cash equivalents		**(58,879)**	51,331
Cash and cash equivalents at 1 January	29	**87,104**	36,050
Effect of foreign exchange rate changes		**(2,666)**	(277)
Cash and cash equivalents reclassified as assets held for sale	5(c)	**(3,866)**	–
Cash and cash equivalents at 31 December	29	**21,693**	87,104

The notes on pages 63 to 174 form part of these financial statements.

1 Background Information

New Times Energy Corporation Limited ("the Company") is a limited liability company incorporated in Bermuda and its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Room 1402, 14/F., New World Tower 1, 16-18 Queen's Road Central, Hong Kong respectively. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in: (i) trading of oil products; (ii) exploration, exploitation, production and sale of natural resources; and (iii) distribution of natural gas (classified as a discontinued operation).

2 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures.

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

– Financial instruments classified as available-for-sale (see note 2(h)); and

– Derivative financial instruments (see note 2(i)).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(aa)).

2 Significant Accounting Policies *(Continued)*

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

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

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

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

For the year ended 31 December 2014, the Group incurred a net loss of HK$94,606,000 from continuing operations. As at 31 December 2014, the Group had net current assets of HK$192,494,000 (2013: net current liabilities of HK$96,065,000), which include net assets from disposal group held for sale of HK$219,332,000 (see note 5). The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures.

In determining the appropriate basis of preparation of the financial statements, the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the reporting period end date. They are of the opinion that, taking into account the following measures, the Group will have sufficient working capital to meet its financial obligations when they fall due and committed future capital expenditures within the next twelve months from the reporting period end date:

(i) In January 2015, the Company completed an open offer of 692,511,997 shares at a price of HK$0.17 per share and received the net proceeds of approximately HK$113,900,000;

(ii) The Subscription and Transaction I relating to the disposal of Shine Great Investments Limited (see note 5 for details) were completed on 24 February 2015. The Group received convertible bonds issued by Blue Sky Power Holdings Limited for principal amount of HK$77,805,000;

(iii) In March 2015, the Group has received confirmations from several lenders of the Group in aggregate principal of HK$15,000,000 to extend certain debts, which to be matured within the next twelve months from the reporting period end date for a period of not less than twelve months upon request by the Company;

(iv) In March 2015, the Group has obtained facilities from existing lenders for an aggregate of approximately HK$130,823,000; and

(v) The Group would plan to obtain additional financing to fulfill obligations of the Group, including but not limited to (i) considering raising funds from existing and potential investors for any proposed financial arrangements; (ii) obtaining additional borrowings from the existing and potential lenders; and/or (iii) rescheduling the capital expenditures and minimising general and administrative expenses, when necessary.

2 Significant Accounting Policies *(Continued)*

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

As a result, the directors have concluded that the combination of these circumstances no longer represents a material uncertainty which may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Changes in presentation

Effective on 1 March 2014, as a result of acquisition of 38.15% participating interest in Palmar Largo block (see note 14(a)), the Group has re-aligned its presentation on reportable segments by combining the "Exploration of natural resources" segment and "Oil exploration and production" segment into a new "Upstream" segment, which is further evaluated on a geographical basis at its activities carried in. The management considers the current presentation is more appropriate and consistent with the internal reporting provided to the Group's most senior executive management. The comparative information has been restated to conform to the current year presentation of segment information.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period with the exception of the Amendments to HKFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*, which provide guidance on the accounting for acquisitions of interest in joint operations in which the activity constitutes a business. These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in HKFRS 3, *Business Combination*, to apply all of the principles on business combinations accounting and disclose all information required in HKFRS 3. To the extent of the early adoption of these amendments, the Group has accounted for the acquisition of interest in joint operation as a business combination and has provided those disclosures in note 14(a). Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

2 Significant Accounting Policies *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on these financial statements as the Group has not recognised or reversed any impairment loss for non-financial assets during the year.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK (IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 Significant Accounting Policies *(Continued)*

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2 (r) or (s) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

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

(e) Joint arrangement and associates

The Group is a party of joint arrangement when it exercises joint control over arrangement by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control. The joint arrangement is either a joint operation or a joint venture depending on the rights and obligations of the parties to the arrangement.

In relation to interest in joint operations, the Group recognises: (i) its assets, including its share of any assets held jointly, (ii) liabilities, including its share of any liabilities incurred jointly, (iii) revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operations, and (v) its expenses, including its share of any expenses incurred jointly.

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

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

2 Significant Accounting Policies *(Continued)*

(e) Joint arrangement and associates *(Continued)*

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

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

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

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

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

2 Significant Accounting Policies *(Continued)*

(f) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 2(d)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arise is tested annually for impairment (see note 2(n)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(g) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant Accounting Policies *(Continued)*

(h) Other investments in debt and equity securities

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

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

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

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 2(n)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(n)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 2(x)(ii) and (iii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised / derecognised on the date the Group commits to purchase / sell the investments or they expire.

2 Significant Accounting Policies *(Continued)*

(i) Derivative financial instruments

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

(j) Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are carried at cost less any accumulated impairment losses (see note 2(n)), no depreciation and/or amortisation is charged during the exploration and evaluation phase. Exploration and evaluation costs are accumulated on a field-by-field basis. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are recognised in profit or loss.

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

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

2 Significant Accounting Policies *(Continued)*

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(n)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(z)).

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

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

Leasehold improvements	4-5 years
Machinery	5-10 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	3-5 years

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

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

2 Significant Accounting Policies *(Continued)*

(l) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(n)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its useful life is as follows:

Operation rights	30 years

Amortisation of rights on oil sharing and oil exploration rights are calculated on unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

Both the period and method of amortisation are reviewed annually.

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

(m) Leased assets

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

(i) Classification of assets leased to the Group

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

2 Significant Accounting Policies *(Continued)*

(m) Leased assets *(Continued)*

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(n) Impairment of assets

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

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

2 Significant Accounting Policies *(Continued)*

(n) Impairment of assets *(Continued)*

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

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

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

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

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

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

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

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

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 Significant Accounting Policies *(Continued)*

(n) Impairment of assets *(Continued)*

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

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

(ii) Impairment of exploration and evaluation assets

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

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

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

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

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

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount in accordance with note 2(n)(iii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(iii).

2 Significant Accounting Policies *(Continued)*

(n) Impairment of assets *(Continued)*

(iii) Impairment of other assets

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

– property, plant and equipment;

– lease prepayments;

– intangible assets;

– goodwill; and

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2 Significant Accounting Policies *(Continued)*

(n) Impairment of assets *(Continued)*

(iii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(n)(i), (ii), and (iii)).

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

(o) Inventories

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

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

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

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

(p) Trade and other receivables

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

2 Significant Accounting Policies *(Continued)*

(q) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

(ii) Other convertible notes

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

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

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

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

2 Significant Accounting Policies *(Continued)*

(r) Interest-bearing borrowings

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

(s) Trade and other payables

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

(t) Cash and cash equivalents

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

(u) Employee benefits

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

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

(ii) Share-based payments

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

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

2 Significant Accounting Policies *(Continued)*

(u) Employee benefits *(Continued)*

(iii) Termination benefits

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

(v) Income tax

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

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

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

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

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

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

2 Significant Accounting Policies *(Continued)*

(v) Income tax *(Continued)*

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

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

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

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

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

  – the same taxable entity; or

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

2 Significant Accounting Policies *(Continued)*

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

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

2 Significant Accounting Policies *(Continued)*

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

(iii) Other provisions and contingent liabilities

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

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

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises or collected by the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Dividends

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

(iii) Interest income

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

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Significant Accounting Policies *(Continued)*

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange difference relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(z) Borrowing costs

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

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

(aa) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

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

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

2 Significant Accounting Policies *(Continued)*

(aa) Non-current assets held for sale and discontinued operations *(Continued)*

(i) Non-current assets held for sale (Continued)

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

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

(ii) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Significant Accounting Policies (Continued)

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

3 Accounting Judgements and Estimates

Notes 24, 25 and 33 contain information about the assumptions and their risk factors relating to valuation of convertible notes receivables, available-for-sale investments and convertible notes payables. Other key sources of estimation uncertainty are as follows:

(i) Oil and gas properties and reserves

Engineering estimates of the Group's oil and gas resources and reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved". Proved and probable reserves estimates are updated at least annually and take into account recent production and technical information about each field. In addition, as prices and cost levels change from year to year, the estimate of proved and probable reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Future dismantlement costs for oil and gas properties are estimated with reference to engineering estimates after taking into consideration the anticipated method of dismantlement required in accordance with industry practices in similar geographic area, including estimation of economic life of oil and gas properties, technology and price level. The present values of these estimated future dismantlement costs are capitalised as oil and gas properties with equivalent amounts recognised as provisions for dismantlement costs.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expense, impairment expense and future dismantlement costs. Depreciation rates are determined based on estimated proved and probable reserve quantities (the denominator) and capitalised costs of producing properties (the numerator). Producing properties' capitalised costs are amortised based on the units of oil and gas produced.

(ii) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include exploration and evaluation assets, property, plant and equipment, lease prepayments, intangible assets, goodwill and investments in joint ventures and associates, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

3 Accounting Judgements and Estimates *(Continued)*

(iii) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iv) Depreciation and amortisation

Property, plant and equipment and intangible assets, other than oil production assets, oil exploration rights and rights on oil sharing, are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

(v) Income tax

The Group is subject to various taxes in Hong Kong, PRC, Argentina and United States where the group entities operate. Judgment is required in determining the provision for current and deferred tax. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises tax liabilities based on the historical experience and with reference to the tax rules and regulations enacted at the reporting period end date. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

4 Turnover and Segment Reporting

(a) Turnover

The principal activities of the Group are (i) trading of oil products and (ii) exploration, exploitation, production and sale of natural resources.

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

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Sale from trading of oil products	**–**	318,410
Sale of oil products under oil exploration and production	**81,105**	3,360
	81,105	321,770

The Group's customer base includes three (2013: two) customers with whom transactions have exceeded 10% of the Group's revenues. The amounts of individual customer are disclosed as follows:

	2014 HK$'000	2013 HK$'000
Customer 1	**42,487**	–
Customer 2	**19,471**	–
Customer 3	**11,339**	–
Customer 4	**–**	175,785
Customer 5	**–**	142,625

Details of concentrations of credit risk arising from these customers are set out in note 40(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Details of the Group's reportable segments as follows:

- General trading: This segment includes trading of oil products and non-ferrous metal. Currently the Group's activities in this regard are carried out in Hong Kong and the People's Republic of China ("PRC").

4 Turnover and Segment Reporting *(Continued)*

(b) Segment reporting *(Continued)*

- Upstream: This segment is engaged in the exploration, exploitation, production and sale of crude oil. It is further evaluated on a geographic basis. Currently the Group's activities in this regard are carried out in Argentina and the United States ("US").

- Distribution of natural gas (classified as a discontinued operation (see note 5)): This segment is engaged in the sales and the transmission of natural gas in PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, available-for-sale investments, deferred tax assets and unallocated corporate assets. Segment liabilities include all the liabilities with the exception of convertible notes payables, promissory notes payables, obligations under finance leases and unallocated corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expense arising from the activities of the Group's joint operations.

Segment profit/(loss) represents the profit earned/loss resulted by each segment without allocation of share of losses of associates and joint ventures, unallocated interest expense and other net expense in corporate head office. This is the measure reported to the Group's most senior executive management for the purpose of resources allocation and assessment of segment performance.

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

4 Turnover and Segment Reporting *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year is set out below:

			Upstream									
	General trading		Argentina		US		Sub-total		Distribution of natural gas (discontinued operation)		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue (note)	**-**	318,410	**80,040**	–	**1,065**	3,360	**81,105**	3,360	**7,633**	1,085	**88,738**	322,855
Reportable segment (loss)/profit	**(10)**	765	**2,444**	10,339	**(18,438)**	50,379	**(15,994)**	60,718	**(26,884)**	(17,304)	**(42,888)**	44,179
Depreciation and amortisation	**-**	4	**17,078**	205	**221**	161	**17,299**	366	**9,866**	2,203	**27,165**	2,573
Interest income	**-**	4	**169**	–	**4,924**	3,801	**5,093**	3,801	**57**	620	**5,150**	4,425
Interest expense	**-**	790	**55**	–	**-**	70	**55**	70	**6,900**	708	**6,955**	1,568
Impairment loss of												
– trade and other receivables	**-**	–	**-**	31	**-**	–	**-**	31	**1**	2,559	**1**	2,590
– property, plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	18	**-**	18
Reportable segment assets	**1,268**	6,096	**3,658,020**	3,582,000	**310,083**	221,527	**3,968,103**	3,803,527	**290,703**	265,181	**4,260,074**	4,074,804
Additions to non-current segment assets during the year	**-**	–	**3,244**	2,808	**68,889**	157,602	**72,133**	160,410	**49,609**	105,523	**121,742**	265,933
Reportable segment liabilities	**-**	(358)	**(35,240)**	(7,208)	**(58,083)**	(58,049)	**(93,323)**	(65,257)	**(83,465)**	(96,317)	**(176,788)**	(161,932)

Note: Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both the current and prior years.

4 Turnover and Segment Reporting *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Revenue		
Reportable segment revenue	**88,738**	322,855
Less: discontinued operation	**(7,633)**	(1,085)
Consolidated turnover	**81,105**	321,770
(Loss)/profit		
Reportable segment (loss)/profit	**(42,888)**	44,179
Unallocated interest expense	**(26,291)**	(15,372)
Other net expense in corporate head office	**(44,999)**	(59,998)
Share of post–tax losses of joint ventures	**(960)**	(232)
Less: reportable segment loss from discontinued operation	**26,884**	17,304
Consolidated loss before taxation from continuing operations	**(88,254)**	(14,119)

	2014 HK$'000	2013 HK$'000
Assets		
Reportable segment assets	**4,260,074**	4,074,804
Interest in joint ventures	**55,419**	2,681
Interest in associates	**12,355**	15,225
Available–for–sale investments	**110,476**	105,988
Deferred tax assets	**1,301**	–
Unallocated corporate asset		
– Cash and cash equivalents	**8,214**	78,175
– Other receivables	**48,740**	129,493
– Convertible notes receivables	**9,729**	5,548
– Others	**808**	44
Consolidated total assets	**4,507,116**	4,411,958

4 Turnover and Segment Reporting *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2014 HK$'000	2013 HK$'000
Liabilities		
Reportable segment liabilities	**(176,788)**	(161,932)
Convertible notes payables	**(82,774)**	(96,485)
Promissory notes payables	**(30,579)**	(47,697)
Obligations under finance leases	**(261)**	(340)
Unallocated corporate liabilities		
– Bank and other borrowings	**(370,614)**	(144,374)
– Others	**(25,125)**	(10,231)
Consolidated total liabilities	**(686,141)**	(461,059)

(iii) Geographical information

The Group's operations are located in Hong Kong, mainland China, Argentina and US.

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

	Revenues from external customers		Specified non–current assets	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Hong Kong	**–**	–	**17,764**	448
Mainland China	**7,633**	319,495	**53,489**	215,700
Argentina	**80,040**	–	**3,584,068**	3,660,587
US	**1,065**	3,360	**237,470**	170,751
Australia	**–**	–	**1,975**	2,603
	88,738	322,855	**3,894,766**	4,050,089

5 Disposal Group Held for Sale and Discontinued Operation

On 7 October 2014, Shine Great Investments Limited ("Shine Great"), an indirect wholly-owned subsidiary of the Company and Goldlink Capital Limited ("Goldlink"), a direct wholly-owned subsidiary of Blue Sky Power Holdings Limited ("Blue Sky") entered into a subscription agreement pursuant to which a total of 1,453,790 subscription shares of Shine Great representing approximately 14.54% of the enlarged issued share capital of 10,000,000 shares shall be subscribed by Goldlink at a cash consideration of HK$37,800,000 ("Subscription").

On 7 October 2014, Total Belief Limited ("Total Belief"), a direct wholly-owned subsidiary of the Company and the parent company of Shine Great, and Goldlink entered into a sale and purchase agreement ("Shine Great Agreement") pursuant to which Goldlink conditionally agreed to acquire and Total Belief conditionally agreed to sell the entire equity interest in Shine Great ("Disposal"). The Disposal will be completed in two transactions as follows:

Transaction I: sale of 36.46% of 10,000,000 enlarged shares of Shine Great to Goldlink

Transaction II: sale of 49.00% of 10,000,000 enlarged shares of Shine Great to Goldlink

The consideration for Transaction I shall be satisfied by a cash consideration of HK$17,000,000 and the issue of convertible bonds by Blue Sky to Total Belief in the principal amount of HK$77,805,000 upon the fulfillment of certain conditions precedent.

The consideration for Transaction II shall be satisfied by the issue of convertible bonds by Blue Sky to Total Belief in the principal amount of HK$135,240,000 upon the fulfillment of certain conditions precedent. The principal amount of convertible bonds in Transaction II will be adjusted in case of any shortfall between (i) revenue guarantee as defined in the Shine Great Agreement ("Revenue Guarantee") and the actual consolidated revenue of Shine Great for the year ending 31 December 2015 ("Actual Revenue"), and/or (ii) profit guarantee as defined in the Shine Great Agreement ("Profit Guarantee") and the actual consolidated profit of Shine Great for the year ending 31 December 2015 ("Actual Profit"). The principal amount of the convertible bonds will be adjusted from HK$135,240,000 to HK$133,888,000 if the shortfall is within 20%. Otherwise, the principal amount of the convertible bonds will be adjusted from HK$135,240,000 to HK$132,535,000.

The consideration for Transaction II shall be satisfied by Blue Sky within 10 business days after (i) the fulfillment of the conditions precedent, and (ii) an independent auditor having reviewed the Actual Revenue and Actual Profit on or before 30 June 2016. The consideration for Transaction II may be amended from time to time.

The Subscription and Transaction I were completed on 24 February 2015.

Shine Great and its subsidiaries ("Shine Great Operation") carried out the Group's operation in distribution of natural gas business segment. On 22 December 2014, the Disposal was approved by the shareholders of the Company. Accordingly, the Shine Great Operation has been presented as a discontinued operation in the consolidated statement of profit or loss and the assets and liabilities in connection with the Shine Great Operation have been classified as a disposal group held for sale since 22 December 2014. The comparative consolidated statement of profit or loss has been restated to show the discontinued operation separately from continuing operations.

5 Disposal Group Held for Sale and Discontinued Operation *(Continued)*

(a) Results of discontinued operation

	2014 HK$'000	2013 HK$'000
Revenue	**7,633**	1,085
Expenses	**(34,517)**	(18,389)
Share of losses of associates	**(2,773)**	–
Loss before taxation	**(29,657)**	(17,304)
Income tax	**2,140**	–
Loss for the year	**(27,517)**	(17,304)
Attributable to:		
Owners of the Company	**(26,180)**	(16,272)
Non–controlling interests	**(1,337)**	(1,032)
	(27,517)	(17,304)
Basic (HK cent)	**(2.13)**	(1.85)
Diluted (HK cent)	**(2.13)**	(1.85)

(b) Cash generated from/(used in) discontinued operation

	2014 HK$'000	2013 HK$'000
Net cash generated from operating activities	**77,426**	165,444
Net cash used in investing activities	**(48,126)**	(188,893)
Net cash used in financing activities	**(27,038)**	(7,760)
Net cash inflow/(outflow) for the year	**2,262**	(31,209)

5 Disposal Group Held for Sale and Discontinued Operation *(Continued)*

(c) Effect of disposal on the financial position of the Group

	2014 HK$'000
Property, plant and equipment (note 16)	54,707
Lease prepayments	5,635
Intangible assets (note 18)	58,222
Goodwill (note 19)	33,619
Interest in associates	12,355
Inventories	124
Trade and other receivables	134,530
Cash and cash equivalents	3,866
Assets held for sale	303,058
Bank and other borrowings	(7,559)
Trade and other payables	(61,070)
Obligations under finance leases	(261)
Deferred tax liabilities (note 37(b))	(14,836)
Liabilities held for sale	(83,726)
Net assets	219,332
Net cash outflow – cash and cash equivalents disposed of	(3,866)

(d) Cumulative income or expense included in other comprehensive income

	2014 HK$'000	2013 HK$'000
Cumulative income or expense relating to discontinued operation included in other comprehensive income – foreign currency translation gains	**1,142**	922

6 Other Revenue and Net Income

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Other revenue		
Bank interest income	**170**	6
Other interest income	**503**	723
Interest income on convertible notes receivables	**5,431**	4,391
Total interest income on financial assets not at fair value through profit or loss	**6,104**	5,120
Dividend income	**–**	3,500
Consultancy service income*	**4,696**	–
Others	**53**	361
	10,853	8,981
Other net income		
Net foreign exchange gain	**22,414**	27,329
Gain on bargain purchase (note 22)	**16,861**	25,188
Net fair value gain on derivative financial instruments	**8,328**	1,234
Gain on disposal of property, plant and equipment	**35**	2,728
Gain on disposal of intangible assets	**–**	16,780
Others	**–**	(29)
	47,638	73,230

* Consultancy service income during the year ended 31 December 2014 represents the income from provision of consultancy service to BCM Energy Partners, Inc. ("BCM"), which was satisfied by the issue of 566,000 shares of BCM, equivalent to 3.81% equity interest of the enlarged share capital of BCM, to the Company (see note 25). No consultancy service was provided during the year ended 31 December 2013.

7 Loss Before Taxation

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

(a) Finance costs

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Interest on bank and other borrowings wholly repayable within five years	**3,968**	3,937
Interest on other loans	**8,289**	–
Interest on promissory notes payables	**1,928**	4,267
Interest on convertible notes payables	**12,161**	8,027
Total interest expenses on financial liabilities not at fair value through profit or loss	**26,346**	16,231

(b) Staff costs (including directors' remuneration)

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Salaries, wages and other benefits	**29,846**	17,970
Contributions to defined contribution retirement plan	**3,333**	1,335
Equity-settled share-based payment expenses	**–**	3,809
	33,179	23,114

7 Loss Before Taxation *(Continued)*

(c) Other items

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Amortisation of intangible assets	7,320	–
Depreciation for property, plant and equipment	10,143	402
Impairment losses/(reversal)		
– trade and other receivables	–	2,590
– convertible notes receivables	–	(15,456)
– available-for-sale investments	934	2,646
Operating leases charges:		
minimum lease payments – leasehold land and buildings	2,518	2,601
Auditor's remuneration		
– audit services	4,300	3,002
– tax services	–	707
– other services	240	673
Cost of inventories (note)	62,800	319,207

Note: Cost of inventories includes HK$16,539,000 (2013: HK$430,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 Income Tax In The Consolidated Statement Of Profit Or Loss

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

Continuing operations

	2014 HK$'000	2013 HK$'000 (Restated – note 5)
Current tax - Hong Kong Profits Tax		
Provision for the year	–	400
Over-provision in respect of prior years	(10)	(9)
	(10)	391
Current tax - overseas		
Provision for the year	1	–
Under-provision in respect of prior years	11,261	9
	11,262	9
Deferred tax		
Origination and reversal of temporary differences	(4,900)	–
	6,352	400

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

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

Continuing operations (Continued)

Pursuant to the rules and regulations of the Bermuda and the British Virgin Islands ("BVI"), the Company and its subsidiaries incorporated in the Bermuda and the BVI are not subject to any income tax in the Bermuda and the BVI during both the current and prior years.

Provision for Hong Kong profits fax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

Subsidiaries of the Group in PRC are subject to PRC enterprise income tax at 25% (2013: 25%).

Subsidiaries of the Group in Argentina are subject to Argentina corporate income tax ("CIT") at 35% (2013: 35%) and minimum presumed income tax ("MPIT"). MPIT is supplementary to CIT and is chargeable at the applicable tax rate of 1% on the tax basis of certain assets. The tax liabilities of subsidiaries of the Group in Argentina are the higher of CIT and MPIT.

Subsidiaries of the Group operated in Louisiana, US are subject to federal and Louisiana income taxes. As the subsidiaries have adequate accumulated losses brought forward from previous years to offset the taxable income for the year, no provision has been provided in the consolidated financial statements.

Subsidiaries of the Group operated in Utah, US are subject to federal and Utah income taxes. As the subsidiaries have no taxable income during the current and prior years, the income taxes paid would be limited to US$100 which is the minimum fee to be charged regardless of income.

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

Continuing operations

	2014 **HK$'000**	2013 HK$'000 (Restated – note 5)
Loss before taxation	**(88,254)**	(14,119)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the jurisdictions concerned	**(18,014)**	(5,641)
Tax effect of non-taxable income	**(6,929)**	(5,063)
Tax effect of non-deductible expenses	**13,699**	7,975
Tax effect of tax losses not recognised	**7,375**	3,133
Tax effect of taxable temporary differences	**(1,030)**	(4)
Under-provision in respect of prior years	**11,251**	–
Actual tax expense	**6,352**	400

9 Directors' Remuneration

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

	2014						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (note a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	–	1,800	80	17	1,897	–	1,897
Executive directors							
Mr. Cheng Ming Kit (note b)	–	3,360	150	17	3,527	–	3,527
Mr. Wong Tai Cheung, Andrew (resigned on 21 May 2014)	–	1,011	82	7	1,100	–	1,100
Non-executive directors							
Mr. Heffner, Paul Lincoln	200	–	–	–	200	–	200
Independent non-executive directors							
Mr. Chan Chi Yuen	200	–	–	–	200	–	200
Mr. Chiu Wai On	200	–	–	–	200	–	200
Mr. Wong Man Kong, Peter	200	–	–	–	200	–	200
Mr. Yung Chun Fai, Dickie	200	–	–	–	200	–	200
	1,000	6,171	312	41	7,524	–	7,524

9 Directors' Remuneration *(Continued)*

	2013						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (note a)	Total HK$'000
Chairman							
Mr. Cheng Kam Chiu, Stewart	–	960	80	15	1,055	610	1,665
Executive directors							
Mr. Cheng Ming Kit (note b)	–	1,801	150	15	1,966	610	2,576
Mr. Sun Jiang Tian (resigned on 28 June 2013)	–	454	63	–	517	604	1,121
Mr. Wong Tai Cheung, Andrew (appointed on 2 July 2013)	–	720	–	8	728	610	1,338
Non-executive directors							
Mr. Heffner, Paul Lincoln (appointed on 18 October 2013)	21	–	–	–	21	611	632
Independent non-executive directors							
Mr. Chan Chi Yuen	100	–	–	–	100	61	161
Mr. Chiu Wai On	100	–	–	–	100	61	161
Mr. Fung Siu To, Clement (resigned on 28 March 2013)	25	–	–	–	25	–	25
Mr. Yung Chun Fai, Dickie (appointed on 28 March 2013)	76	–	–	–	76	61	137
Mr. Wong Man Kong, Peter (note c)	100	–	–	–	100	61	161
	422	3,935	293	38	4,688	3,289	7,977

Notes:

(a) These represented the estimated value of share options granted to the directors under the Company's share option scheme adopted on 17 May 2011. The value of these share options is measured according to the Group's accounting policies for share-based payment as set out in note 2(u). The details of the share options are disclosed under the paragraph "Share Option Scheme" in the report of the directors and note 35.

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

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

(d) No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2014 and 2013.

10 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2013: four) are directors whose emoluments are disclosed in note 9. During the year ended 31 December 2014, the aggregate of the emoluments in respect of the other three individual (2013: one) were as follow:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and benefits in kind	**6,793**	1,501

During the year ended 31 December 2014, the emoluments of the three (2013: one) individuals with the highest emoluments were within the following bands:

	2014 **Number of individuals**	2013 Number of individuals
HK$1,500,001–HK$2,000,000	**2**	1
HK$3,500,001–HK$4,000,000	**1**	–

No emoluments or incentive payments were paid to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2014 and 2013.

11 Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company includes a loss of HK$68,732,000 (2013: HK$62,110,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to owners of the Company are set out in note 39(b).

12 Other Comprehensive Income

Other comprehensive income does not have any tax effect for the year ended 31 December 2014 (2013: HK$Nil).

13 (Loss)/Earnings per Share

(a) Basic (loss)/earnings per share

(i) (Loss)/profit attributable to owners of the Company (basic)

	2014			2013		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation (Restated -note 5)	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to owners of the Company	**(94,268)**	**(26,180)**	**(120,448)**	20,043	(16,272)	3,771

(ii) Weighted average number of ordinary shares (basic)

	2014	2013
	'000	'000
Issued ordinary shares at 1 January	**1,169,998**	676,416
Effect of issue of consideration shares (note 39(c)(ii))	**42,089**	12,752
Effect of share options exercised (note 39(c)(iii))	**772**	19,279
Effect of shares issued for acquisition of a joint venture (note 22)	**12,165**	–
Effect of shares issued under acquisition of a subsidiary (note 14(b))	**–**	2,238
Effect of shares issued upon conversion of convertible notes (note 39(c)(iv))	**–**	80,264
Effect of shares issued under placements (note 39(c)(v))	**–**	66,685
Effect of subscription of new shares (note 39(c)(vi))	**–**	22,137
Weighted average number of ordinary shares (basic) at 31 December	**1,225,024**	879,771

(b) Diluted (loss)/earnings per share

(i) (Loss)/profit attributable to owners of the Company (diluted)

	2014			2013		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation (Restated-note 5)	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to owners of the Company	**(94,268)**	**(26,180)**	**(120,448)**	20,043	(16,272)	3,771

13 (Loss)/Earnings per Share *(Continued)*

(b) Diluted (loss)/earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	2014 **'000**	2013 '000
Weighted average number of ordinary shares at 31 December	**1,225,024**	879,771
Effect of exercise of warrants	**–**	1,184
Weighted average number of ordinary shares (diluted) at 31 December	**1,225,024**	880,955

For the year ended 31 December 2014, diluted loss per share was the same as the basic loss per share as the potential ordinary shares outstanding during the year had an anti–dilutive effect on the basic loss per share.

14 Acquisition of subsidiaries

(a) Business Combination

(i) Acquisition of 38.15% participating interest in Palmar Largo in 2014

On 26 February 2014, the Group acquired 38.15% participating interest in Palmar Largo Union of Temporary Enterprise (the "Palmar Largo UTE Interest"), and an aggregate consideration of AR$105,425,000 (equivalent to approximately HK$103,866,000) was paid by the Group fully in cash. The Palmar Largo UTE Interest consists of (i) rights and obligations arising from the joint venture contract that aims at the exploration, development and exploitation of hydrocarbons in the Palmar Largo concession area and (ii) interest in the production equipment and facilities required to perform and execute the exploitation work. Palmar Largo UTE Interest is engaged in the exploration, development and exploitation of hydrocarbons in Palmar Largo block and Balbuena Este block located in Noroeste Basin of Argentina. Palmar Largo UTE Interest has been accounted for as a joint operation in accordance with the Group's accounting policies as set out in note 2(e).

The acquisition provided the Group operational synergy as well as to boost the business performance of the Group. Also, the acquisition has further strengthened the Group's asset portfolio and enhanced operational cost efficiency in Argentina.

Included in the Group's revenue and loss for the year ended 31 December 2014, approximately HK$80,040,000 and HK$18,052,000 were attributable to Palmar Largo UTE Interest respectively. Had the business combination been effected on 1 January 2014, the Group's revenue and loss for the year ended 31 December 2014 would have been HK$97,113,000 and HK$118,513,000 respectively.

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(i) Acquisition of 38.15% participating interest in Palmar Largo in 2014 (Continued)

(i) Consideration transferred

The following table summarises the fair value of each major class of consideration transferred at the acquisition date.

	HK$'000
Consideration transferred by cash	103,866
Consideration adjustment*	(17,955)
	85,911

* Pursuant to the sales and purchase agreement, the consideration for the acquisition of Palmar Largo UTE Interest would be adjusted by an amount equivalent to the net operating results of Palmar Largo UTE Interest during the period from 1 July 2013 to the date of completion on 26 February 2014.

(ii) Acquisition-related costs

The Group incurred acquisition-related costs of HK$381,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

(iii) Identifiable assets acquired and liabilities assumed

	HK$'000
Property, plant and equipment (note 16)	27,465
Intangible assets (note 18)	65,261
Inventories	7,191
Trade and other receivables	143
Cash and cash equivalents	248
Trade and other payables	(2,857)
Current tax payable (note 37(a))	(284)
Deferred tax liabilities (note 37(b))	(4,030)
Provisions (note 38)	(7,777)
	85,360

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date was determined by the directors of the Company with reference to a valuation report issued by ROMA Appraisal Limited.

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(i) Acquisition of 38.15% participating interest in Palmar Largo in 2014 (Continued)

(iv) Goodwill

	HK$'000
Consideration transferred	85,911
Less: fair value of identifiable net assets	(85,360)
Goodwill	551

The goodwill is attributable mainly to the benefit of skills and technical talent of the acquired business work force and the synergies expected to be achieved from integrating the Palmar Largo UTE Interest into the Group's existing business in Argentina. None of the goodwill recognised is expected to be deductible for income tax purposes.

(v) Analysis of net cash outflow of the business combination

	HK$'000
Consideration, satisfied in cash	103,866
Deposit released	(47,328)
Cash received for consideration adjustment	(11,600)
Cash and cash equivalent balances acquired	(248)
Net cash outflow	44,690

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(ii) Acquisition of 100% equity interest of Golden Giants in 2013

On 13 March 2013, the Group acquired 100% equity interest of Golden Giants Limited ("Golden Giants"), which in turn have 75% interest on 30 wells in Altamont-Bluebell area of Uinta Basin. At completion date, an aggregate consideration of HK$52,342,000 was paid by the Company by issuance of HK$38,475,000 convertible notes and HK$13,867,000 promissory notes. Golden Giants and its subsidiary, Tiger Energy Partners International, LLC ("TEPI") are engaged in oil exploitation and production business and its principal activity is developing, exploiting and producing of potential oil and gas properties in Altamont-Bluebell areas of Uinta Basin.

The acquisition provided the Group an opportunity to broaden its investment portfolio in Utah, and as well can provide synergy to the existing business in Natural Buttes area of Uinta Basin.

Included in the Group's loss for the year ended 31 December 2013, approximately HK$4,121,180 was attributable to Golden Giants and TEPI. Both companies did not contribute any revenue to the Group for the year ended 31 December 2013. Had the business combination been effected on 1 January 2013, the Group's loss for the year ended 31 December 2013 would have been HK$33,196,000.

(i) Consideration transferred

The following table summarises the fair value of each major class of consideration transferred at the acquisition date.

	HK$'000
Convertible notes	38,475
Promissory notes	13,867
	52,342

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(ii) Acquisition of 100% equity interest of Golden Giants in 2013 (Continued)

(ii) Identifiable assets acquired and liabilities assumed

	HK$'000
Intangible assets	154,372
Cash and cash equivalents	5,822
Other payables	(9,500)
Deferred tax liabilities	(47,322)
	103,372

(iii) Gain on bargain purchase

	HK$'000
Consideration transferred	52,342
Add: non-controlling interests	25,842
Less: fair value of identifiable net assets	(103,372)
Gain on bargain purchase	(25,188)

(iv) Analysis of net cash outflow of the business combination

	HK$'000
Consideration paid in cash	–
Cash and cash equivalent balances acquired	(5,823)
Net cash outflow	(5,823)

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(iii) Acquisition of 100% equity interest of Guizhou Kunyu in 2013

On 31 October 2013, the Group acquired 100% equity interest in Guizhou Kunyu, a company engaged in distribution of natural gas, for a consideration of RMB65,100,000 (equivalent to approximately HK$81,607,000).

Included in the Group's revenue and loss for the year ended 31 December 2013, approximately HK$1,085,000 and HK$2,140,000 were attributable to Guizhou Kunyu respectively. Had the business combination been effected on 1 January 2013, the Group's revenue and loss for the year ended 31 December 2013 would have been HK$328,280,000 and HK$42,523,000 respectively.

(i) Consideration transferred

	HK$'000
Cash	46,887
Fair value of convertible notes	35,386
	82,273

(ii) Identifiable assets acquired and liabilities assumed

	HK$'000
Property, plant and equipment	30,073
Lease prepayments	4,107
Intangible assets	56,630
Interest in associate	15,165
Inventories	72
Trade and other receivables	52,358
Cash and cash equivalents	179
Trade and other payables	(76,600)
Bank and other borrowings	(16,429)
Deferred tax liabilities	(14,392)
	51,163

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(iii) Acquisition of 100% equity interest of Guizhou Kunyu in 2013 *(Continued)*

(iii) Goodwill

	HK$'000
Consideration transferred	82,273
Less: fair value of identifiable net assets	(51,163)
Goodwill	31,110

The goodwill of HK$31,110,000 arising from the acquisition is attributable to the anticipated cash flows from the distribution of natural gas business and the anticipated future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

(iv) Analysis of net cash outflow of the business combination

	HK$'000
Consideration, satisfied in cash	46,887
Less: deposits paid	(12,280)
Cash and cash equivalent balances acquired	(179)
Net cash outflow	34,428

(iv) Acquisition of 100% equity interest of Guizhou Shunyao in 2013

On 3 December 2013, the Group acquired 100% equity interest in Guizhou Shunyao, a company engaged in distribution of natural gas, for a consideration of RMB26,920,000 (equivalent to approximately HK$33,760,000).

Included in the Group's loss for the year ended 31 December 2013, approximately HK$2,000 was attributable to Guizhou Shunyao. Guizhou Shunyao did not contribute any revenue to the Group for the year ended 31 December 2013. Had the business combination been effected on 1 January 2013, the Group's loss for the year ended 31 December 2013 would have been HK$31,845,000.

14 Acquisition of subsidiaries *(Continued)*

(a) Business Combination *(Continued)*

(iv) Acquisition of 100% equity interest of Guizhou Shunyao in 2013 (Continued)

(i) Consideration transferred

	HK$'000
Cash	16,433
Fair value of convertible notes	17,597
	34,030

(ii) Identifiable assets acquired and liabilities assumed

	HK$'000
Property, plant and equipment	403
Intangible assets	10,442
Prepayment, deposits and other receivables	28,051
Cash and cash equivalents	6
Trade and other payables	(4,748)
Deferred tax liabilities	(2,634)
	31,520

(iii) Goodwill

	HK$'000
Consideration transferred	34,030
Less: fair value of identifiable net assets acquired	(31,520)
Goodwill arising on acquisition	2,510

The goodwill of HK$2,510,000 arising from the acquisition is attributable to the anticipated cash flows from the distribution of natural gas business and the anticipated future operating synergies from the combination. None of the goodwill recognised is expected to be deductible for income tax purposes.

(iv) Analysis of net cash outflow of the business combination

	HK$'000
Consideration, satisfied in cash	16,433
Less: deposits paid	(8,596)
Cash and cash equivalent balances acquired	(6)
Net cash outflow	7,831

14 Acquisition of subsidiaries *(Continued)*

(b) Acquisition of assets through acquisition of a subsidiary

On 2 October 2013, the Group had entered into an acquisition agreement with Max Sun Enterprises Limited ("Max Sun"), a substantial shareholder of the Company, pursuant to which Max Sun agreed to sell, and the Company agreed to buy the entire issued share capital of Big Trade Investments Limited ("Big Trade") at a consideration of approximately HK$55,359,000, which shall be satisfied by way of the allotment and issue of 90,752,900 consideration shares at HK$0.61 per share.

Big Trade is a company incorporated in the British Virgin Islands and is an investment holding company. Big Trade has not carried out any business since its incorporation and the principal asset of Big Trade is the holding of 474,983 shares in Nordaq (see note 25), representing approximately 7.65% of the issued share capital of Nordaq.

The fair value of the assets acquired at the date of acquisition amounted to approximately HK$55,245,000.

The acquisition was completed on 23 December 2013. An aggregate of 90,752,900 ordinary shares were issued, of which HK$45,376,000 was credited to the share capital and the balance of HK$9,076,000 was credited to the share premium account.

15 Exploration and Evaluation Assets

	Exploration rights HK$'000	Exploratory drilling HK$'000	Geological studies HK$'000	Others HK$'000	Total HK$'000
Cost					
At 1 January 2013	3,235,986	67,898	275,219	43,064	3,622,167
Additions	1,281	360	847	–	2,488
Exchange adjustments	(3,848)	(11,329)	(60,498)	(3,040)	(78,715)
At 31 December 2013	3,233,419	56,929	215,568	40,024	3,545,940
At 1 January 2014	**3,233,419**	**56,929**	**215,568**	**40,024**	**3,545,940**
Additions	**975**	**410**	**278**	**–**	**1,663**
Exchange adjustments	**(2,963)**	**(8,067)**	**(42,722)**	**(2,141)**	**(55,893)**
At 31 December 2014	**3,231,431**	**49,272**	**173,124**	**37,883**	**3,491,710**
Accumulated impairment					
At 1 January 2013	–	29,108	–	–	29,108
Exchange adjustments	–	(7,160)	–	–	(7,160)
At 31 December 2013	–	21,948	–	–	21,948
At 1 January 2014	**–**	**21,948**	**–**	**–**	**21,948**
Exchange adjustments	**–**	**(5,042)**	**–**	**–**	**(5,042)**
At 31 December 2014	**–**	**16,906**	**–**	**–**	**16,906**
Net book value					
At 31 December 2014	**3,231,431**	**32,366**	**173,124**	**37,883**	**3,474,804**
At 31 December 2013	3,233,419	34,981	215,568	40,024	3,523,992

15 Exploration and Evaluation Assets *(Continued)*

(a) On 29 December 2006, JHP International Petroleum Engineering Limited ("JHP") and Maxipetrol – Petroleros de Occidente S.A. (formerly known as "Oxipetrol – Petroleros de Occidente S.A.") ("Maxipetrol") (collectively the "Consortium") were granted the Tartagal Concession and the Morillo Concession under the Provincial Government Decree No. 3391/2006 and Decree No. 3388/2006 respectively. The Tartagal Concession and Morillo Concession (collectively the "T&M Concessions") are the concessions in the province of Salta in northern Argentina covering a total surface area of approximately 7,065 km^2 and 3,518 km^2 respectively. Exploration permits and potential exploitation permits were granted for oil and developments of hydrocarbons in the T&M Concessions areas. The exploration permits granted are valid for an initial period of four years starting from 29 December 2006 and additional extensions up to an aggregate of nine years may be obtained. The holder for an exploration permit has the right to obtain an exploitation permit.

On 9 March 2009, High Luck Group Limited ("High Luck"), the Group's subsidiary and the Consortium executed an Union of Temporary Enterprise ("T&M UTE") agreement pursuant to which the interest and title in the T&M Concessions of the exploration permits and potential exploitation permits shall be taken up by the T&M UTE. Under the agreement. It is agreed that JHP will transfer its 60% interest in the T&M Concessions to High Luck.

In April 2009, the T&M UTE, namely Maxipetrol Petroleros de Occidente – UTE, was registered in the Public Register of Commerce and High Luck becomes one of the members of the T&M UTE which holds 60% interest in the T&M Concessions. In April 2013, upon completion of the acquisition of 100% equity interest of Power Jet Group Limited, the Group increased its interest in the T&M Concessions from 60% to 69.25%.

The T&M UTE is managed by an Executive Committee ("Committee"), which composes of ten committee members. High Luck is entitled to appoint up to six members in the Committee. High Luck also acts as the T&M UTE's representative which will carry out the duties with regard to all legal acts, contracts and other operations pursuant to Section 379 of Law 19,550 on Business Companies.

(b) As mentioned above, the exploration permits granted are valid for an initial period of four years starting from 29 December 2006 (i.e. expired on 29 December 2010) and additional extensions up to an aggregate of nine years may be obtained. The Group submitted applications to the Secretary of Energy of Province of Salta, Argentina for extension of the exploration permits and obtained the approvals in July 2010, July 2011 and December 2013 respectively. Pursuant to the approval document issued in December 2013, the exploration permits were further extended to 13 March 2016.

16 Property, Plant and Equipment

The Group

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Oil production assets HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2013	1,726	–	1,523	4,495	11,581	–	19,325
Additions	27	–	286	1,022	1,269	412	3,016
Acquired through business combination	–	9,582	175	155	–	20,564	30,476
Disposals	–	(596)	–	(62)	(2,448)	(570)	(3,676)
Exchange adjustments	45	39	(130)	(117)	4	83	(76)
At 31 December 2013	1,798	9,025	1,854	5,493	10,406	20,489	49,065
At 1 January 2014	**1,798**	**9,025**	**1,854**	**5,493**	**10,406**	**20,489**	**49,065**
Additions	**639**	**394**	**2,065**	**–**	**66,747**	**23,683**	**93,528**
Acquired through business combination (note 14)	**–**	**350**	**133**	**129**	**26,154**	**699**	**27,465**
Disposals	**–**	**–**	**(10)**	**–**	**–**	**–**	**(10)**
Reclassified to disposal group held for sale (note 5)	**(1,788)**	**(9,338)**	**(999)**	**(2,514)**	**–**	**(43,740)**	**(58,379)**
Exchange adjustments	**(10)**	**(94)**	**(365)**	**(910)**	**(1,925)**	**(189)**	**(3,493)**
At 31 December 2014	**639**	**337**	**2,678**	**2,198**	**101,382**	**942**	**108,176**

16 Property, Plant and Equipment *(Continued)*

The Group *(Continued)*

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Oil production assets HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation and impairment							
At 1 January 2013	332	–	540	2,732	2,220	–	5,824
Charge for the year	374	109	279	595	161	–	1,518
Written back on disposals	–	–	–	–	(2,381)	–	(2,381)
Exchange adjustments	6	3	(64)	(87)	–	–	(142)
At 31 December 2013	712	112	755	3,240	–	–	4,819
At 1 January 2014	**712**	**112**	**755**	**3,240**	**–**	**–**	**4,819**
Charge for the year	**375**	**1,075**	**1,030**	**700**	**9,009**	**–**	**12,189**
Written back on disposals	**–**	**–**	**(4)**	**–**	**–**	**–**	**(4)**
Reclassified to disposal group held for sale (note 5)	**(997)**	**(1,065)**	**(525)**	**(1,085)**	**–**	**–**	**(3,672)**
Exchange adjustments	**(3)**	**(18)**	**(132)**	**(844)**	**(1,141)**	**–**	**(2,138)**
At 31 December 2014	**87**	**104**	**1,124**	**2,011**	**7,868**	**–**	**11,194**
Net book value							
At 31 December 2014	**552**	**233**	**1,554**	**187**	**93,514**	**942**	**96,982**
At 31 December 2013	1,086	8,913	1,099	2,253	10,406	20,489	44,246

Note: The Group leased motor vehicles under finance leases. At the end of the lease term, the Group has the option to purchase the leased assets at prices deemed to be a bargain purchase option. None of the leases includes contingent rentals. At the end of the reporting period, the motor vehicles held under finance leases related to the Shine Great Operation have been classified as assets held for sale. Details are set out in note 5.

17 Lease Prepayments

	The Group	
	2014	2013
	HK$'000	HK$'000
The Group's lease prepayments comprise:		
Land in PRC (medium–term lease)	–	3,530
Reconciliation to the statement of financial position:		
Non–current assets	–	3,384
Current assets	–	146
	–	3,530

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

As at 31 December 2014, the lease prepayment related to the Shine Great Operation have been classified as assets held for sale. Details are set out in note 5.

18 Intangible Assets

The Group

	Rights on oil sharing HK$'000 (note (a))	Oil exploration rights HK$'000 (note (b))	Operation rights HK$'000 (note (c))	Total HK$'000
Cost				
At 1 January 2013	–	7,059	–	7,059
Additions	–	1,961	–	1,961
Acquired through business combination	–	154,372	67,072	221,444
Disposals	–	(6,694)	–	(6,694)
Exchange adjustments	–	3	–	3
At 31 December 2013	–	156,701	67,072	223,773
At 1 January 2014	**–**	**156,701**	**67,072**	**223,773**
Acquired through business combination (note 14(a))	**65,261**	**–**	**–**	**65,261**
Reclassified to disposal group held for sale (note 5)	**–**	**–**	**(66,861)**	**(66,861)**
Exchange adjustments	**(4,597)**	**24**	**(211)**	**(4,784)**
At 31 December 2014	**60,664**	**156,725**	**–**	**217,389**
Accumulated amortisation				
At 1 January 2013	–	2,313	–	2,313
Charge for the year	–	–	1,081	1,081
Written back on disposals	–	(2,310)	–	(2,310)
Exchange adjustments	–	(3)	–	(3)
At 31 December 2013	–	–	1,081	1,081
At 1 January 2014	**–**	**–**	**1,081**	**1,081**
Charge for the year	**7,287**	**33**	**7,590**	**14,910**
Reclassified to disposal group held for sale (note 5)	**–**	**–**	**(8,639)**	**(8,639)**
Exchange adjustments	**(946)**	**–**	**(32)**	**(978)**
At 31 December 2014	**6,341**	**33**	**–**	**6,374**
Net book value				
At 31 December 2014	**54,323**	**156,692**	**–**	**211,015**
At 31 December 2013	–	156,701	65,991	222,692

18 Intangible Assets *(Continued)*

The Group *(Continued)*

(a) It represents the rights on oil sharing relating to the Palmar Largo concession areas. Amortisation is calculated using the unit of production method based upon the estimated proved and probable oil reserves.

(b) Oil exploration rights have finite useful lives and are carried at costs less accumulated amortisation. Amortisation is calculated using the unit of production method based upon the estimated proved and probable oil reserves to write off the cost over the production period.

(c) It represents the rights to operate natural gas service stations and to distribute natural gas in various locations in the PRC. Operation rights have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost over their remaining useful lives ranging for 5 to 30 years for natural gas distribution services.

As at 31 December 2014, the operation rights related to the Shine Great Operation have been classified as assets held for sale. Details are set out in note 5.

19 Goodwill

	The Group	
	2014	2013
	HK$'000	HK$'000
Cost:		
At 1 January	**33,620**	–
Acquired through business combination (note 14(a))	**551**	33,620
Reclassified to disposal group held for sale (note 5)	**(33,619)**	–
Exchange adjustments	**(40)**	–
At 31 December	**512**	33,620

Impairment tests for cash-generating units containing goodwill

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

	2014
	HK$'000
Palmar Largo UTE Interest	**512**

The recoverable amount of the above cash-generating unit has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management with reference to the technical report issue by MGA Petróleo y Gas S.A., an independent qualified technical consultant, as of 31 December 2014. The cash flows projections cover the life of the oil fields, which the directors of the Company are of the opinion that the Palmar Largo UTE Interest would be able to renew the concession period beyond its current expiry date on 22 December 2017 and continue to operate the concession to 22 December 2027. The cash flows are discounted using a discount rate of 18.96%. The discount rate used reflects specific risks relating to the joint operation under Palmar Largo UTE Interest. Based on the value in use calculation, the recoverable amount of Palmar Largo UTE Interest is higher than its carrying amount.

20 Investments in Subsidiaries

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**2,395,092**	2,395,092
Amounts due from subsidiaries (note)	**1,387,982**	1,203,518
	3,783,074	3,598,610

Note: The amounts were unsecured, interest free and have no fixed term of repayment. In the opinion of directors, they form part of the investment cost in the subsidiaries.

Details of the Company's subsidiaries as at 31 December 2014 are as follows:

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Total Belief Limited	BVI	1 ordinary share of US$1 each	100%	100%	–	Investment holding
Jade Honest Limited	BVI	2,700 ordinary shares of US$1 each	100%	100%	–	Dormant
Absolute Champ Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding
Ace Diamond Trading Limited	BVI	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Big Trade Investments Limited	BVI	1 ordinary share at US$1 each	100%	–	100%	Investment holding
Bright Rise Group Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
Boardwalk Global Limited	BVI	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
Celestial Glory Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Investments in Subsidiaries *(Continued)*

Details of the Company's subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Cheer Profit Group Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
Clear Elite Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
ET–LA, LLC	Untied States	Registered capital of US$500	100%	–	100%	Investment holding
Ever Billion Developments Limited	BVI	100 ordinary shares at US$1 each	100%	–	100%	Investment holding
First Alpha Holdings Limited	Hong Kong	1 ordinary share at HK$1 each	100%	–	100%	Investment holding
Grand Rich Trading Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
Golden Giants Limited	BVI	1 ordinary share at US$1 each	100%	–	100%	Investment holding
Happy Light Group Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
High Luck Holding (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
High Luck Group Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Jumbo Hope Group Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
New Times Gas (Hong Kong) Limited	Hong Kong	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Novastar Capital Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
NTE–Utah, LLC	Untied States	Registered capital of US$500	100%	–	100%	Investment holding
Peak Victory International Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Investments in Subsidiaries *(Continued)*

Details of the Company's subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiary	Principal activities
Power Jet Group Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Dormant
Prominent Sino Holdings Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Rich Result Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	100%	Investment holding
Shine Great Investments Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
Techno Wealth Limited	BVI	1 ordinary share of US$1 each	100%	–	100%	Investment holding
Tiger Energy Mineral Leasing, LLC	Untied States	Nil paid	100%	–	100%	Dormant
Tiger Energy Operating LLC	Untied States	Nil paid	100%	–	100%	Developing oil and gas properties
United Oil & Resources Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	–	100%	Dormant
Value Train Investments Limited	BVI	100 ordinary shares of US$1 each	100%	–	100%	Investment holding
貴州坤煜經貿有限公司** ("Guizhou Kunyu")	PRC	Registered capital of RMB20,000,000	100%	–	100%	Distribution of natural gas
貴州舜堯能源投資有限公司** ("Guizhou Shunyao")	PRC	Registered capital of RMB20,000,000	100%	–	100%	Distribution of natural gas
貴陽黔鑫能源有限公司**	PRC	Registered capital of RMB1,000,000	100%	–	100%	Dormant

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Investments in Subsidiaries *(Continued)*

Details of the Company's subsidiaries as at 31 December 2014 are as follows: *(continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by the subsidiary	
淮安新時代能源有限公司*	PRC	Registered capital of US$2,000,000	100%	–	100%	Investment holding
淮安城北新時代能源有限公司*	PRC	Registered capital of US$6,000,000	100%	–	100%	Dormant
深圳市源協貿易有限公司*	PRC	Registered capital of US$1,000,000	100%	–	100%	Investment holding
深圳中港新時代能源有限公司*	PRC	Registered capital of HK$100,000,000	100%	–	100%	Dormant
深圳全港新時代能源有限公司*	PRC	Registered capital of RMB500,000	100%	–	100%	Dormant
徐州新時代能源有限公司*	PRC	Registered capital of US$10,000,000	100%	–	100%	Dormant
Tiger Energy Parthers International LLC	United States	Nil paid	75%	–	75%	Developing oil and gas properties
New Phoenix Global Limited	BVI	200 ordinary shares at US$1 each	73%	–	73%	Investment holding
Maxipetrol Petroleros de Occidente – UTE (note 15)	Argentina	Not applicable	69.25%	–	69.25%	Exploration of oil and gas
United Resources Trading Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	51%	–	51%	Trading of oil products
Sino Matrix Holdings Limited	Hong Kong	100 ordinary shares at HK$1 each	51%	–	51%	Dormant

* Wholly foreign owned enterprise established under the PRC law

** Limited liability company established under the PRC law

20 Investments in Subsidiaries *(Continued)*

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

	Maxipetrol Petroleros de Occidente – UTE	
	2014	2013
	HK$'000	HK$'000
NCI percentage	**30.75%**	30.75%
Current assets	**37,267**	48,299
Non-current assets	**171,243**	220,432
Current liabilities	**(347,955)**	(448,517)
Non-current liabilities	**–**	–
Net assets	**(139,445)**	(179,786)
Carrying amount of NCI	**(42,879)**	(55,284)
Turnover	**–**	–
Loss for the year	**(1,098)**	(129,736)
Total comprehensive income	**(40,342)**	(88,337)
Loss allocated to NCI	**(338)**	(41,328)
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**2,206**	37,798
Cash flows from investing activities	**(1,580)**	(37,798)
Cash flows from financing activities	**–**	–

21 Interest in Associates

	The Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**–**	15,225

21 Interest in Associates *(Continued)*

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

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

Notes:

(a) As at 31 December 2014, the investment relating to the Shine Great Operation was classified as assets held for sale. Details are set out in note 5.

(b) All of the above associates are accounted for using the equity method in the consolidated financial statements.

(c) None of the above associate is regarded as individually material. Aggregate information of associates that are not individually material are set out as follows:

	The Group	
	2014 HK$'000	2013 HK$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**12,355**	15,225
Aggregate amounts of the Group's share of those associates':		
Loss from continuing operations	**–**	–
Post-tax loss from discontinued operation	**2,773**	–
Other comprehensive income	**–**	–
Total comprehensive income	**2,773**	–

(d) The Group's interests in these associates are reduced to HK$Nil as at 31 December 2014 and 2013. As such, recognition of further losses in respect of these associates is discontinued. During the year ended 31 December 2014, the unrecognised share of losses and cumulative unrecognised share of losses in respect of these associates amounted to HK$2,020,000 and HK$5,364,000 (2013: HK$3,229,000 and HK$3,344,000) respectively.

22 Interest in Joint Ventures

	The Group	
	2014	2013
	HK$'000	HK$'000
Share of net assets	**55,419**	2,681

Details of the Group's interest in joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Smart Win International Limited	Incorporated	BVI	200 ordinary shares of US$1 each	50%	–	50%	Investment holding
Full Charming Limited (note b)	Incorporated	BVI	1 ordinary share of HK$1 each	42.1%	–	42.1%	Investment holding
Hong Kong Oil Development Ltd.	Incorporated	Hong Kong	1 ordinary share of HK$1 each	42.1%	–	42.1%	Investment Holding
盤錦遼河曙光實業有限公司	Incorporated	PRC	Registered capital of RMB6,000,000	40%	–	40%	Provision of oil services

Notes:

(a) The Group's joint ventures are unlisted corporate entities whose quoted market prices are not available.

(b) On 8 September 2014, the Group acquired 42.1% equity interest in Full Charming Limited from an independent third party for an aggregate consideration of HK$46,655,000. The consideration was satisfied by an investment deposit of RMB10,000,000 (equivalent to approximately HK$12,500,000) and the issue of 68,310,000 consideration shares of the Company with a fair value of HK$24,592,000 at the date of acquisition, of which HK$683,000 was credited to the share capital and the balance of HK$23,909,000 was credited to the share premium account.

The principal activity of Full Charming Limited and its subsidiaries (collectively "Full Charming Group") is the provision of oil services. The share of fair value of net assets of Full Charming Group at the acquisition date was determined by the directors of the Company, with reference to a valuation report issued by LCH (Asia-Pacific) Surveyors Limited. As a result, a gain on bargain purchase of HK$16,861,000 was recognised.

22 Interest in Joint Ventures *(Continued)*

Full Charming Group is determined to be a material joint venture. Summarised financial information of Full Charming Group, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2014 HK$'000
Gross amounts of Full Charming Group's	
Current assets	12,830
Non-current assets	123,321
Current liabilities	(9,206)
Non-current liabilities	–
Equity	126,945
Included in the above assets and liabilities:	
Cash and cash equivalents	506
Current financial liabilities (excluding trade and other payables and provisions)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Revenue	–
Loss from continuing operations	(789)
Post-tax profit or loss from discontinued operation	–
Other comprehensive income	–
Total comprehensive income	(789)
Dividend received from	–
Reconciled to the Group's interest in Full Charming Group	
Gross amounts of Full Charming Limited's net assets	126,945
Group's effective interest	42.1%
Group's share of Full Charming Limited's net assets in the consolidated financial statements	53,444

22 Interest in Joint Ventures *(Continued)*

Aggregate information of joint venture that is not individually material:

	The Group	
	2014	2013
	HK$'000	HK$'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	**1,975**	2,681
Aggregate amounts of the Group's share of the joint venture's:		
Loss from continuing operations	**(628)**	(232)
Post-tax profit or loss from discontinued operation	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(628)**	(232)

23 Interest in Joint Operation

Significant joint operations	Country of operation	Principal activity	2014
Palmar Largo UTE Interest	Argentina	Exploration, development and exploitation of hydrocarbons	38.15%

On 26 February 2014, the Group acquired the Palmar Largo UTE Interest (see note 14(a)), and pursuant to the Palmar Largo UTE agreement, all the participants in the joint operation approve the operating and capital budgets and therefore the Group has joint control over the relevant activities of the Palmar Largo UTE.

According to the Palmar Largo UTE agreement, the participants in Palmar Largo UTE have joint control over the rights to the assets and obligations for the liabilities relating to the Palmar Largo UTE. Accordingly, the Palmar Largo UTE Interest is accounted for as a joint operation in accordance with the accounting policy in note 2(e).

24 Convertible Notes Receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Convertible notes receivables classified as:				
Non-current assets	**9,395**	53,922	**1,288**	5,548
Current assets	**53,688**	–	**8,440**	–
	63,083	53,922	**9,728**	5,548

The Group's convertible notes receivables represent:

- Convertible notes from BCM issued on 2 August 2012 in the principal amount of US$2,313,000 (equivalent to approximately HK$17,935,000), bearing interest at 8% per annum and with maturity date on 31 May 2014. The outstanding principal amount of the convertible notes may be converted into BCM's shares at the exercise price of US$2.9 per share at any time prior to the close of business on 31 May 2014. During the year ended 31 December 2013, convertible notes in the principle amount of US$1,446,000 (equivalent to approximately HK$11,216,000) were disposed. During the year ended 31 December 2014, the maturity date of the remaining outstanding convertible notes was extended to 30 June 2016.

- Convertible notes from BCM issued on 30 June 2013 in the principal amount of US$5,200,000 (equivalent to approximately HK$37,788,000), bearing interest at 8% per annum and with maturity date on 30 June 2015. The outstanding principal amount of the convertible notes may be converted into BCM's shares at the exercise price of US$2 per share at any time prior to the close of business on 30 June 2015.

- Convertible notes from BCM issued on 31 December 2013 in the principal amount of US$715,000 (equivalent to approximately HK$5,548,000), bearing interest at 8% per annum and with maturity date on 31 December 2015. The outstanding principal amount of the convertible notes may be converted into BCM's shares at the exercise price of US$1 per share at any time prior to the close of business on 31 December 2015.

- Convertible notes from BCM issued on 9 January 2014 in the principal amount of US$100,000 (equivalent to approximately HK$775,000), bearing interest at 8% per annum and with maturity date on 30 June 2016. The outstanding principal amount of the convertible notes may be converted into BCM's shares at the exercise price of US$1 per share at any time prior to the close of business on 30 June 2016.

24 Convertible Notes Receivables *(Continued)*

Summarised movements in the carrying amount of the convertible notes receivables during the years ended 31 December 2014 and 2013 were set out below:

The Group

	Loan receivable HK$'000	Embedded financial derivatives HK$'000	Total HK$'000
At 1 January 2013	3,139	–	3,139
Additions	44,623	–	44,623
Disposals	(12,765)	–	(12,765)
Interest credited during the year	4,066	–	4,066
Reversal of impairment loss	15,456	–	15,456
Exchange adjustments	(597)	–	(597)
At 31 December 2013	53,922	–	53,922
At 1 January 2014	**53,922**	**–**	**53,922**
Additions	**775**	**–**	**775**
Interest credited during the year	**5,431**	**–**	**5,431**
Fair value adjustment	**–**	**2,899**	**2,899**
Exchange adjustments	**56**	**–**	**56**
At 31 December 2014	**60,184**	**2,899**	**63,083**

24 Convertible Notes Receivables *(Continued)*

The Company

	Loan receivable HK$'000	Embedded financial derivative HK$'000	Total HK$'000
At 1 January 2013	–	–	-
Additions	6,835	–	6,835
Disposals	(1,552)	–	(1,552)
Interest credited during the year	265	–	265
At 31 December 2013	5,548	–	5,548
At 1 January 2014	**5,548**	**–**	**5,548**
Additions	**775**	**–**	**775**
Interest credited during the year	**506**	**–**	**506**
Fair value adjustment	**–**	**2,899**	**2,899**
At 31 December 2014	**6,829**	**2,899**	**9,728**

The convertible notes have been accounted for as hybrid financial instrument containing both an embedded derivative component and a loan receivable component. The carrying value of the convertible notes receivable was allocated as follows:

– Loan receivable is initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment loss.

– Embedded financial derivative is carried at fair value. The fair value of the embedded financial derivative was valued by the directors with reference to a valuation report issued by Roma Appraisal Limited using the binomial option pricing model. The major inputs used in the model are as follows:

	31 December 2014	31 December 2013
Stock price	**US$1.24**	US$0.34
Exercise price	**US$1.00 – 2.90**	US$1.00 – 2.90
Risk-free rate	**0.12% – 0.44%**	0.08% – 0.38%
Expected volatility	**19.33% – 27.33%**	16.02% – 22.38%
Expected dividend yield	**0.00%**	0.00%

25 Available-For-Sale Investments

The Group

	2014 HK$'000	2013 HK$'000
Unlisted equity investment, at fair value		
– Nordaq Energy Inc. (note (a))	**100,878**	100,878
– BCM (note (b))	**5,422**	–
	106,300	100,878
Unlisted equity investment, at cost	**9,335**	9,335
Less: impairment loss	**(5,159)**	(4,225)
	4,176	5,110
Total	**110,476**	105,988

The Company

	2014 HK$'000	2013 HK$'000
Unlisted equity investment, at fair value		
– BCM (note (b))	**5,422**	–

Notes:

(a) During the year ended 31 December 2013, the Group completed the acquisition of 100% equity interest in Big Trade Investments Limited at a consideration of approximately HK$55,359,000 from an independent third party. Upon completion, the Group increased its interest in Nordaq Energy Inc. ("Nordaq"), a private company engaged in exploration of oil and gas properties in Alaska, US, from approximately 7% to approximately 12%. During the year ended 31 December 2014, Nordaq completed several private placements and the Group's interest in Nordaq was diluted from approximately 12% to approximately 10%.

The equity interest in Nordaq is carried at fair value. The fair value was valued by the directors with reference to a valuation report issued by ROMA Appraisal Limited (2013: LCH (Asia-Pacific) Surveyors Limited) using the market approach with reference to the private placing of shares by Nordaq during the year and the share price fluctuations of comparable companies between the dates of private placing and the reporting period end date.

(b) During the year ended 31 December 2014, the Group received 566,000 ordinary shares of BCM as remuneration for consultancy services provided to BCM which represented 3.81% equity interest of the enlarged share capital of BCM as at 31 December 2014. The equity interest in BCM is carried at fair value. Fair value is was valued by the directors with reference to a valuation report issued by ROMA Appraisal Limited using the market approach with reference to the movement in market share of comparable companies with similar business to BCM.

26 Inventories

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Oil products	**6,890**	–
Consumables	**2,392**	2,412
Natural gas	**–**	105
	9,282	2,517

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount of inventories sold (note 7(c))	**62,800**	319,207

27 Trade and Other Receivables

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (notes (a))	**5,652**	506	**–**	–
Other receivables (note (b))	**18,070**	30,414	**5,165**	8,009
Less: allowable for doubtful debts	**(30)**	(2,640)	**–**	–
	18,040	27,774	**5,165**	8,009
Amounts due from subsidiaries (note (c))	**–**	–	**763,382**	790,847
Loan receivables	**–**	6,453	**–**	–
Amounts due from associates	**6,507**	6,316	**1,887**	1,887
Amount due from a joint venture	**–**	2	**–**	2
Amount due from a related company	**–**	6,852	**–**	–
Amounts due from non-controlling shareholders	**1,048**	19,162	**–**	–
	7,555	38,785	**1,887**	1,889
VAT recoverable	**35,623**	46,410	**–**	–
Other tax recoverable	**8,610**	4,766	**–**	–
Deposits paid for potential investments	**17,000**	89,652	**–**	–
Other prepayment and deposits	**60,858**	89,034	**11,038**	9,602
	153,338	296,927	**781,472**	810,347
Reconciliation to the statement of financial position:				
Non-current	**56,034**	204,249	**–**	–
Current	**97,304**	92,678	**781,472**	810,347
	153,338	296,927	**781,472**	810,347

All the current trade and other receivables are expected to be recovered or recognised as expense within one year.

27 Trade and Other Receivables *(Continued)*

Notes:

(a) Trade receivables

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

	The Group	
	2014 **HK$'000**	2013 HK$'000
0 – 30 days	**5,650**	506
Over 90 days	**2**	–
	5,652	506

Trade receivables are due within 30 days (2013: 30 days) from the date of billing. Further details on the Group's credit policy are set out in note 40(a).

	The Group	
	2014 **HK$'000**	2013 HK$'000
Neither past due nor impaired (current)	**5,650**	506
Past due but not impaired (over 3 months)	**2**	–
	5,652	506

None of the trade receivables is individually nor collectively considered to be impaired. Receivable that was neither past due nor impaired related to customer for whom there was no recent history of default.

Receivables that were past due but not impaired related to customers that have a good track record with the Group. Management believes that no impairment allowance 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. The Group does not hold and collateral over these balances.

(b) Other receivables

The movement in the allowance for doubtful debts relating to other receivables during the year is as follows:

	The Group	
	2014 **HK$'000**	2013 HK$'000
At 1 January	**2,640**	–
Add: impairment loss recognised	**1**	2,590
Less: reclassified to disposal group held for sale (note 5)	**(2,583)**	–
Exchange adjustments	**(28)**	50
At 31 December	**30**	2,640

(c) Amounts due from subsidiaries

Amounts due from subsidiaries were unsecured, interest free and have no fixed terms of repayment.

28 Pledged bank deposits

Pledged bank deposit at 31 December 2013 represented deposit pledged to bank to secure banking facilities granted to the Group. The pledged bank deposit has been released after repayment of the relevant bank loan in 2014.

29 Cash and Cash Equivalents

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Deposits with banks	**4,628**	22	**–**	–
Cash at bank and in hand	**17,065**	87,082	**7,425**	77,712
Cash and cash equivalents in the statements of financial position and consolidated statement of cash flows	**21,693**	87,104	**7,425**	77,712

(b) Significant non-cash transactions:

(i) On 13 March 2013, the Group acquired 100% equity interest in Golden Giants Limited by issuing convertible notes in the principal amount of HK$38,475,000 and promissory notes in the principal amount of HK$13,867,000 (see note 33).

(ii) On 25 March 2013, the Group acquired additional 22% equity interest in New Phoenix Global Limited, a non-wholly owned subsidiary of the Group by issuing convertible notes in the principal amount of HK$11,900,000.

(iii) On 11 April 2013, the Group acquired 100% equity interest in Power Jet Group Limited by issuing convertible notes in the principal amount of HK$105,000,000 (see note 33).

(iv) On 31 October 2013, the Group acquired 100% equity interest in Guizhou Kunyu by issuing convertible notes in the principal amount of HK$34,720,000 (see note 33).

(v) On 3 December 2013, the Group acquired 100% equity interest in Guizhou Shunyao by issuing convertible notes in the principal amount of HK$17,327,000 (see note 33).

(vi) On 10 May 2013, the Group acquired certain interests in oil and gas properties in Louisiana, US by issuing 21,450,000 shares (see note 39(c)(ii)).

(vii) On 16 July 2014, the Group, acquired rights, leases and oil and gas property in Utah, US by issuing 138,840,000 shares (see note 39(c)(ii)).

(viii) On 8 September 2014, the Group acquired 42.1% of equity interest in Full Charming Limited by issuing 68,310,000 shares (see note 22).

30 Trade and Other Payables

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (note (b))	**4,563**	6,418	**–**	–
Accrued expenses	**28,789**	31,763	**7,589**	8,090
Deposit received from a related company	**17,000**	–	**–**	–
Amount due to a joint venture	**–**	35	**–**	–
Amount due to a director	**–**	634	**–**	–
Amounts due to subsidiaries	**–**	–	**3,490**	12,843
Others	**8,422**	18,591	**–**	–
Financial liabilities measured at amortised cost	**58,774**	57,441	**11,079**	20,933

Notes:

(a) All of the trade and other payables are expected to be settled within one year or are repayable on demand.

(b) The following is an ageing analysis of the trade payables presented based on the invoice date at the end of the reporting period:

	The Group	
	2014	2013
	HK$'000	HK$'000
0 – 30 days	**2,610**	6,418
31 – 60 days	**1,199**	–
61 – 90 days	**10**	–
Over 90 days	**744**	–
	4,563	6,418

31 Bank and Other Borrowings

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings:				
Term loans due for repayment within 1 year (note (a))	**–**	17,600	**–**	17,600
Other borrowings:				
Term loans due for repayment within 1 year (note (b))	**73,410**	158,131	**34,982**	101,227
Term loans due for repayment after 1 year:				
After 1 year but within 2 years	**88,803**	5,059	**15,422**	5,059
After 2 years but within 5 years	**54,400**	–	**54,400**	–
After 5 years	**154,000**	10,227	**154,000**	10,227
	297,203	15,286	**223,822**	15,286
	370,613	191,017	**258,804**	134,113
Reconciliation to the statement of financial position:				
Current liabilities	**73,410**	175,731	**34,982**	118,827
Non-current liabilities	**297,203**	15,286	**223,822**	15,286
	370,613	191,017	**258,804**	134,113

Notes:

(a) As at 31 December 2013, banking facilities of HK$25,000,000 were secured by bank deposits placed with a PRC bank (see note 28). The facilities were utilised to the extent of approximately HK$17,600,000 as at 31 December 2013. The bank loans were fully repaid and the above banking facilities were cancelled during 2014.

31 Bank and Other Borrowings *(Continued)*

Notes: *(Continued)*

(b) Other borrowings comprise:

(i) Fixed rate loan from a related party, China Venturetechno International Co., Ltd. (see note 41), of HK$15,047,000 (2013: HK$10,261,000). The loan is bearing interest at 5% per annum and repayable on 8 March 2015.

(ii) Fixed rate loan from a related party, China Venturetechno International Co., Ltd. (see note 41), of HK$15,422,000 (2013: HK$5,059,000). The loan is bearing interest at 6% per annum and repayable on 13 July 2016.

(c) Certain of the Group's other borrowings are subject to the fulfilment of covenants relating to the Company's assets/liabilities ratio and consolidated adjusted tangible net assets, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the other borrowings would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(b). As at 31 December 2014, none of the covenants relating to other borrowings had been breached.

32 Promissory Notes Payables

	The Group and the Company	
	2014	2013
	HK$'000	HK$'000
Promissory notes payables classified as:		
Current liabilities	**–**	47,697
Non-current liabilities	**30,579**	–
	30,579	47,697

At 31 December 2014, the promissory notes were unsecured, bearing interest rate at 5% per annum (2013: 5% per annum) and repayable on 11 August 2016.

33 Convertible Notes Payables

	The Group and the Company	
	2014	2013
	HK$'000	HK$'000
Convertible notes payables classified as:		
Current liabilities	**82,774**	16,718
Non-current liabilities	**–**	79,767
	82,774	96,485

The movement of the carrying amount of the convertible notes payable for the years ended 31 December 2014 and 2013 is set out below.

	Liability component	**Derivative component**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2013	–	–	–
Issued during the year	192,281	65,141	257,422
Interest charged during the year	8,027	–	8,027
Conversion	(109,262)	(55,741)	(165,003)
Fair value adjustment	–	(3,961)	(3,961)
At 31 December 2013	91,046	5,439	96,485
At 1 January 2014	**91,046**	**5,439**	**96,485**
Interest charged during the year	**12,161**	**–**	**12,161**
Repayment	**(12,243)**	**–**	**(12,243)**
Redemption by the issue of promissory notes (note (v))	**(8,200)**	**–**	**(8,200)**
Fair value adjustment	**–**	**(5,429)**	**(5,429)**
At 31 December 2014	**82,764**	**10**	**82,774**

33 Convertible Notes Payables *(Continued)*

Notes:

(i) On 13 March 2013, the Group acquired 100% equity interest in Golden Giants Limited for a consideration of HK$52,342,000, which was satisfied by issuing a non-interest bearing convertible notes in the principal amount of HK$38,475,000 and promissory notes in the principal amount of HK$13,867,000.

The convertible notes were convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 13 March 2013 and 13 March 2015 at a conversion price of HK$0.9 per share. The convertible notes would be redeemed on 13 March 2015 if no conversion on or before 13 March 2015. The above convertible notes in the principal amount of HK$5,000,000 were converted into 5,555,555 ordinary shares of the Company during the year ended 31 December 2013.

(ii) On 25 March 2013, the Group acquired additional 22% equity interest in New Phoenix Global Limited, a non-wholly owned subsidiary of the Group, for a consideration of HK$13,900,000, which was satisfied by cash of HK$2,000,000 and the issue of non-interest bearing convertible notes in the principal amount of HK$11,900,000.

The convertible notes were convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 25 March 2013 and 24 March 2014 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 24 March 2014 if no conversion on or before 24 March 2014. During the year ended 31 December 2013, the above convertible notes were converted into 11,900,000 ordinary shares of the Company.

(iii) On 11 April 2013, the Group acquired 100% equity interest in Power Jet Group Limited by issuing non-interest bearing convertible notes in the principal amount of HK$105,000,000.

The convertible notes were convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 11 April 2013 and 11 April 2023 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 11 April 2023 if no conversion on or before 11 April 2023. During the year ended 31 December 2013, the above convertible notes were converted into 107,142,854 ordinary shares of the Company.

(iv) On 3 July 2013, the Group issued convertible notes in the principal amount of HK$50,000,000 to an independent third party. The convertible notes are bearing interest at 8% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 3 July 2013 and 2 July 2015 at a conversion price of HK$0.79 per share. The convertible notes would be redeemed on 2 July 2015 if no conversion on or before 2 July 2015.

(Expressed in Hong Kong dollars unless otherwise indicated)

33 Convertible Notes Payables *(Continued)*

(v) On 31 October 2013, the Group acquired 100% equity interest in Guizhou Kunyu by issuing convertible notes in the principal amount of HK$34,720,000.

The convertible notes are bearing interest at 3% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 2 July 2013 and 1 July 2014 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 1 July 2014 if no conversion on or before 1 July 2014.

During the year ended 31 December 2013, the above convertible notes in the principal amount of HK$18,756,000 were converted into 18,756,240 ordinary shares of the Company. On 1 July 2014, the remaining outstanding convertible notes in principal amount of HK$7,764,000 were redeemed by issuing promissory notes in the amount of HK$8,000,000 (see note 32).

(vi) On 3 December 2013, the Group acquired 100% equity interest in Guizhou Shunyao by issuing convertible notes in the principal amount of HK$17,327,000.

The convertible notes are bearing interest at 3% per annum and convertible into ordinary shares of the Company at the option of the holders of the convertible notes at any time between 16 September 2013 and 15 September 2014 at a conversion price of HK$1 per share. The convertible notes would be redeemed on 15 September 2014 if no conversion on or before 15 September 2014. During the year ended 31 December 2013, the above convertible notes were converted into 17,326,846 ordinary shares of the Company.

The convertible notes have been accounted for as a compound financial instrument containing both a derivative component and a liability component:

– Liability component is initially recognised at fair value and thereafter carried at amortised cost.

– The fair value of the derivative component was valued by the directors with reference to a valuation report issued by Roma Appraisal Limited using the binomial option pricing model. The major inputs used in the model are as follows:

	31 December 2014	31 December 2013
Stock price	**HK$0.23**	HK$0.61
Exercise price	**HK$0.79-0.90**	HK$0.79-1.00
Risk-free rate	**0.03%-0.06%**	0.14%-0.37%
Expected volatility	**67.26%-101.70%**	20.43%-39.61%
Expected dividend yield	**0.00%**	0.00%

34 Obligations Under Finance Leases

As at 31 December 2014, the obligations under finance leases related to the Shine Great Operation have been classified as liabilities held for sale. Details are set out in note 5.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Equity Settled Share-Based Transactions

The Company adopted a new share option scheme on 17 May 2011 ("New Share Option Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any eligible person, including employees, directors, consultants, supplier and customer of the Group, to take up options for a nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue on the adoption date of the New Share Option Scheme.

Under the New Share Option Scheme, the total number of shares to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-months period shall not exceed 1% of the total number of shares in issue. The exercise price (subscription price) shall be such price as determined by the board of directors in its absolute discretion at the time of the making of the offer but in any case the exercise price shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

(a) The terms and conditions of the grants that existed as at 31 December 2014 are as follows:

	Number of shares issuable under options	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors:				
– on 30 December 2013	20,984,000	HK$0.75	Immediate from date of grant	2 years
Options granted to employees:				
– on 24 January 2013	400,000	HK$0.99	Immediate from date of grant	3 years
Total share options granted	21,384,000			

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Equity Settled Share-Based Transactions *(Continued)*

(b) The terms and conditions of the grants that existed as at 31 December 2013 are as follows:

	Number of shares issuable under options	Exercise price	Vesting conditions	Contractual life of options
Options granted to directors:				
– on 10 August 2012	8,850,000	HK$1.10	Immediate from date of grant	2 years
– on 30 December 2013	27,156,000	HK$0.75	Immediate from date of grant	2 years
Options granted to employees:				
– on 11 June 2012	952,000	HK$1.00	Immediate from date of grant	2 years
– on 10 August 2012	190,000	HK$1.10	Immediate from date of grant	2 years
– on 24 January 2013	650,000	HK$0.99	Immediate from date of grant	3 years
Options granted to consultants and other participants:				
– on 11 June 2012	2,000,000	HK$1.00	Immediate from date of grant	2 years
– on 10 August 2012	630,000	HK$1.10	Immediate from date of grant	2 years
– on 24 January 2013	3,538,000	HK$0.99	Immediate from date of grant	3 years
– on 14 June 2013	98,000	HK$0.80	Immediate from date of grant	2 years
Total share options granted	44,064,000			

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Equity Settled Share-Based Transactions *(Continued)*

(c) The number and the weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price HK$	**Number of shares issuable under options granted**	Weighted average exercise price HK$	Number of shares issuable under options granted
Outstanding at the beginning of the year	**0.87**	**44,064,000**	1.07	14,620,000
Granted during the year (note i)	**–**	**–**	0.87	57,246,000
Exercised during the year	**1.03**	**(1,244,000)**	0.97	(25,164,000)
Lapsed during the year (note ii)	**0.97**	**(21,436,000)**	1.03	(2,638,000)
Outstanding at the end of the year	**0.75**	**21,384,000**	0.87	44,064,000
Exercisable at the end of the year	**0.75**	**21,384,000**	0.87	44,064,000

Notes:

(i) On 24 January 2013, 4 February 2013, 14 June 2013 and 30 December 2013, 17,090,000, 10,000,000, 3,000,000 and 27,156,000 share options were granted respectively. The closing price of the Company's share immediately before the respective dates of grant was HK$0.99, HK$0.98, HK$0.63 and HK$0.60 respectively.

(ii) 21,436,000 (2013: 2,638,000) shares options were lapsed due to the resignation of directors and employees or expiration of the vesting period.

The share options outstanding at 31 December 2014 had an exercise price from HK$0.75 to HK$0.99 (2013: HK$0.75 to HK$1.10) and a weighted average remaining contractual life of 1.0 year (2013: 1.5 years).

As at 31 December 2014, the number of shares in respect of options under the New Share Option Scheme that had been granted and remained outstanding was 21,384,000 (2013: 44,064,000) representing approximately 2% (2013: approximately 4%) of the shares of the Company in issue.

Each option gives the option holder the right to subscribe for one ordinary share in the Company and is settled gross on shares.

(Expressed in Hong Kong dollars unless otherwise indicated)

35 Equity Settled Share-Based Transactions *(Continued)*

(d) Fair value of share options and assumptions

– Granted to directors and employees

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated in the models.

	11 June 2012	10 August 2012	24 January 2013	30 December 2013
Fair value of share options and assumptions				
Fair value of share options at measurement	HK$0.36	HK$0.34	HK$0.40	HK$0.10
Share price	HK$0.95	HK$0.94	HK$0.99	HK$0.60
Exercise price	HK$1.00	HK$1.10	HK$0.99	HK$0.75
Expected volatility (expressed as weighted average volatility used in the modeling under Black-Scholes option pricing model)	110.52%	110.64%	92.87%	43.84%
Option life (expressed as weighted average life used in the modeling)	0.999 year	0.947 year	1.499 years	1.997 years
Expected dividends	–	–	–	–
Risk-free interest rate (based on exchange fund notes)	0.16%	0.17%	0.14%	0.31%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

– Granted to consultants and other participants

The fair value for share options granted is measured using the market-based approach, by reference to the discounted cash flows to estimate the fair value of the professional fees that should have been paid. The value was developed by discounting future cash flows from the services to be provided by the consultants, taking into account the uniqueness of the services provided by the consultants, historical monthly payments to similar services provided by the consultants and the service period, along with other out-of-pocket expenses.

35 Equity Settled Share-Based Transactions *(Continued)*

(d) Fair value of share options and assumptions *(Continued)*

– Granted to consultants and other participants *(Continued)*

During the year ended 31 December 2013, option offers to subscribe for 14,300,000, 10,000,000 and 3,000,000 shares under the New Share Option Scheme were granted by the Company to the consultants of the Group which entitled the holders thereof to subscribe for an aggregate of 14,300,000, 10,000,000 and 3,000,000 ordinary shares of HK$0.5 each in the capital of the Company with an exercise price of HK$0.99, HK$0.99 and HK$0.80 per share during the exercisable period from 24 January 2013 to 23 January 2016, from 4 February 2013 to 3 February 2015 and from 14 June 2013 to 13 June 2015, respectively. During the year ended 31 December 2014, all outstanding 1,244,000 shares (2013: 25,164,000 shares) were exercised.

36 Employee Retirement Benefits

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The Group also participates in the employees' pension schemes of the respective municipal governments in various places (including Argentina) where the Group operates. The Group makes monthly contributions calculated as a percentage of the monthly basic salary and the relevant municipal government undertakes to assume the retirement benefit obligations of all existing and future retirees of the Group.

The Group also participates in a state-managed scheme in the PRC. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss from continuing operations of HK$3,333,000 (2013 (restated): HK$1,335,000) represents contributions payable to these schemes by the Group in respect of the current reporting period. As at 31 December 2014, none of the contributions due in respect of the reporting period had not been paid over to the schemes.

37 Income Tax in the Statement of Financial Position

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**125**	(500)	**–**	(6)
Acquired through business combination (note 14(a))	**(284)**	–	**–**	–
Provision for the year	**(1)**	(400)	**–**	–
(Under)/over-provision in respect of prior years	**(11,251)**	–	**–**	3
Income tax paid	**16,031**	1,036	**–**	3
Exchange adjustments	**1,533**	(11)	**–**	–
At 31 December	**6,153**	125	**–**	–
Representing:				
Current tax recoverable				
– Argentina Corporate Income Tax	**6,153**	483	**–**	–
Current tax payable				
– Hong Kong Profits tax	**–**	(356)	**–**	–
– PRC Enterprise Income Tax	**–**	(2)	**–**	–
	6,153	125	**–**	–

(b) Deferred tax assets/(liabilities):

The Group

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses	Fair value adjustment on business combination	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2013	–	(734)	(734)
Acquired through business combination	–	(64,348)	(64,348)
Eliminated on disposal	–	734	734
At 31 December 2013	–	(64,348)	(64,348)
At 1 January 2014	**–**	**(64,348)**	**(64,348)**
Credited to profit or loss	**1,783**	**5,257**	**7,040**
Acquired through business combination (note 14(a))	**–**	**(4,030)**	**(4,030)**
Reclassified to disposal group held for a sale (note 5)	**–**	**14,836**	**14,836**
Exchange adjustments	**(482)**	**963**	**481**
At 31 December 2014	**1,301**	**(47,322)**	**(46,021)**

37 Income Tax in the Statement of Financial Position *(Continued)*

(b) Deferred tax assets/(liabilities): *(Continued)*

	2014 HK$'000	2013 HK$'000
Representing:		
Deferred tax assets	**1,301**	–
Deferred tax liabilities	**(47,322)**	(64,348)
	(46,021)	(64,348)

(c) Deferred tax liabilities not recognised

Under the Enterprise Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. On 22 February 2008, the State Administration of Taxation approved Caishui (2008) No. 1 pursuant to which dividend distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. The PRC subsidiaries were loss-making and no temporary differences relating to the undistributed profits of the subsidiaries were recognised.

38 Provisions

The carrying amount of the Group's provisions mainly represented the provisions for asset retirement obligations. Movements of provisions during the year are set out as follows:

The Group

	2014 HK$'000	2013 HK$'000
At 1 January	**3,373**	4,670
Provisions made for the year	**3,063**	–
Acquired through business combination (note 14(a))	**7,777**	–
Exchange adjustments	**(1,860)**	–
Eliminated on disposal	**–**	(1,297)
At 31 December	**12,353**	3,373

In accordance with the relevant rules and regulations and the agreements with the surface owners, the Group is obliged to accrue the costs related to the future costs of plugging and abandoning its oil and gas properties, the removal of equipment and facilities from lease acreage and returning such land to its original condition, and indemnification of surface owners for the damages caused by the exploration activities. These costs reflect the estimated legal and contractual obligations associated with the normal operation of oil and gas properties and were capitalised by increasing the carrying amounts of the related assets. The provisions have been determined by the directors based on their best estimates of the level of expenditure and extent of work required.

39 Capital, Reserves and Dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital HK$'000	Share premium HK$'000	Share–based compensation reserve HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Contributed surplus HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2013	338,208	3,206,691	5,053	9,591	–	444,747	1,801	(158,769)	3,847,322
Changes in equity for 2013									
Loss for the year	–	–	–	–	–	–	–	(62,110)	(62,110)
Equity settled share– based payments	–	–	10,597	–	–	–	–	–	10,597
Issue of consideration shares (note 39(c)(ii))	10,725	4,934	–	–	–	–	–	–	15,659
Shares issued under share option scheme (note 39(c)(iii))	12,582	16,660	(4,881)	–	–	–	–	–	24,361
Lapse of share options granted under share option scheme	–	–	(657)	–	–	–	–	657	–
Shares issued upon conversion of convertible notes (note 39(c)(iv))	80,341	84,663	–	–	–	–	–	–	165,004
Shares issued under placements, net of issuing costs (note 39(c)(v))	35,500	27,270	–	–	–	–	–	–	62,770
Subscription of new shares (note 39(c)(vi))	62,267	12,667	–	–	–	–	–	–	74,934
Shares issued under acquisition of a subsidiary (note 14(b))	45,376	9,076	–	–	–	–	–	–	54,452
At 31 December 2013	584,999	3,361,961	10,112	9,591	–	444,747	1,801	(220,222)	4,192,989

39 Capital, Reserves and Dividends *(Continued)*

(a) Movements in components of equity *(Continued)*

	Share capital HK$'000	Share premium HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Fair value reserve HK$'000	Contributed surplus HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2014	584,999	3,361,961	10,112	9,591	-	444,747	1,801	(220,222)	4,192,989
Changes in equity for 2014									
Loss for the year	-	-	-	-	-	-	-	(68,732)	(68,732)
Other comprehensive income	-	-	-	-	726	-	-	-	726
Issue of consideration shares (note 39(c)(ii))	4,704	48,319	-	-	-	-	-	-	53,023
Shares issued under share option scheme (note 39(c)(iii))	622	675	(10)	-	-	-	-	-	1,287
Lapse of share options granted under share option scheme	-	-	(7,865)	-	-	-	-	7,865	-
Capital reduction (note 39(c)(vii))	(577,158)	-	-	-	-	296,133	-	281,025	-
Shares issued for acquisition of a joint venture (note 22)	683	23,909	-	-	-	-	-	-	24,592
At 31 December 2014	13,850	3,434,864	2,237	9,591	726	740,880	1,801	(64)	4,203,885

(b) Dividends

There is no dividend declared attributable to the year ended 31 December 2014 (2013: HK$Nil).

There is no dividend payable to owners of the Company attributable to previous financial year, approved and paid during the year ended 31 December 2014 (2013: HK$Nil).

39 Capital, Reserves and Dividends *(Continued)*

(c) Share capital

(i) Authorised and issued share capital

	2014 No. of shares '000	2014 HK$'000	2013 No. of shares '000	2013 HK$'000
Authorised:				
At 1 January				
Ordinary shares of HK$0.50 each	**4,000,000**	**2,000,000**	4,000,000	2,000,000
Capital sub-division (note 39(c)(vii))	**196,000,000**	**–**	–	–
At 31 December				
Ordinary shares of HK$0.50 each	**–**	**–**	4,000,000	2,000,000
Ordinary shares of HK$0.01 each	**200,000,000**	**2,000,000**	–	–
Ordinary shares, issued and fully paid:				
At 1 January				
Ordinary shares of HK$0.50 each	**1,169,998**	**584,999**	676,416	338,208
Issue of consideration shares (note 39(c)(ii))	**145,472**	**4,704**	21,450	10,725
Shares issued under share option scheme (note 39(c)(iii))	**1,244**	**622**	25,164	12,582
Shares issued for acquisition of a a joint venture (note 22)	**68,310**	**683**	–	–
Shares issued under acquisition of a subsidiary (note 14(b))	**–**	**–**	90,753	45,376
Shares issued upon conversion of convertible notes (note 39(c)(iv))	**–**	**–**	160,681	80,341
Shares issued under placements (note 39(c)(v))	**–**	**–**	71,000	35,500
Subscription of new shares (note 39(c)(vi))	**–**	**–**	124,534	62,267
Capital reduction (note 39(c)(vii))	**–**	**(577,158)**	–	–
At 31 December				
Ordinary shares of HK$0.50 each	**–**	**–**	1,169,998	584,999
Ordinary shares of HK$0.01 each	**1,385,024**	**13,850**	–	–

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

39 Capital, Reserves and Dividends *(Continued)*

(c) Share capital *(Continued)*

(ii) Issue of consideration shares

On 10 May 2013, ET-LA, a wholly-owned subsidiary of the Company, entered into a purchase and sale agreement with two independent parties, pursuant to which ET-LA has conditionally agreed to acquire from the two independent parties their respective interests in the oil and gas properties in Louisiana US, at a total consideration of US$2,000,000 (equivalent to approximately HK$17,160,000), which shall be satisfied by way of allotment and issue of 21,450,000 consideration shares at the issue price of HK$0.80 per share by the Company upon completion. On 23 May 2013, an aggregate of 21,450,000 ordinary shares of the Company were issued at a consideration of HK$15,659,000, of which HK$10,725,000 was credited to the share capital and the balance of HK$4,934,000 was credited to the share premium account.

On 30 January 2014, the Company issued 2,632,000 ordinary shares to Grottini Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,421,000, of which HK$1,316,000 was credited to the share capital and the balance of HK$105,000 was credited to the share premium account.

On 23 May 2014, the Company issued 4,000,000 ordinary shares to Golden Porter Limited, the business development consultant of the Company, as remuneration for its provision of consultancy services to the Company for a term of 24 months, at a consideration of HK$1,620,000, of which HK$2,000,000 was credited to the share capital and the balance of HK$380,000 was credited to the share premium account.

On 16 July 2014, one of the Group's subsidiaries, Clear Elite Holdings Limited, entered into a sale and purchase agreement with Rio Capital Limited, to acquire rights, leases and oil and gas property in Utah, US at a total consideration of US$11,050,000 (equivalent to approximately HK$86,190,000), of which US$2,150,000 (equivalent to approximately HK$16,770,000) has been paid by the Group in cash prior to the signing of the sale and purchase agreement as earnest money, and the remaining balance of US$8,900,000 (equivalent to approximately HK$69,420,000) shall be paid by the allotment and issue of 138,840,000 consideration shares. On 25 September 2014, an aggregate of 138,840,000 ordinary shares of the Company were issued at a consideration of HK$49,982,000, of which HK$1,388,000 was credited to the share capital and the balance of HK$48,594,000 was credited to the share premium account.

39 Capital, Reserves and Dividends *(Continued)*

(c) Share capital *(Continued)*

(iii) Shares issued under share option scheme

During 2014, options under the New Share Option Scheme (see note 35) were exercised to subscribe for 1,244,000 ordinary shares (2013: 25,164,000 ordinary shares) of the Company at a consideration of HK$1,287,000 (2013: HK$24,361,000), of which HK$622,000 (2013: HK$12,582,000) was credited to the share capital and the balance of HK$665,000 (2013: HK$11,779,000) was credited to the share premium account. An amount of HK$10,000 (2013: HK$4,881,000) has been transferred from share-based compensation reserve to the share premium account in accordance with the policy set out in note 2(u).

(iv) Shares issued upon conversion of convertible notes

During the year ended 31 December 2013, convertible notes for a principal amount of HK$165,004,000 were converted into 160,681,495 ordinary shares of the Company.

There was no conversion of convertible notes during 2014.

(v) Shares issued under placements

On 20 December 2012, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place up to 35,000,000 ordinary shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 14 January 2013. A total of 35,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.91 per share.

On 18 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, through this placing agent, up to 22,000,000 ordinary shares at a price of HK$0.91 per share to not less than six independent third parties. The placing was completed on 29 January 2013. A total of 22,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.91 per share.

39 Capital, Reserves and Dividends *(Continued)*

(c) Share capital *(Continued)*

(v) Shares issued under placements (Continued)

On 25 January 2013, the Company had entered into a placing agreement with an independent placing agent, pursuant to which the Company had conditionally agreed to place, up to 14,000,000 ordinary shares at a price of HK$0.98 per share to not less than six independent third parties. The placing was completed on 6 February 2013. A total of 14,000,000 ordinary shares have been placed to certain independent third parties at the price of HK$0.98 per share.

There was no placement of shares during 2014.

(vi) Subscription of new shares

On 5 July 2013, an aggregate of 34,370,000 subscription shares at the subscription price of HK$0.58 per share were issued by the Company in accordance with the terms of the subscription agreement dated 19 June 2013 and as amended by the supplementary agreement dated 27 June 2013.

On 2 October 2013, the Company and Max Sun entered into a subscription agreement, pursuant to which Max Sun conditionally agreed to subscribe for 90,163,934 ordinary shares at HK$0.61 per share. On 11 December 2013, a total of 90,163,634 ordinary shares were issued at the price of HK$0.61 per share.

There was no subscription of shares during 2014.

(vii) Capital reduction

Pursuant to a special resolution passed at the Special General Meeting held on 10 September 2014, the Company reduced the paid-up capital of each issued share from HK$0.50 to HK$0.01 by cancelling paid-up capital of the Company to the extent of HK$0.49 on each of the issued shares such that the nominal value of each issued share be reduced from HK$0.50 to HK$0.01 so as to form a new share with nominal value of HK$0.01 each. ("Capital Reduction")

The credit arising from the Capital Reduction of HK$577,158,000 was set off against the accumulated losses of the Company of HK$281,025,000 and the balance of HK$296,133,000 was transferred to the contributed surplus.

Each of the unissued shares was sub-divided into 50 new shares of HK$0.01 each immediately after the Capital Reduction becoming effective.

39 Capital, Reserves and Dividends *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Bermuda Companies Act.

(ii) Share–based compensation reserve

This comprises the portion of fair value of unexercised share options granted to eligible participants of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(u).

(iii) Capital reserve

The capital reserve of the Group and the Company represents (i) the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid upon acquisition of additional interests in non-wholly owned subsidiaries during the year ended 31 December 2012 and (ii) the difference between the nominal value of ordinary shares issued by the Company and the aggregate of the share capital and share premiums of subsidiaries acquired through a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange in October 1998.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(v) Fair value reserve

The fair value reserve represents the change in fair value of the available-for-sale investment of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 2(h).

39 Capital, Reserves and Dividends *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(vi) Contributed surplus

The contributed surplus of the Group and the Company represented the credit arising from capital reduction in prior years and during the year ended 31 December 2014.

Under Section 54 of the Bermuda Companies Act, contributed surplus is available for distribution as dividends to shareholders subject to the provisions of the Company's bye-laws and provided that immediately following the distribution, the Company is able to pay its liabilities as and when they fall due or the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium account.

(vii) Warrants reserve

The balance represented completion of warrants subscription on 17 July 2012 pursuant to the subscription agreement entered into between the Company and Max Sun. An aggregate of 100,000,000 warrants (conferring the rights to subscribe for 100,000,000 warrant shares at the exercise price of HK$1.05 each) have been issued to Max Sun at the issue price of HK$0.02 per warrant share, less issuance costs of approximately HK$199,000. The subscription rights are exercisable within 60 months from date of issue of warrants.

(e) Distributability of reserves

At 31 December 2014, the Company had no reserves available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, the Company's contributed surplus in the amount of HK$740,880,000 (2013: HK$444,747,000) is currently not available for distribution. The Company's share premium account in the amount of HK$3,434,864,000 as at 31 December 2014 (2013: HK$3,361,961,000) may be distributed in the form of fully paid bonus shares.

39 Capital, Reserves and Dividends *(Continued)*

(f) Capital management

The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is the balance as shown in the consolidated statement of financial position.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain the ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The adjusted gearing ratio as at 31 December 2014 and 2013 was as follow:

	2014 **HK$'000**	2013 HK$'000
Bank and other borrowings (note 31)	**370,613**	191,017
Promissory notes payables (note 32)	**30,579**	47,697
Convertible notes payables (note 33)	**82,774**	96,485
Obligations under finance leases	**–**	340
Total borrowings	**483,966**	335,539
Less: cash and cash equivalents (note 29)	**(21,693)**	(87,104)
Net debt	**462,273**	248,435
Total equity	**3,820,975**	3,950,899
Adjusted gearing ratio	**12%**	6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 Financial Risk Management and Fair Values of Financial Instruments

Exposure to credit, liquidity, interest rate, currency and price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group do not have any concentration of credit risk.

(iii) As at 31 December 2014, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated and company statement of financial position after deducting any impairment allowance.

The Group's credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors closely the credit ratings of these counterparties and will take appropriate action when their ratings change.

In respect of trade and other receivables, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not require collateral in respect of its financial assets. Debts are usually due within 30 days (2013: 30 days) from the date of billing.

In respect of convertible notes receivables, credit evaluations of the counter parties' financial position and condition are performed. The Group reviews the recoverable amount of convertible notes receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(a) Credit risk *(Continued)*

(iv) The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Company does not expect to incur a significant loss for uncollected amounts due from subsidiaries.

(v) The Group does not provide any guarantees which expose to Group to credit risk.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 27.

(b) Liquidity risk

For the year ended 31 December 2014, the Group incurred a net loss of HK$94,606,000 from continuing operations. As at 31 December 2014, the Group had net current assets of HK$192,494,000 (2013: net current liabilities of HK$96,065,000), which include net assets from disposal group held for sale of HK$219,332,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due and to meet its committed future capital expenditures. The directors of the Company have carried out a detailed review of the Group's cash flow projections, which cover a period of twelve months from the reporting period end date. Based on such projects, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements during that period. In preparing the cash flow projections, the directors have considered historical cash requirements of the Group as well as other key factors including new financing from lenders. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

The following table shows the remaining contractual maturities at the end the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	2014						2013					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Trade and other payables	41,774	–	–	–	41,774	41,774	44,057	–	–	–	44,057	44,057
Bank and other borrowings	88,776	109,145	101,724	169,921	469,566	370,613	181,010	5,300	–	13,505	199,815	191,017
Obligations under finance leases	–	–	–	–	–	–	99	99	189	–	387	340
Promissory notes payables	–	33,000	–	–	33,000	30,579	49,430	–	–	–	49,430	47,697
Convertible notes payables	87,475	–	–	–	87,475	82,764	17,320	88,647	–	–	105,967	91,046
	218,025	142,145	101,724	169,921	631,815	525,730	291,916	94,046	189	13,505	399,656	374,157

The Company

	2014						2013					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Other payables	11,079	–	–	–	11,079	11,079	20,933	–	–	–	20,933	20,933
Bank and other borrowings	48,912	32,382	101,724	169,921	352,939	258,804	120,635	5,300	–	13,505	139,440	134,113
Promissory notes payables	–	33,000	–	–	33,000	30,579	49,430	–	–	–	49,430	47,697
Convertible notes payables	87,475	–	–	–	87,475	82,764	17,320	88,647	–	–	105,967	91,046
	147,466	65,382	101,724	169,921	484,493	383,226	208,318	93,947	–	13,505	315,770	293,789

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest–bearing borrowings.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of the reporting period.

	The Group				The Company			
	2014		2013		**2014**		2013	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000	**Effective interest rate %**	**HK$'000**	Effective interest rate %	HK$'000
Fixed rate borrowings:								
Other borrowings	**4.00%-8.00%**	**370,613**	4.00%-20.00%	94,644	**4.00%-8.00%**	**258,804**	4.00%-6.00%	46,621
Obligations under finance leases	**–**	**–**	6.54%	340	**–**	**–**	–	–
Promissory notes payables	**5.00%**	**30,579**	3.00%-5.00%	47,697	**5.00%**	**30,579**	3.00%-5.00%	47,697
Liability component of convertible notes payables	**0.00%-8.00%**	**82,764**	0.00%-8.00%	91,046	**0.00%-8.00%**	**82,764**	0.00%-8.00%	91,046
		483,956		233,727		**372,147**		185,364
Variable rate borrowings:								
Bank borrowings	**–**	**–**	2.10%-2.45%	17,600	**–**	**–**	2.10%-2.45%	17,600
Other borrowings	**–**	**–**	5.00%	69,892	**–**	**–**	5.00%	69,892
		–		87,492		**–**		87,492

(ii) Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial liabilities at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. The analysis is performed on the same basis for 2013.

At 31 December 2014, it is estimated that a general increase/decrease of 50 basis points in interest rates of variable rate borrowings, with all other variables held constant, would increase/decrease the Group's and Company's loss after tax and accumulated losses by HK$Nil (2013: increase/decrease the Group's and Company's loss after tax and accumulated losses by HK$437,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(d) Currency risk

The Group is exposed to currency risk primarily through carrying out exploration activities and investment in convertible notes issued by a foreign company which give rise to convertible note receivable, cash and cash equivalents, trade and other receivables, trade and other payables and bank and other borrowings that are denominated in a currency other than the functional currency of the operations to which the transactions relate. Presently, there is no hedging policy with respect to the foreign exchange exposure.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currency (expressed in HK$)					
	2014			2013		
	US$ HK$'000	**RMB HK$'000**	**EUR HK$'000**	US$ HK$'000	RMB HK$'000	EUR HK$'000
Convertible notes receivables	**9,729**	**–**	**–**	5,548	–	–
Trade and other receivables	**14,675**	**–**	**–**	13,633	3,199	–
Cash and cash equivalents	**6,281**	**125**	**13**	63,431	–	15
Trade and other payables	**(129)**	**–**	**–**	(1,315)	–	–
Bank and other borrowings	**(96,763)**	**–**	**–**	(69,892)	–	–
Net exposure arising from recognised assets and liabilities	**(66,207)**	**125**	**13**	11,405	3,199	15

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currency (expressed in HK$)					
	2014			2013		
	US$ HK$'000	**RMB HK$'000**	**EUR HK$'000**	US$ HK$'000	RMB HK$'000	EUR HK$'000
Convertible notes receivables	**9,729**	**–**	**–**	5,548	–	–
Trade and other receivables	**13,499**	**–**	**–**	13,232	2,844	–
Cash and cash equivalents	**1,260**	**–**	**13**	62,280	–	15
Trade and other payables	**–**	**–**	**–**	(1,315)	–	–
Bank and other borrowings	**(96,763)**	**–**	**–**	(69,892)	–	–
Net exposure arising from recognised assets and liabilities	**(72,275)**	**–**	**13**	9,853	2,844	15

(ii) Sensitivity analysis

The directors of the Company considered that the Group's and the Company's exposure to currency risk is not significant and accordingly, no sensitivity analysis has been presented. It is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

(e) Price risk

The Group is engaged in petroleum–related activities. Prices of crude oil are affected by a wide range of global and domestic political, economic and military factors which are beyond the control of the Group. A decrease in such prices could adversely affect the Group's financial position. The Group has not used any derivative instruments to hedge against potential price fluctuations of crude oil. The management will consider hedging oil exposure should the need arises.

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investments (see note 25).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

At 31 December 2014, it is estimated that an increase/decrease of 5% (2013: 5%) in the equity price of comparable companies, with all other variables held constant, would have increased/decreased the Group's other comprehensive income (and fair value reserve) by HK$5,315,000 (2013:HK$5,044,000) as a result of the revaluation of available-for-sale investments.

The sensitivity analysis indicates the instantaneous change in the Group's other comprehensive income and other components of consolidated equity that would arise assuming that the changes in the equity price of comparable companies had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the equity price of comparable companies and that all other variables remain constant.

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

The Group

	Fair value measurements as at 31 December 2014 categorised into			
	Fair value at 31 December 2014 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
– Unlisted equity investment	**106,300**	**–**	**100,878**	**5,422**
Derivative financial instruments:				
– Conversion option embedded in convertible notes receivables	**2,899**	**–**	**–**	**2,899**
Liabilities:				
Derivative financial instruments				
– Conversion option embedded in convertible notes payables	**10**	**–**	**–**	**10**

The Group

	Fair value measurements as at 31 December 2013 categorised into			
	Fair value at 31 December 2013 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement				
Assets:				
Available-for-sale investments:				
– Unlisted equity investment	100,878	–	100,878	–
Liabilities:				
Derivative financial instruments				
– Conversion option embedded in convertible notes payables	5,439	–	–	5,439

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

(Expressed in Hong Kong dollars unless otherwise indicated)

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair values measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Valuations for the financial instruments, including available-for-sale investments, convertible notes receivables and convertible notes payables, which are categorised into Level 3 of the fair value hierarchy are prepared by independent valuers, and/or are reviewed and approved by the management of Group. Discussion of the valuation process and results are made to coincide with the reporting dates.

Valuation techniques and inputs used in Level 2 fair value measurements

The equity interest in Nordaq is classified as available-for-sale equity investment and carried at fair value. The fair value is valued using the market approach with reference to the private placing of shares by Nordaq and the share price fluctuations of comparable companies.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Available-for-sale investments – unlisted equity investment	Market comparable companies	Discount for lack of marketability	16.15%
Convertible notes receivables – conversion option embedded in convertible notes	Option pricing model	Expected volatility	19.33%-27.33% (2013: 16.02%-22.38%)
Convertible notes payables – convertible option embedded in convertible notes	Option pricing model	Expected volatility	67.26%-101.70% (2013: 20.43%-39.61%)

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair values measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

The Group

	2014 **HK$'000**	2013 HK$'000
Unlisted available-for-sale equity investments:		
At 1 January	**–**	–
Payment for purchases	**4,696**	–
Net unrealised gains or losses recognised in other comprehensive income during the year	**726**	–
At 31 December	**5,422**	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**	–

	2014 **HK$'000**	2013 HK$'000
Conversion option embedded in convertible notes receivable:		
At 1 January	**–**	–
Changes in fair value recognised in profit or loss during the year	**2,899**	–
At 31 December	**2,899**	–
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**2,899**	–

40 Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

(g) Fair values measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	2014 HK$'000	2013 HK$'000
Conversion option embedded in convertible notes payables:		
At 1 January	**5,439**	–
Issued during the year	**–**	65,141
Converted during the year	**–**	(55,741)
Changes in fair value recognised in profit or loss during the year	**(5,429)**	(3,961)
At 31 December	**10**	5,439
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	**(5,429)**	(3,961)

(ii) Fair value of financial assets and liabilities carried other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2014.

41 Material Related Party Transactions

The Group has a related party relationship with the following parties:

Name of party	**Relationship**
New World Tower Company Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato'Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
CiF Solutions Limited	The company is an indirect wholly-owned subsidiary of New World Development Company Limited, which is controlled by the family of Dato'Dr. Cheng Yu Tung, the ultimate beneficiary of the Company
Cheung Hung Development (Holdings) Limited	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive Director of the Company, is a common director
China Venturetechno International Co., Ltd.	Mr. Cheng Kam Chiu, Stewart, the Chairman and Executive Director of the Company, is a common director
Blue Sky Power Holdings Limited	Mr. Cheng Ming Kit, the Executive Director and Chief Executive Officer of Company, is a common director

Save as disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

41 Material Related Party Transactions *(Continued)*

(a) Key management personnel remuneration

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 employees as disclosed in note 10, is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**14,711**	5,843
Post-employment benefits	**90**	1,548
Equity compensation benefits	**–**	3,290
	14,801	10,681

Total remuneration is included in "staff costs" (see note 7(b)).

(b) Financing arrangement

	Amounts due to related parties		Related interest expenses	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from China Venturetechno International Co., Ltd.	**(30,469)**	(15,320)	**916**	584

(c) Other related party transactions

Related parties	Nature of transactions	2014 HK$'000	2013 HK$'000
(i) New World Tower Company Limited	Rent, rates and management fee	**1,959**	1,310
(ii) CiF Solutions Limited	IT management and support	**95**	130
(iii) Cheung Hung Development (Holdings) Limited	Rent, rates and management fee	**280**	829
(iv) Blue Sky Power Holdings Limited	Receipt in advance*	**17,000**	–

* During the year ended 31 December 2014, a deposit of HK$17,000,000 was received from Blue Sky to the Group as deposit payment relating to the Transaction I of the Disposal (see note 5).

41 Material Related Party Transactions *(Continued)*

(d) Applicability of Listing Rules relating to connected transactions

For the year ended 31 December 2014 and 2013, the related party transactions as disclosed in note 41(c)(i) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Directors' Report. The related party transactions as disclosed in note 41(c)(ii) above are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1). The other related party transactions do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

42 Commitments

(a) Capital commitments outstanding at 31 December 2014 not provided for in the consolidated financial statements were as follows:

	2014 HK$'000	2013 HK$'000
Contracted for	**–**	83,796
Authorised but not contracted for	**21,140**	–
	21,140	83,796

(b) Commitments under operating leases

As at 31 December 2014, total future minimum lease payments under non-cancellable operating leases payable as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	**3,222**	2,968
After 1 year but within 5 years	**3,729**	4,481
	6,951	7,449

The Group leases its offices under operating lease arrangements. The leases for properties are negotiated for a term of one to three years. None of the leases includes contingent rentals.

43 Events After the Reporting Period

(a) Subsequent to the end of the reporting period, the Company completed an open offer of 692,511,997 ordinary shares at a price of HK$0.17 per share in January 2015. At completion, a total of 342,490,434 ordinary shares was issued to Max Sun and 350,121,563 ordinary shares were issued to an underwriter and public shareholders, for net proceeds of approximately HK$113,900,000.

(b) Subsequent the end of the reporting period, Transaction I of the disposal of Shine Great was completed on 24 February 2015. As a result, convertible notes in principal amount of HK$77,805,000 were issued by Blue Sky to Total Belief. Further details are disclosed in note 5.

(Expressed in Hong Kong dollars unless otherwise indicated)

44 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee Contributions*	1 July 2014
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Set out below is a summary of the results and a statement of net assets of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate.

RESULTS

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER					
Continuing operations	**81,105**	321,770	129,007	128,857	57,252
Discontinued operation	**7,633**	1,085	–	–	–
	88,738	322,855	129,007	128,857	57,252
LOSS BEFORE TAXATION					
Continuing operations	**(88,254)**	(14,119)	(60,142)	(121,509)	(73,837)
Discontinued operation	**(29,657)**	(17,304)	–	–	–
	(117,911)	(31,423)	(60,142)	(121,509)	(73,837)
INCOME TAX					
Continuing operations	**(6,352)**	(400)	448	(577)	(6,539)
Discontinued operation	**2,140**	–	–	–	–
	(4,212)	(400)	448	(577)	(6,539)
PROFIT/(LOSS) ATTRIBUTABLE TO					
Owners of the Company	**(120,448)**	3,771	(39,917)	(87,410)	(66,057)
Non-controlling interests	**(1,675)**	(35,594)	(19,777)	(34,676)	(14,319)
	(122,123)	(31,823)	(59,694)	(122,086)	(80,376)

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**4,015,938**	4,209,999	3,785,662	3,879,804	3,642,538
Current assets	**491,178**	201,959	113,608	67,984	266,977
Total assets	**4,507,116**	4,411,958	3,899,270	3,947,788	3,909,515
Current liabilities	**298,684**	298,024	62,183	231,478	238,686
Non-current liabilities	**387,457**	163,035	40,882	5,587	1
Total liabilities	**686,141**	461,059	103,065	237,065	238,687
NET ASSETS	**3,820,975**	3,950,899	3,796,205	3,710,723	3,670,828

Glossary

"BBL"	Barrel
"BCF"	Billion cubic feet
"BOE"	Barrel of oil equivalent
"BOPD"	Barrels of oil per day
"km^2"	Square kilometers
"MBBL"	Thousand barrels of oil
"MMBBL"	Million barrels of oil
"MMCF"	Million cubic feet
"MMBOE"	Million barrels of oil equivalent
"Prospective Resources"	Quantities of petroleum which are estimated to be potentially recovered from undiscovered accumulations
"Probable Reserves"	Additional reserves that are less certain to be recovered than Proven Reserves but which, together with Proven Reserves, are as likely as not to be recovered
"Proven Reserves"	Proven oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible
"1P Reserves"	Proven Reserves
"2P Reserves"	Proven Reserves + Probable Reserves